



REPUBLIC OF CROATIA
MINISTRY OF FINANCE

ANNUAL
REPORT
OF THE MINISTRY
OF FINANCE
FOR 2011



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FOREWORD

The Annual Report of the Ministry of Finance shows the activities of the Ministry of Finance and the state of public finance of the Republic of Croatia in 2011, in a challenging foreign and domestic economic environment.

The economic crisis and its consequences, which have been shaking the world's economies for the last several years, have also been felt in the economy of the Republic of Croatia in 2011. However, even in such conditions, after two years of negative economic activity rates, zero growth rate was recorded in 2011. The key challenge was to ensure the conditions for economic recovery and stable economic growth through the stabilisation effect of fiscal policy, but at the same time to maintain social justice and stimulate competitiveness of the economy.

As a consequence of the crisis, there has been an expansion of fiscal imbalances. In the existing conditions, fiscal consolidation has been necessary for the sustainability of public finance, as well as for the compliance with the Fiscal Responsibility Act. The continuation of unfavourable economic developments during the year affected, among other things, the revenue and expense trends, however, to a smaller extent than in 2010, so that there was no need to adopt budget amendments during 2011.

In 2011, the Republic of Croatia continued with the regular settlement of its financial obligations towards creditors and had an access to international financial markets in spite of the high volatility and challenges present on the financial markets. Budgetary financing in 2011 was carried out with even more favourable conditions than in the previous years, and the investment rating of the country has been preserved.

Regarding the institutional guidelines for fiscal policy, for the purpose of monitoring the implementation of the Fiscal Responsibility Act, but also to increase the efficiency of public finance management and improve the implementation of fiscal policy in 2011, the Fiscal Policy Committee has been established.

The implementation of other reforms and activities aimed at fighting the consequences of the crisis and strengthening the quality of public finance in the Republic of Croatia, which started earlier, also continued during 2011. The financing models from 2010, which stimulated credit activity in the country, were upgraded in 2011, i.e., certain propositions of the model were changed in order to help business entities overcome the consequences of the crisis, but also in order to stimulate investment projects.

A detailed analysis of all trends in the field of public finance of the Republic of Croatia in 2011 is given below for the purpose of promoting dialogue on fiscal policy among the interested professional, as well as general public.





1

MACROECONOMIC
DEVELOPMENTS
IN 2011

1.1. INTERNATIONAL ENVIRONMENT

During 2011, global economic growth slowed down. Global economic growth amounted to 3.8 percent in 2011¹, which was a slowdown of 1.3 percentage points compared to 2010. Developed economies recorded an economic growth of 1.6 percent, whereas the developing countries recorded a growth of 6.2 percent. As regards the leading developed economies, the real GDP growth in the USA amounted to 1.8 percent in 2011, while Japan recorded a real GDP drop of 0.8 percent. The increase of the volume of world trade has been cut by more than a half in the course of 2011, dropping from 12.6 percent in 2010 to 5.8 percent in 2011.

The recovery of European economies, which began in 2010, also slowed down in the course of 2011, mainly because of the intensification of negative economic developments in the second half of the year. Namely, although the first quarter of 2011 recorded the strongest GDP growth since the beginning of the global economic and financial crisis, in the last quarter of 2011, due to the escalation of the debt crisis in the euro area, oil price growth and slowdown of global economic growth, the European economy recorded a GDP drop as compared to the previous quarter. In 2011, a real annual GDP growth of 1.5 percent in the European Union and 1.4 percent in the euro area was achieved, which was primarily a result of the positive contribution of net exports.

The majority of Croatia's most important trading partners also recorded a slowdown of economic activity in 2011. The real growth of the German GDP amounted to 3.0 percent in 2011, based primarily on domestic demand, especially household consumption and investments, as well as on the positive contribution of net exports. Slovenian economy recorded a real GDP growth of 0.6 percent in 2011, which resulted from the positive contribution of net exports and the negative contribution of domestic demand, especially investments. In 2011, Italy recorded a mild increase of real economic activity of 0.4 percent, based on net foreign demand, whereas the domestic demand negatively contributed to change of the GDP, primarily because of the negative contribution of investments. On the other hand, the growth of Austrian economy of 2.7 percent in 2011, based on domestic demand, especially investments, was accelerated as compared to the previous year and surpassed the average economic growth before the crisis.

Table 1.1. International Environment - Macroeconomic Indicators

	2007	2008	2009	2010	2011
Real GDP growth, %					
World	5.4	2.8	-0.6	5.1	3.8
European Union	3.2	0.3	-4.3	2.1	1.5
Austria	3.7	1.4	-3.8	2.1	2.7
Italy	1.7	-1.2	-5.5	1.8	0.4
Germany	3.3	1.1	-5.1	4.2	3.0
Slovenia	7.0	3.4	-7.8	1.2	0.6
Euro area	3.0	0.4	-4.4	2.0	1.4
Inflation rate, %					
European Union	2.3	3.7	1.0	2.1	3.1
Euro area	2.1	3.3	0.3	1.6	2.7
Oil prices growth, %					
	10.7	36.4	-36.3	27.9	31.6

Source: Eurostat, International Monetary Fund

¹ International Monetary Fund, World Economic Outlook, October 2012

The index of primary commodity prices² on the world market had a steady growth of 26.1 percent in 2011. The price growth of raw materials was affected the most by an oil price increase³ of 31.6 percent, that is, from the average of USD 79.0 per barrel in 2010 to USD 104.0 per barrel in 2011. The price increase of primary commodities in 2011 was also significantly affected by the growth of the price of food commodities of 19.7 percent.

In 2011, inflation accelerated to 3.1 percent in the European Union and 2.7 percent in the euro area, which was the result of the increase of prices of raw materials, especially oil, as well as of the increase of indirect taxes and administrative prices in individual Member States.

1.2. REAL SECTOR

After two recession years, a stagnation of real economic activity was recorded in 2011. With regard to the expenditure side, the largest negative contribution to the change of gross domestic product again came from gross fixed capital formation. During 2011, the negative trends in industrial production and construction continued, while trade and tourism recorded growth in comparison to the previous year. Lack of economic growth led to the continuation of unfavourable trends on the labour market during 2011, resulting in a further growth of unemployment, that is, in employment reduction. Average inflation, although accelerated in comparison to 2010, mainly because of imported inflationary pressures, was maintained at a low level during 2011.

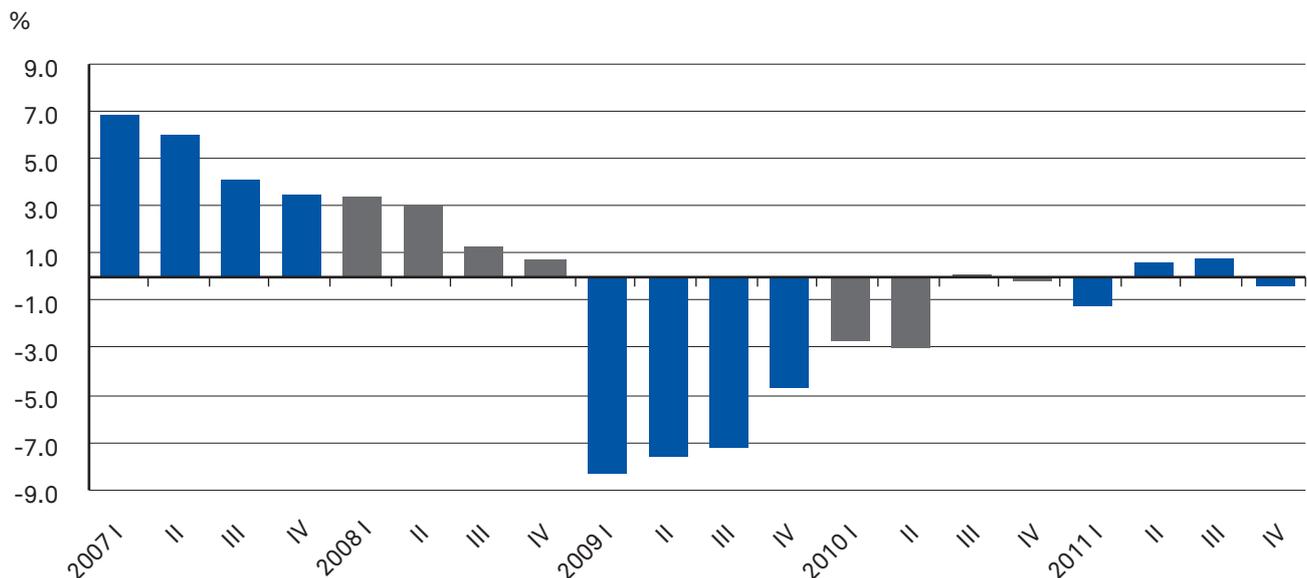
1.2.1. Gross Domestic Product

In 2011, gross domestic product recorded a real stagnation in comparison to 2010 (0.0 percent). This was a result of the real drop of GDP of 1.2 percent in the first quarter, its growth of 0.6 percent and 0.8 percent in the second and third quarter, respectively, and its repeated drop of 0.4 percent in the last quarter of 2011. The nominal gross domestic product amounted to HRK 333,956 million in 2011 and recorded a growth of 2.1 percent. Growth of gross domestic product deflator amounted to 2.1 percent in 2011, which was an acceleration of 1.2 percentage points in comparison to 2010. In 2011, the Croatian GDP per capita amounted to 61 percent of the average GDP per capita in the European Union, which was the same as the previous year.

² Source: International Monetary Fund

³ Average oil price was calculated as the average value of crude oil prices for U.K. Brent, Dubai and West Texas Intermediate types; source: International Monetary Fund

Chart 1.1. Real Quarterly Gross Domestic Product Growth

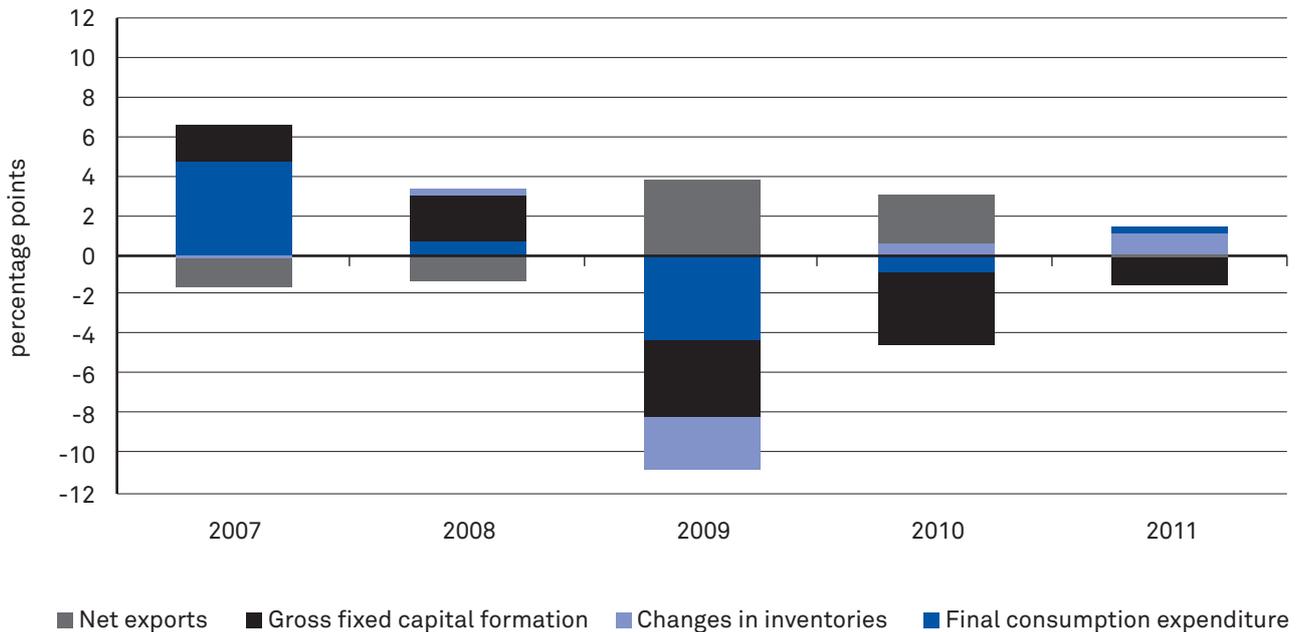


Source: Croatian Bureau of Statistics

1.2.2. Expenditure Side of Gross Domestic Product

In 2011, the trend of negative contribution of domestic demand, and that of positive contribution of net foreign demand, to the change of gross domestic product continued for the third consecutive year. The largest negative contribution to the change of gross domestic product, in the amount of -1.5 percentage points, came from gross fixed capital formation which recorded a reduction of 7.2 percent. Minor contributions to the change of gross domestic product came from other categories of domestic demand. Namely, the contribution of household consumption, with the largest share in GDP and a real growth of 0.2 percent in 2011, amounted to 0.1 percentage points, while government consumption recorded a real drop of 0.3 percent, thus contributing to the change of GDP with -0.1 percentage points. In 2011, the export of goods and services recorded a stronger real growth (2.0 percent) than the import of goods and services (1.2 percent). Therefore, given that the positive contribution of export (+0.8 percentage points) was stronger than the negative contribution of the import of goods and services (-0.5 percentage points), the contribution of net exports to the change of gross domestic product was positive and amounted to 0.3 percentage points. Changes in inventories, which included statistical discrepancy, positively contributed to the change of gross domestic product in 2011 with 1.1 percentage points.

Chart 1.2. Contributions of Individual Components to Gross Domestic Product Growth

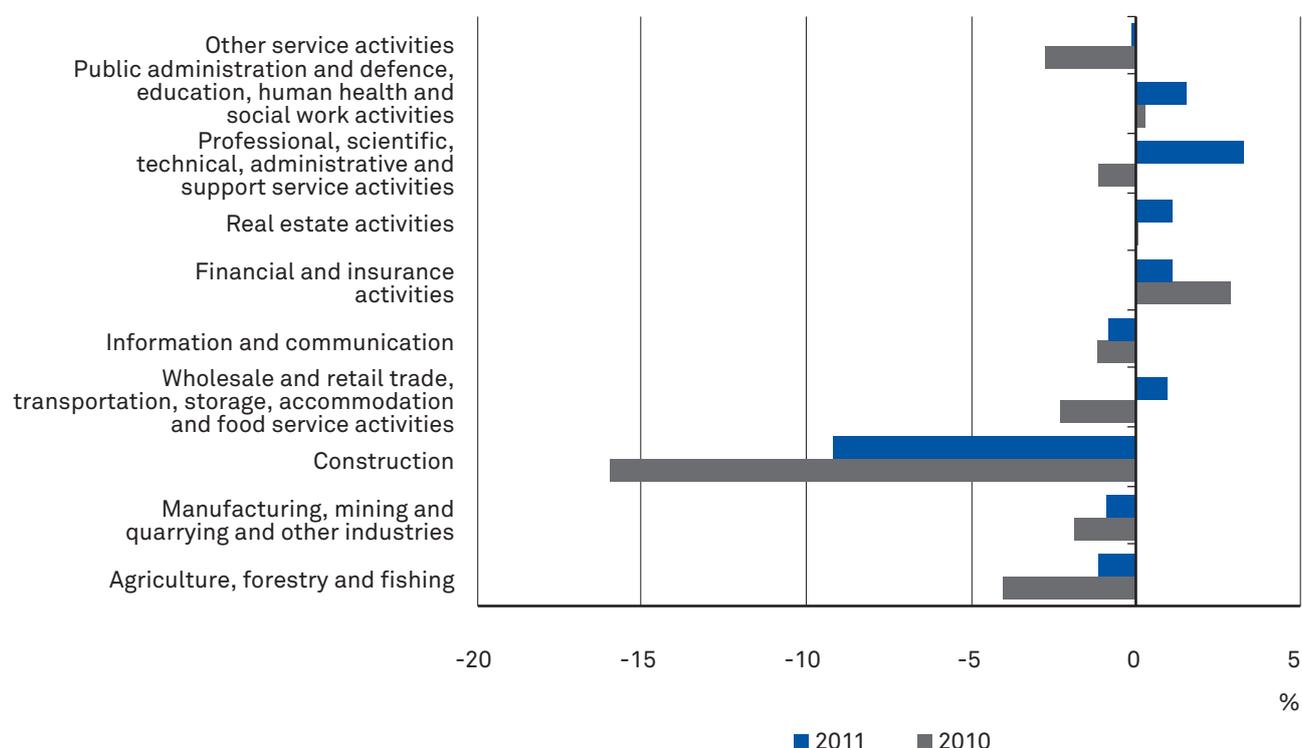


Source: Croatian Bureau of Statistics

1.2.3. Production Side of Gross Domestic Product

The total gross value added recorded a real stagnation in 2011 (0.0%). The largest contribution to the reduction of gross value added in 2011 came from the reduction of gross value added in construction (-9.2 percent) and manufacturing, mining and quarrying and other industries (-0.9 percent). Conversely, the largest contribution to the increase of total gross value added came from the real increase of gross value added in public administration and defence, education, health and social work (1.6 percent), professional, scientific, technical, administrative and support service activities (3.3 percent) and wholesale and retail trade, transportation and storage, accommodation and food service activities (0.9 percent).

Chart 1.3. Real Growth of Gross Value Added by Activities



Source: Croatian Bureau of Statistics

Industrial Production

Industrial production recorded a drop of 1.2 percent in 2011, which was a slowdown of 0.3 percentage points when compared to 2010⁴. Observed by main industrial groups, the decrease of total production resulted primarily from the decrease of energy production (-8.7 percent) and production of intermediate goods (-4.5 percent). Production of durable consumer goods was reduced by 5.1 percent. The increase of 11.1 percent in the production of capital goods significantly mitigated the negative trends in total industrial production. Furthermore, production of non-durable consumer goods recorded an increase (0.7 percent).

During 2011, all three industrial activities recorded decrease in production. Mining and quarrying was reduced by 4.8 percent, electricity, gas, steam and air-conditioning supply were reduced by 6.8 percent, whereas manufacturing, the activity with the largest share in the total industrial production (82.5 percent), was slightly reduced in 2011 (by 0.1 percent). The largest contribution to the decrease of industrial production in 2011 came from the production of computer, electronics and optical products, which recorded a reduction of 54.2 percent, electricity, gas, steam and air-conditioning supply (-10.2 percent), and from the production of coke and refined petroleum products (-17.0 percent). Conversely, the largest contribution to the increase of industrial production came from the production of machinery and equipment (an increase of 29.3 percent) and repairs and installation of machinery and equipment (12.7 percent).

⁴ According to working-day adjusted indices.

Construction

Negative trends in the construction activity continued in 2011. The construction works index recorded a reduction of 9.1 percent, which was a slowdown of 6.8 percentage points compared to 2010. As regards the types of construction, in 2011 the buildings' construction works index dropped by 11.1 percent as compared to 2010, whereas the civil engineering works construction index dropped by 7.4 percent. In comparison to 2010, the total number of building permits issued dropped by 4.8 percent.

Retail Trade

Turnover of retail trade in 2011 recorded a nominal growth of 4.0 percent and a real growth of 1.0 percent in comparison with 2010, which represents the first real growth of retail trade turnover since 2007. Observing the nominal turnover of retail trade by branches, the largest contribution to its increase in 2011 came from automotive fuels (increase of 13.8 percent) and non-specialised stores with food, beverages and tobacco predominating (3.7 percent).

Tourism

A record number of tourist arrivals and overnight stays was recorded in 2011. The total number of tourist arrivals amounted to 11.5 million, which was an increase of 8.0 percent in comparison to 2010, whereas the total number of overnight stays amounted to 60.4 million, recording growth of 7.0 percent. In 2011, there was an average of 5.3 overnight stays per tourist arrival, which was the same as in 2010. Foreign tourist arrivals in 2011 increased by 9.0 percent in comparison to 2010, while the number of foreign tourist overnight stays increased by 7.4 percent. The number of domestic tourist arrivals increased by 2.4 percent and the number of domestic tourist overnight stays increased by 3.3 percent. In the 2011 overnight stay structure, 90.7 percent of total overnight stays were achieved by foreign tourists, mostly from Germany (22.8 percent), Slovenia (11.7 percent), Italy (9.1 percent), Austria (8.8 percent) and Czech Republic (8.0 percent).

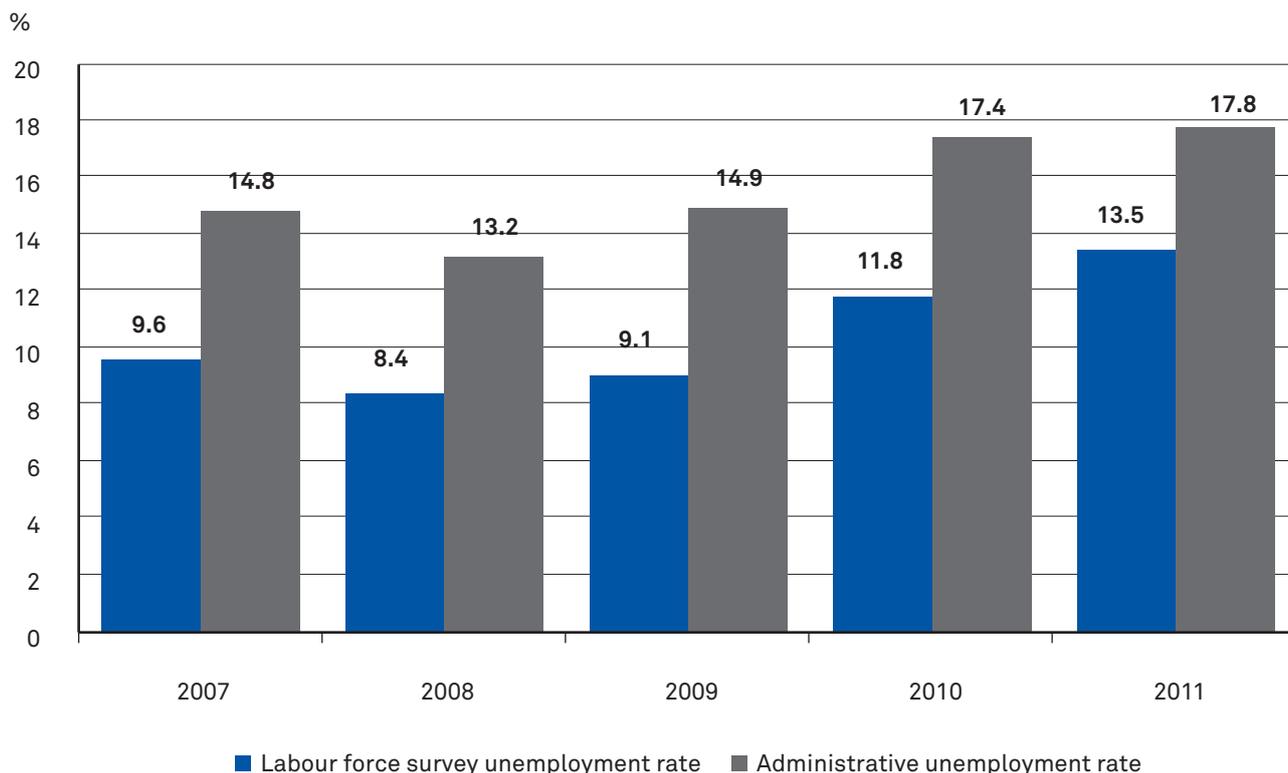
Favourable achievements of physical indicators reflected on revenues from tourism, which increased in 2011, after two years of reduction. Revenues from tourism amounted to EUR 6.6 billion, which is an increase of 6.2 percent compared to 2010. However, the indicated increase of revenue from tourism was only a result of good physical indicators, i.e. the increase of the number of arrivals, whereas the average consumption of foreign tourists was reduced for the third consecutive year.

1.2.4. Labour Market

Unfavourable trends on the labour market continued in 2011. The number of registered unemployed persons recorded a year-on-year growth up to September 2011, when the trend of its reduction started. Thus, in December 2011 there were 315,438 registered unemployed persons, which is 4,407, i.e. 1.4 percent less than in December 2010. Observing the average number of unemployed persons in 2011, an increase of 2,908, i.e. 1.0 percent compared to 2010 has been recorded, while the average total number of the employed was simultaneously reduced by 21,216 or 1.5 percent. The average administrative unemployment rate increased from 17.4 percent in 2010 to 17.8 percent in 2011.

According to the labour force survey, the working age population amounted to 3,777,000 persons in 2011, 45.7 percent of which were working or actively looking for a job, i.e. they could be classified as labour force. As compared to the 2010 survey results, the working age population increased by 25,000, while the category of labour force recorded a drop of 23,000. In 2011, the average total number of the employed was 1,492,000, which was a drop of 49,000 as compared to 2010, whereas the average number of the unemployed increased by 26,000 and amounted to 232,000. The average survey unemployment rate in 2011 was 13.5 percent, which was a growth of 1.7 percentage points in comparison to 2010.

Chart 1.4. Labour Force Survey and Administrative Unemployment Rate



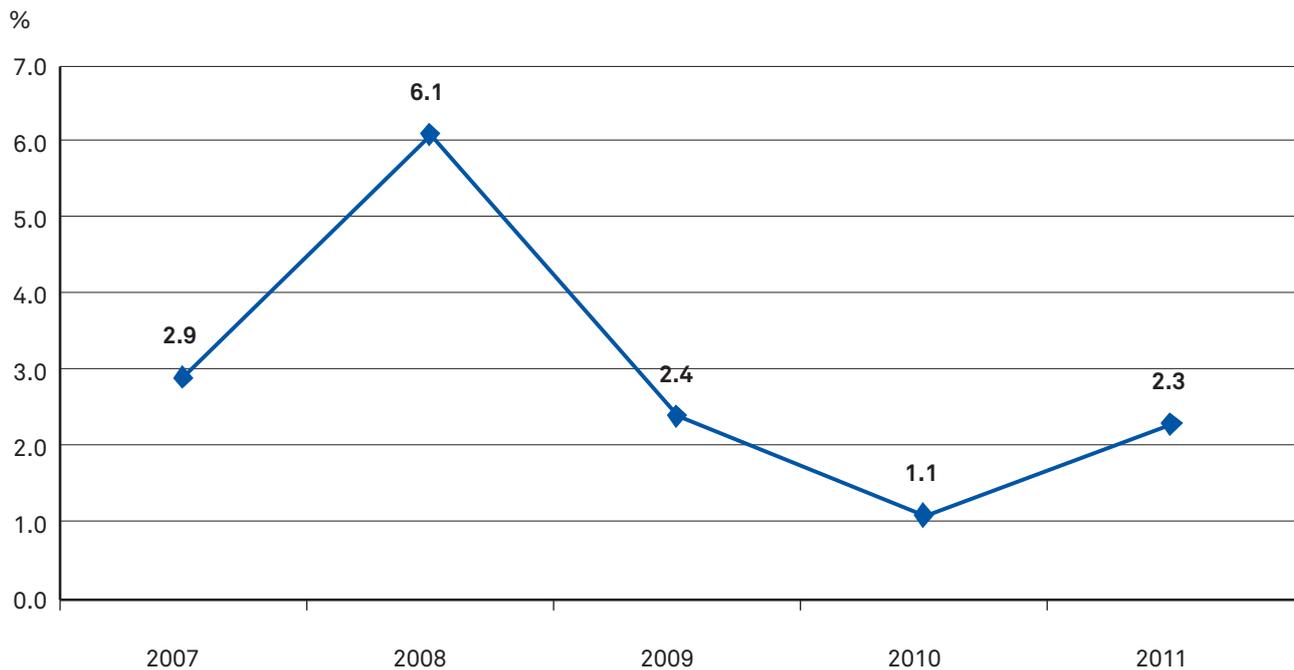
Source: Croatian Bureau of Statistics

The acceleration of nominal wage growth during 2011, with respect to 2010, was insufficient to stop the trend of real wage reduction. The average gross wage in 2011 amounted to HRK 7,796 and was increased by 1.5 percent as compared to 2010, whereas the average net wage amounted to HRK 5,441 and was increased by 1.8 percent. Elimination of the influence of inflation shows that in 2011 the average gross wage was reduced in real terms by 0.8 percent, whereas the average net wage dropped in real terms by 0.4 percent. The highest gross wages in 2011 were recorded in financial and insurance activities, while the lowest gross wages were recorded in administrative and support service activities.

1.2.5. Prices

Average inflation measured by the consumer price index amounted to 2.3 percent in 2011, which was an acceleration of 1.2 percentage points with respect to 2010. Prices of goods grew by 3.0 percent on average in 2011, while prices of services dropped by 0.4 percent. The largest contribution to the acceleration of inflation in 2011 came from the prices of food, which increased by 3.6 percent in comparison to 2010, with an emphasis on the prices of bread and cereals (5.4 percent), milk, cheese and eggs (4.8 percent), and oil and fats (16.1 percent). In addition, a significant contribution to the acceleration of inflation in 2011 came from the prices of fuels and lubricants for personal vehicles, which increased by 13.3 percent, tobacco (increase of 8.7 percent), liquid fuels (22.3 percent) and water supply (4.2 percent). The mentioned price increase is primarily a result of the spill-over of the growth of commodity prices on the world market, especially of prices of oil and food commodities. The largest influence on the mitigation of price growth in 2011 came from the prices of clothes and footwear, which dropped by 3.3 percent, and the prices of telephone and telefax equipment and services, which dropped by 4.2 percent. At the end of 2011, inflation was somewhat lower than the average inflation rate and amounted to 2.1 percent. Core inflation, which does not include the prices of agricultural products and administered prices, amounted to 1.8 percent in 2011. Producers' price index of industrial products recorded a growth of 6.4 percent in 2011, which was an acceleration of 2.1 percentage points in comparison to 2010.

Chart 1.5. Growth of Consumer Price Index



Source: Croatian Bureau of Statistics

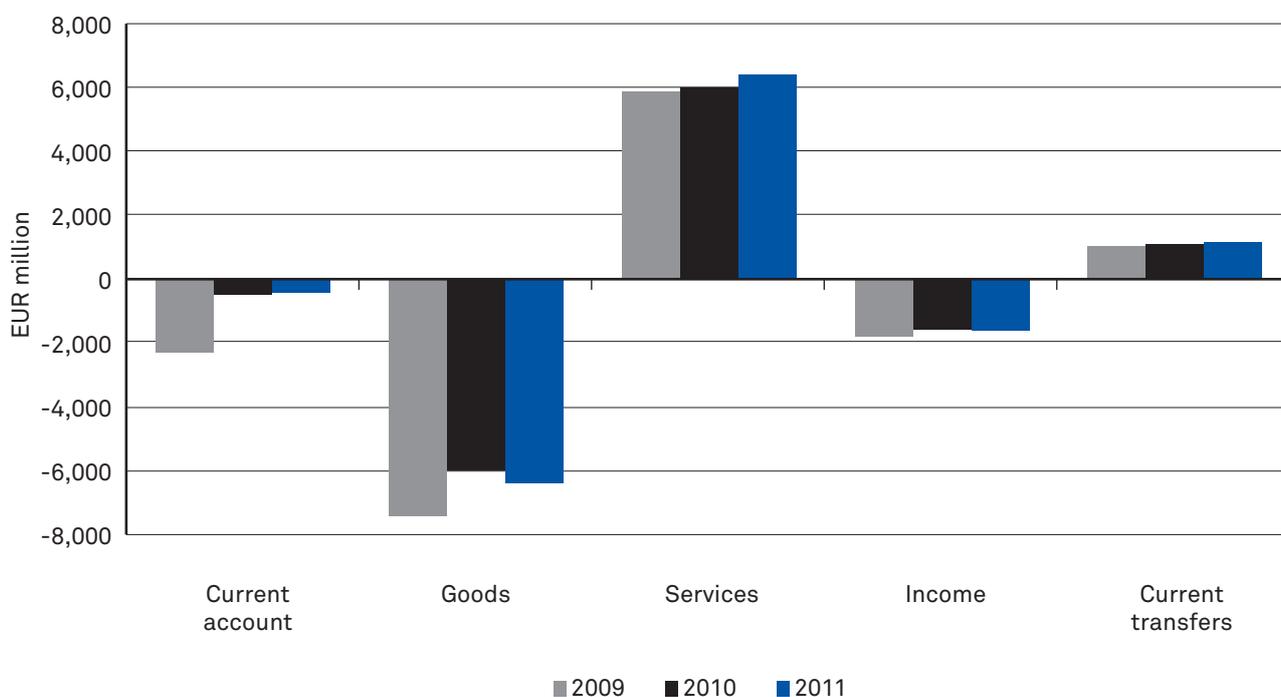
1.3. INTERNATIONAL SECTOR

In 2011 there has been a further correction of foreign-trade imbalance, primarily because of favourable trends on the services account, while unfavourable trends were again recorded on the goods account. The net capital inflow increased in comparison to the previous year, primarily because of the increase of net direct investments. The midpoint exchange rate of kuna against euro remained stable and recorded only a mild depreciation in comparison to 2010.

1.3.1. Balance of Payments

The reduction of the balance of payments disequilibrium continued during 2011, for the third consecutive year. Current account deficit on the balance of payments in 2011 amounted to EUR 431.1 million, which was a drop of EUR 51 million, i.e. 10.6 percent. Expressed in percentage of GDP, the deficit on the balance of payments amounted to 1.0 percent of the GDP, which was 0.1 percentage points less in comparison to 2010. The largest influence on the reduction of current account deficit on the balance of payments came from the increase of a positive balance on the services account by EUR 402 million, i.e. 6.7 percent in comparison to 2010. In 2011, surplus on the balance of current transfers increased by EUR 66 million, i.e. 6.0 percent. On the other hand, after two successive years of reduction, the goods account again recorded unfavourable trends during 2011. Namely, deficit on the goods account increased by EUR 382 million, i.e. 6.4 percent, despite a somewhat faster growth of goods revenues (7.8 percent) in comparison to that of goods expenses (7.3 percent). Deficit on the income account increased during 2011 by EUR 35 million, i.e. 2.2 percent, mostly due to the increase of expenses from other investments. Coverage of imports of goods and services by exports of goods and services amounted to 100.1 percent in 2011, which was an increase of 0.3 percentage points in comparison to 2010.

Chart 1.6. Balance of Payments Current Account



Source: Croatian National Bank

Trends on the financial account of the balance of payments were marked by the growth of net direct investments from EUR 411 million in 2010 to EUR 1.0 billion in 2011. On the portfolio investments balance, a net inflow of EUR 646 million was recorded in 2011, while a net inflow of EUR 206 million was recorded on the balance of other investments. Net errors and omissions amounted to EUR -995 million in 2011, whereas international reserves increased by EUR 401 million.

1.3.2. Foreign Trade in Goods

The total value of merchandise exports was HRK 71.2 billion in 2011, while the value of merchandise imports was HRK 121.0 billion. After two years of reduction, in 2011 the foreign trade deficit increased by 9.7 percent in comparison to 2010, amounting to HRK 49.8 billion. Total merchandise exports expressed in HRK recorded an increase of 9.8 percent in 2011, while merchandise imports increased by 9.7 percent. Coverage of merchandise imports by exports amounted to 58.9 percent in 2011, which was 0.1 percentage points more than in 2010. If we observe foreign trade in goods expressed in euros, merchandise exports and imports both recorded a growth of 7.6 percent in 2011.

The largest contribution to the increase of export in 2011 came from the manufacture of machinery and equipment (export growth of 26.4 percent), manufacture of coke and refined petroleum products (11.0 percent), manufacture of basic metals (38.4 percent), and waste collection, treatment and disposal activities; materials recovery (38.1 percent). The categories which in 2011 contributed the most to the increase of merchandise imports were the manufacture of coke and refined petroleum products (import growth of 61.3 percent), the manufacture of food products (18.0 percent), extraction of crude petroleum and natural gas (11.1 percent) and electricity, gas, steam and air-conditioning supply (48.8 percent).

Considering the structure of exports by country, the following countries had the largest share in the total Croatian merchandise exports in 2011: Italy (15.7 percent), Bosnia and Herzegovina (12.2 percent), Germany (10.1 percent), Slovenia (8.3 percent) and Austria (5.7 percent). With regard to exports in the mentioned countries, as compared to 2010, there was an increase in merchandise exports to Austria (18.5 percent), Slovenia (16.2 percent), Bosnia and Herzegovina (15.8 percent) and Germany (7.0 percent), while exports to Italy were reduced by 7.2 percent. Exports to EU countries accounted for 59.8 percent of the total Croatian merchandise exports in 2011, which was an increase of 7.6 percent as compared to 2010, whereas imports from EU countries accounted for 61.8 percent of the total imports, which was an increase of 12.7 percent as compared to 2010.

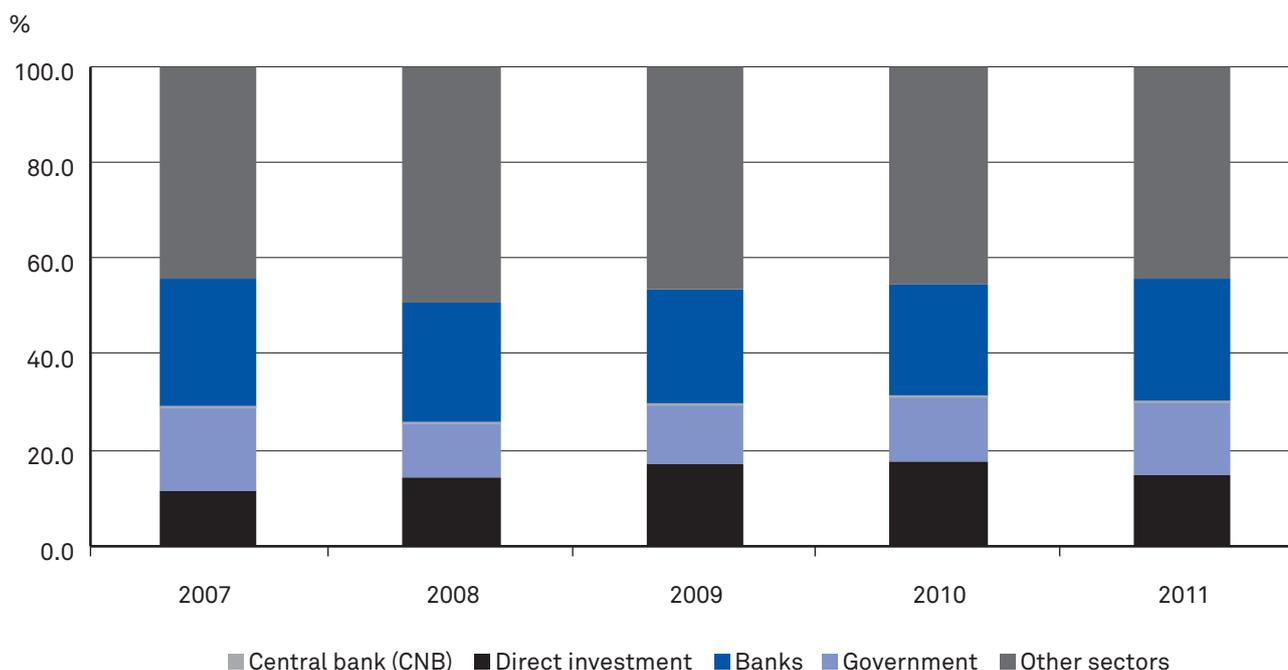
1.3.3. Foreign Direct Investments

Total stock of foreign direct investments in Croatia at the end of 2011 was at the level of EUR 25.7 billion. During 2011, EUR 1.1 billion were invested in Croatia. Out of total investments in 2011, equity investments accounted for EUR 2.0 billion, reinvested earnings accounted for EUR 301 million, whereas other investments recorded an outflow of EUR 1.2 billion. It is evident from the described structure that the increase of equity investments in 2011 is for the most part a result of the conversion of the debt to foreign owners into the equity of domestic companies. Considering the structure of foreign direct investments in Croatia by country of origin, the majority of investments in 2011 came from the Netherlands (EUR 227 million), Germany (EUR 229 million) and Austria (EUR 221 million). Observed by activities, the largest amount in 2011 was invested in financial intermediation, except insurance and pension funds (EUR 274 million), real estate activities (EUR 255 million) and manufacture of chemicals and chemical products (EUR 243 million).

1.3.4. External Debt

By the end of 2011, the total external debt amounted to EUR 45.7 billion. Expressed as a percentage of GDP, the external debt accounted for 101.8 percent of GDP at the end of 2011, which was 1.8 percentage points less than in 2010. By the end of 2011, the external debt decreased by EUR 750 million, i.e. 1.6 percent compared to 2010, which was for the most part the result of the mentioned conversion of debt into equity. Observed by sectors, growth of the external debt during 2011 was recorded with respect to the external debt of banks, which amounted to EUR 875 million, and the government's external debt, which amounted to EUR 394 million. On the other hand, reduction of external debt during 2011 was recorded in ownership-related companies through foreign direct investments, in the amount of EUR 1.3 billion and in other sectors, in the amount of EUR 747 million. Considering the structure of the external debt, the share of the government's external debt in the total external debt increased from 14.2 percent in December 2010 to 15.3 percent in December 2011, while the share of the external debt of banks increased from 23.1 percent to 25.4 percent of the total external debt. On the other hand, the external debt of other domestic sectors dropped from 45.0 percent in December 2010 to 44.1 percent in December 2011, while the external debt based on foreign direct investments dropped in the same period from 17.6 percent to 15.1 percent of the total external debt.

Chart 1.7. Structure of Croatia's External Debt by Domestic Sectors



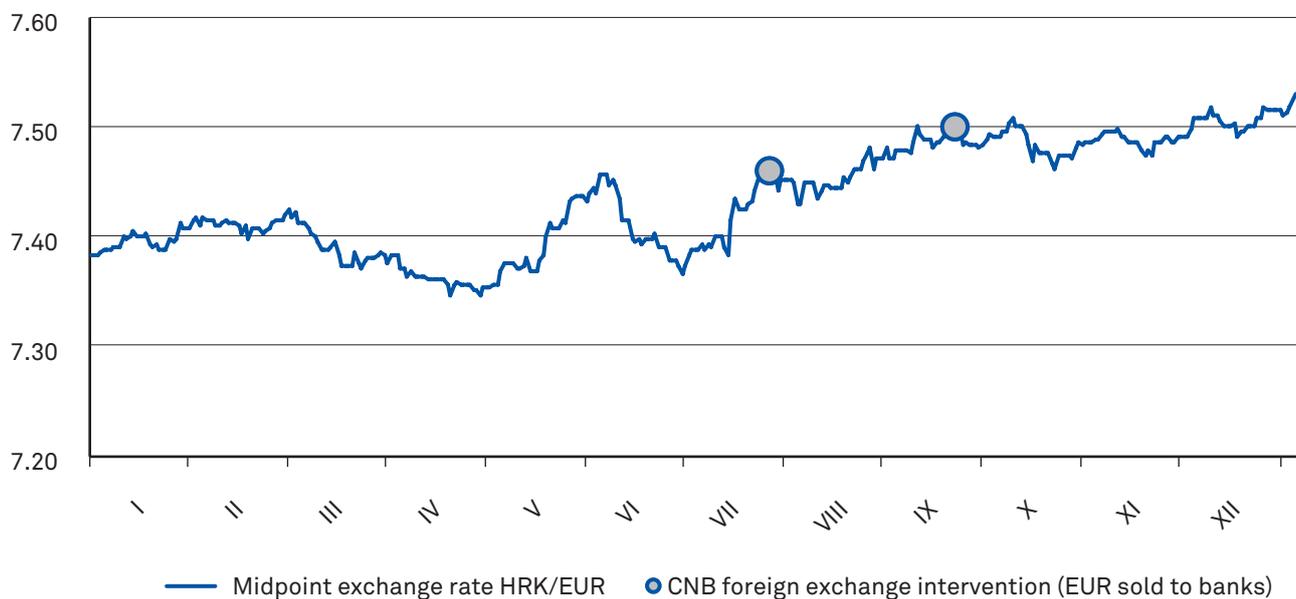
Source: Croatian National Bank

1.3.5. Exchange Rate

The midpoint exchange rate of kuna against euro was 7.43 kunas for one euro in 2011, which represented a depreciation of 2.0 percent compared to 2010. In the first half of 2011, the exchange rate of kuna against euro was stable at an average 7.39 kunas for one euro. However, in the third quarter of 2011, due to the reduced inflow of foreign capital and foreign deleveraging of domestic sectors, depreciation pressures on the domestic currency appeared, leading to the increase of the midpoint exchange rate to 7.45 kunas for one euro. For this reason, the CNB intervened two times (in July and September) on the foreign exchange market and sold approximately EUR 0.4 billion. Furthermore, in September, the CNB increased the reserve requirement rate from 13 percent to 14 percent, which, together with the mentioned foreign exchange transactions, had a negative effect on the kuna liquidity of the banking system and therefore stabilised the domestic exchange rate. In the last quarter of 2011 the exchange rate of kuna against euro amounted to an average 7.49 kunas for one euro, without large oscillations. The end period exchange rate of kuna against euro grew from 7.39 kunas for one euro at the end of 2010 to 7.53 kunas for one euro at the end of 2011, which represented a depreciation of 2.0 percent.

The midpoint exchange rate of kuna against US dollar amounted to 5.34 kunas for one dollar in 2011, which represented an appreciation of 2.0 percent as compared to 2010, whereas at the end of 2011, the exchange rate amounted to 5.82 kunas for one dollar, which represented a depreciation of 4.5 percent as compared to the end of 2010.

Chart 1.8. Midpoint Exchange Rate of Kuna against Euro and Croatian National Bank Foreign Exchange Interventions in 2011



Source: Croatian National Bank

1.4. FINANCIAL SECTOR

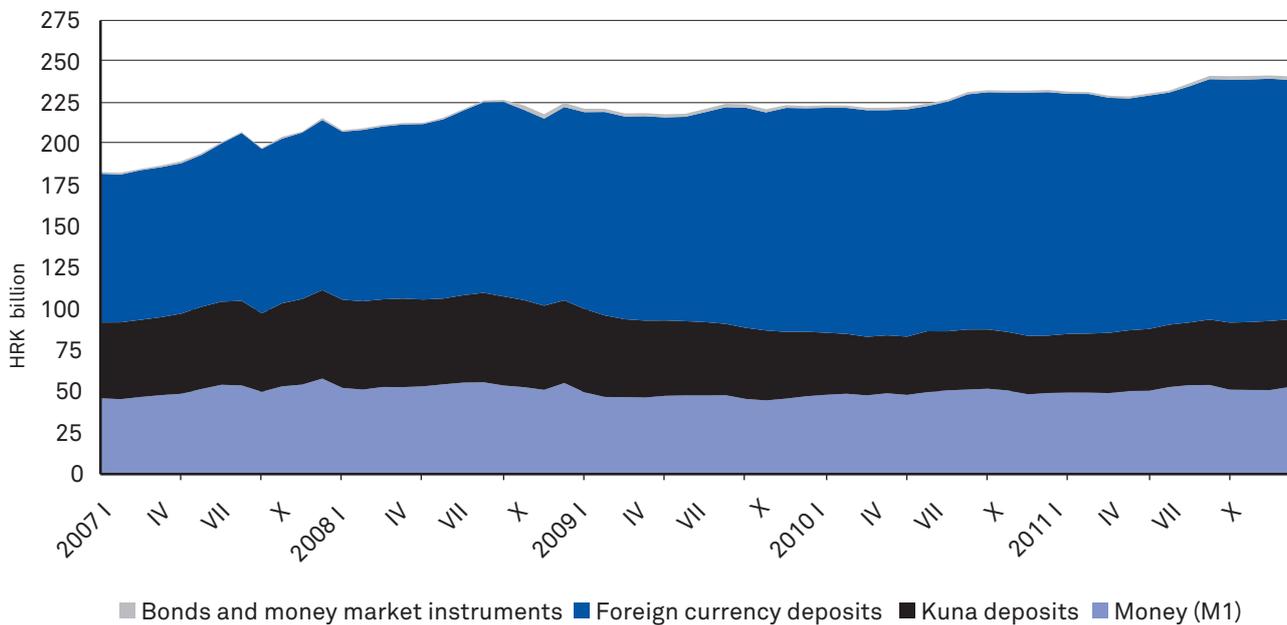
In 2011, monetary policy was primarily aimed at the maintenance of a high level of liquidity of the domestic financial system, for the purpose of intensifying of the credit activity of the banks in order to stimulate the recovery of the domestic economy. However, due to limiting factors on the loan supply and demand side, the credit activity of commercial banks did not recover. The money market in 2011 was characterised by low turnover and low interest rates, while a decrease in turnover and a fall of stock-exchange indices were recorded on the capital market.

1.4.1. Monetary Developments

The main characteristic of the monetary environment in the first half of 2011 was the extremely favourable kuna liquidity, which the Central Bank had supported ever since the end of 2009, with the aim of inducing a spill-over of the surplus of free monetary assets of banks into the revival of the credit activity of commercial banks. In order to improve the foreign currency liquidity of the system, in March 2011 the Central Bank reduced the percentage of minimum required foreign currency claims from 20 percent to 17 percent, which released approximately EUR 850 million at the level of the system. In the first half of 2011, the Central Bank was able to support liquidity of the banking system because the exchange rate of kuna against euro was stable. However, in the third quarter of 2011 depreciation pressures on the domestic currency appeared, so CNB intervened on the foreign exchange market by selling euros. The intervention in July resulted in the sale of EUR 238.9 million to commercial banks, while EUR 180.5 million were sold in the intervention in September. Furthermore, the reserve requirement rate of banks was increased from 13 percent to 14 percent in September. Despite the partial reduction of the kuna liquidity of the banking system due to the influence of the mentioned monetary policy measures, it remained at high levels until the end of the year. International reserves of the Central Bank increased by EUR 535 million, i.e. 5.0 percent in 2011, amounting to EUR 11.2 billion at the end of the year.

Money (M1) amounted to HRK 52.9 billion at the end of 2011, recording a growth of HRK 3.7 billion, i.e. 7.5 percent, accelerated by 3.4 percentage points as compared to 2010. The growth of money was primarily a result of the increase of demand deposits, which account for approximately 70 percent of the monetary aggregate, by HRK 2.3 billion, i.e. 6.7 percent, while the amount of currency outside banks increased by HRK 1.4 billion, i.e. 9.3 percent. Total domestic currency and foreign currency savings and time deposits with commercial banks amounted to HRK 186.1 billion at the end of 2011, so that, when compared to 2010, they grew by HRK 3.7 billion, i.e. 2.0 percent, which is a slowdown of 2.5 percentage points when compared to 2010. The mentioned growth of total deposits resulted from the growth of domestic currency deposits by HRK 6.1 billion or 17.5 percent, while the foreign currency deposits decreased by HRK 2.4 billion, i.e. 1.6 percent. Observed by sectors, the growth of total deposits is primarily a result of the increase of deposits of households, while enterprises and non-banking financial institutions recorded the biggest decrease of deposits. The broadest monetary aggregate, M4, referring to total liquid assets, increased by HRK 8.2 billion, i.e. 3.5 percent in 2011, which represents a slowdown of 0.9 percentage points compared to the previous year. The largest contribution to the increase of total liquid assets came from domestic currency savings and time deposits. Total foreign assets of commercial banks amounted to HRK 39.5 billion at the end of 2011, which was a decrease of HRK 7.8 billion, i.e. 16.5 percent as compared to 2010. Total foreign liabilities of banks grew by HRK 8.3 billion, i.e. 10.2 percent as compared to 2010, and at the end of 2011 they amounted to HRK 90.3 billion. Consequently, the banking sector's net foreign position deteriorated in comparison to the previous year. Namely, net foreign assets of commercial banks amounted to HRK -50.8 billion at the end of 2011, which was a decrease of 46.5 percent.

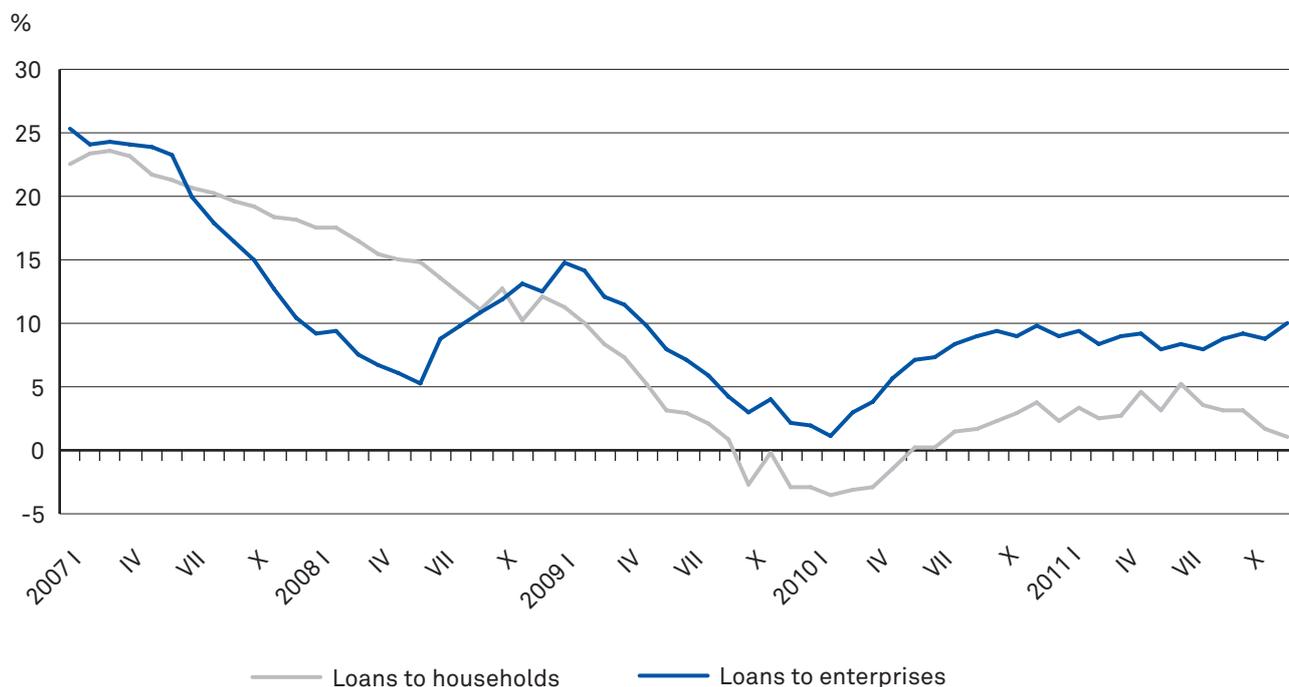
Chart 1.9. Monetary aggregate M4



Source: Croatian National Bank

The high liquidity of the banking system during 2011 was not used for the intensification of credit activity. Namely, total commercial bank loans at the end of 2011 amounted to HRK 289.3 billion, while their growth amounted to 6.1 percent, which was a slowdown of 2.1 percentage points as compared to 2010. Such developments are the result of both the factors on the supply side and of those on the demand side. Namely, the pronounced aversion of the banking sector to risk limited the offer of loans, while there was simultaneously a weak demand for loans, especially from households, as a consequence of the uncertainty regarding future economic developments. Loan growth was thus based on loans to enterprises, which increased by 9.8 percent, and loans to central government and funds, which increased by 14.0 percent in comparison to 2010. However, loans to enterprises did not significantly influence economic activity, considering that the obtained instruments of enterprises were mostly used for financing current operations. Loans to households increased by 0.9 percent in 2011, which was a slowdown of 2.9 percentage points as compared to 2010. Housing loans, the most important category of loans to households, which account for 46.3 percent of total loans to households, grew by 2.8 percent, whereas other loans to households decreased by 0.6 percent.

Chart 1.10. Year-on-Year Growth of Loans to Enterprises and Households



Source: Croatian National Bank

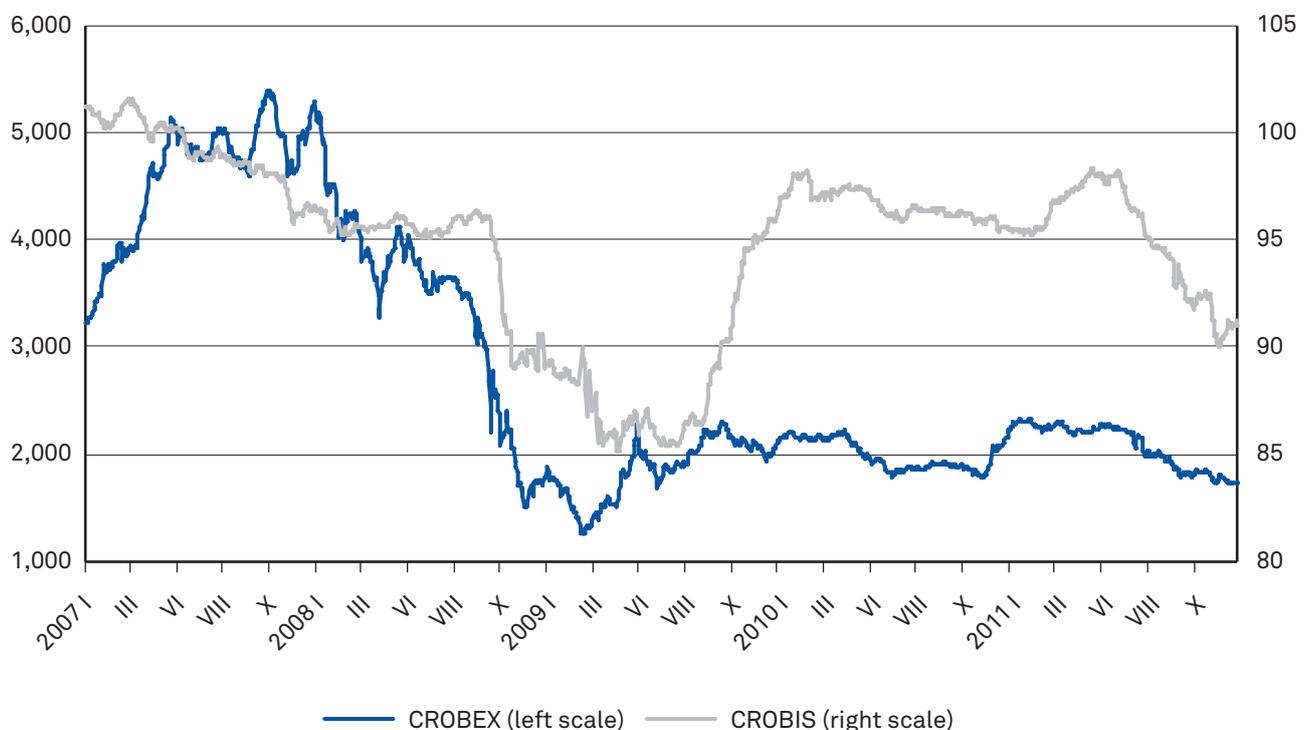
1.4.2. Money Market

With regard to the high liquidity of the financial system during the year, in 2011 interest rates on the Zagreb Money Market remained at low levels. The average interest rate amounted to 1.23 percent in 2011, which is only 0.3 percentage points higher in comparison to 2010. In the first half of the year, interest rates were stable, whereas in the other half of the year they recorded lower volatility, due to partial liquidity squeeze in the financial system. Namely, they recorded growth in the period from July, when the lowest average monthly interest rate of 0.52 percent was recorded, to October, caused by the lack of kuna liquidity due to foreign exchange interventions and increases of the reserve requirement rate. Thus, the highest average monthly interest rate in 2011, 2.38 percent, was recorded in October, which was followed by a drop of interest rates. Apart from low levels of interest rates, low turnover was also recorded on the Zagreb Money Market in 2011. Namely, the average monthly turnover in kunas amounted to HRK 1.1 billion in 2011, recording a reduction of 24.9% compared to 2010.

1.4.3. Capital Market

In 2011, the capital market was marked by negative trends, which intensified in the second half of the year. The Zagreb Stock Exchange recorded a decrease of total turnover (regular and block trade) of HRK 19.8 percent, to the level of HRK 5.9 billion. In 2011, the stock market recorded a decrease of regular turnover of 9.4 percent, to the level of 5.2 billion kunas. The Zagreb Stock Exchange stock index, CROBEX, dropped from 2.111 points at the end of 2010 to 1.740 points at the end of 2011, i.e. by 17.6 percent. The CROBEX 10 stock index, which includes shares with the highest market capitalisation and turnover, recorded a somewhat smaller decrease of 15.4 percent. Market capitalisation of shares in 2011 recorded a decrease of 7.3 percent. Regular bond turnover in 2011 amounted to HRK 137.5 million, recording a drop of 49.9 percent as compared to 2010. The bond index CROBIS dropped by 4.5 percent during 2011, from 95.61 points at the end of 2010 to 91.27 points at the end of 2011. Market capitalisation of bonds increased by 2.6 percent in 2011.

Chart 1.11. Movement of Zagreb Stock Exchange Indices



Source: Zagreb Stock Exchange





2

FISCAL POLICY
AND BUDGETARY
CENTRAL
GOVERNMENT
IN 2011

2.1. FISCAL POLICY IN 2011

Fiscal trends in 2011 have been marked with the continuation of unfavourable economic developments which have affected the revenue as well as the expense side of the budget, but in a smaller degree than in 2010. Therefore, during 2011 there was no need to make any amendments to the budget. Budget revenues have been realized at the level of the previous year, while expenses were lower than planned, therefore, the deficit of the Budgetary Central Government had a share of 4.2 percent in the GDP. At the same time, public debt increased from 42.2 percent of the GDP in 2010 to 46.7 percent of the GDP in 2011.

Despite high volatility and challenges in the financial markets, the Republic of Croatia regularly settled financial obligations towards foreign and domestic creditors in 2011. During 2011, the Republic of Croatia had open access to international financial markets in which it succeeded to issue bonds under relatively favourable terms during the last two and a half years. Budget financing in 2011 has been carried out with even more favourable conditions than in the previous years, and the investment rating of the country was retained.

For the purpose of increasing the efficiency of the financing models from 2010, which were made to stimulate credit activity in the country with the goal of strengthening the investment activities, specific propositions of the models have been supplemented, or redefined, in 2011 in order to additionally help businesses in overcoming the effects of the crisis. The supplemented "A" model, i.e., the "A+" model, introduced certain novelties, such as mitigating the criteria for entrepreneurs, the possibility of using loans for financing working capital, as well as for the liability settlement towards suppliers, financial institutions, the government and other creditors. Also, credit share which could be used for refinancing existing liabilities in banks has been increased from 20 percent to 40 percent, which enabled entrepreneurs to replace older, more expensive sources of financing with cheaper ones. Other novelties include the possibility of one-time payments of one half of the loans and enabling bridge loans so that the entrepreneurs would get loans immediately after the quota assignment at the auction, without waiting for the completion of the procedure between HBOR and the bank. In addition, the "A+" model also introduces lower interest rates on HBOR funds. During 2011, five auctions were held within the framework of this model. Furthermore, the Act on the Guarantee Fund for the Promoting Economic Development¹ had been passed as a supplement to the "B" model in order to ensure high-quality financing of new or already initiated high-quality investment projects for entrepreneurs. This Act greatly eliminated obstacles for the initiation of projects, which until now could not be realised because of problems with the security instruments or with the entrepreneur's own share in the project.

Furthermore, during the year, public companies used different measures to carry out management rationalisation and increased the efficiency of business processes. For the purpose of strengthening financial discipline, measures which refer to the continuous liquidity monitoring and keeping 60-day payment deadlines as well as introducing 45-day payment deadlines were introduced on 1 January 2011. In October 2011, the Act on Deadlines for Settling Monetary Obligations was passed and came into force on 1 January 2012, limiting the payment deadlines of capital commitments in contracts between entrepreneurs to a 60-day period as a rule. In exceptional cases, deadlines longer than 60 days can be agreed upon, as long as such an extension is not void. Also, as one of the measures for the prevention of insolvency and preservation of financial stability of regular payers, an Act², which introduces a new, special recovery measure of payment of tax debt caused by the economic crisis, was passed. This Act created the preconditions enabling taxpayers to reschedule tax debt accrued

¹ Official Gazette, number 34/2011

² Official Gazette, number 45/2011

up to 31 December 2010 for the duration of 30 months, with the interest rate of 8.25 percent and under the condition of meeting their tax liabilities for 2011. Also, for the purpose of preventing increase in insolvency and removing from legal transactions the entities with long-term financial blockage, who do not settle their obligations, both regular and shortened bankruptcy proceedings have been initiated in order to remove problematic business entities from the business sphere. Furthermore, regular liquidity monitoring and the supervision of payments made by trading companies in majority state ownership of the Republic of Croatia are being conducted, solving the issue of non-payment by public companies. In addition, to facilitate business conditions and influence the problem of insolvency, levies have been reduced by 25 percent on average.

For the purpose of monitoring the implementation of the Fiscal Responsibility Act from 2010 and for increasing the efficiency of public finance management and advancements in the implementation of the fiscal policy in 2011, the Fiscal Policy Committee was established. The Committee consists of seven members from independent institutions, which the Government appoints to a period of five years. Members of the Fiscal Policy Committee, as proposed by the institutions which they come from (the Zagreb Institute of Economics, the Institute of Public Finance, the Croatian National Bank, the State Audit Office, the faculties of economics and business and the Faculty of Law at the University of Zagreb) have been appointed by the decision of the Government of the Republic of Croatia. Fiscal Policy Committee chairman is the Minister of Finance. The Fiscal Policy Committee, as a professional and independent body, shall contribute to the advancement of the system of public finance and the monitoring of the application of fiscal rules prescribed by the Fiscal Responsibility Act. Honouring the principle of transparency, which is extremely important for the possibility of public inspection as well as inspection on part of all those interested in the activities of the Committee, the Committee is obliged to inform the public on the decisions it makes in the announcements on the website of the Ministry of Finance.

In 2011, there has been further system development regarding the application of OIB (PIN - Personal Identification Number). For taxpayers and users of the state aid system, this kind of a system will simplify administration, enable effective mechanisms for the revision of rights exercised, improve taxpayer and citizen services, as well as contribute to the credibility of the tax and legal system of the Republic of Croatia.

2.2. BUDGETARY CENTRAL GOVERNMENT REVENUE

Trends in macroeconomic aggregates in 2011 have also had their effect on the collection of budget revenues of the central government, especially tax revenues and contributions relating to the trends in the real sector. Although, in total amount, revenues have been collected in conformity with the plan, it should be noted that there were certain differences between the achieved and planned revenues in regard to particular components.

According to the final data regarding the state budget execution for 2011, total revenue of the Budgetary Central Government amounted to HRK 107.4 billion, which was at the level of the planned amount. With respect to the previous year, budget revenues have recorded the reduction of 0.3 percent, while their share in the value of the gross domestic product remained approximately at the same level as in the previous years, i.e. it has been reduced by 0.8 percentage points, amounting to 32.2 percent of the GDP.

In the structure of total revenues of the Budgetary Central Government, current revenue made 99.7 percent of total revenue of the Budgetary Central Government in 2011, and amounted to HRK 107.1 billion, which is a year-on-year decrease of 0.4 percent. Current revenue was achieved in accordance with the plan.

Table 2.1. Revenue of the Budgetary Central Government in the 2009 - 2011 Period

	(000 HRK)	2009	2010	Plan 2011	2011	Index 2010 /2009	Index 2011 /2010	Index 2011 /Plan 2011
1	REVENUE	110,257,947	107,466,351	107,051,947	107,069,670	97.5	99.6	100.0
11	Taxes	63,678,926	62,856,582	61,338,687	61,422,186	98.7	97.7	100.1
111	Taxes on income, profits, and capital gains	10,839,269	7,608,630	6,741,901	8,595,516	70.2	113.0	127.5
1111	Payable by individuals	1,399,411	1,201,546	1,056,739	1,307,486	85.9	108.8	123.7
1112	Payable by corporations and other enterprises	9,439,858	6,407,084	5,685,162	7,288,030	67.9	113.7	128.2
113	Taxes on property	532,297	443,983	504,134	448,489	83.4	101.0	89.0
1134	Taxes on financial and capital transactions	532,297	443,983	504,134	448,489	83.4	101.0	89.0
114	Taxes on goods and services	49,238,277	50,980,460	52,068,827	50,244,065	103.5	98.6	96.5
1141	General taxes on goods and services	37,173,833	37,812,425	39,441,703	37,847,826	101.7	100.1	96.0
11411	Value-added taxes	37,050,354	37,688,520	39,313,721	37,718,154	101.7	100.1	95.9
11412	Sales taxes	123,479	123,905	127,982	129,672	100.3	104.7	101.3
1142	Excises	10,998,910	11,972,326	11,531,739	11,215,054	108.9	93.7	97.3
1144	Taxes on specific services	14,964	10,486	14,873	30,995	70.1	295.6	208.4
1145	Taxes on use of goods, permission to use goods or perform activities	517,870	661,146	514,728	635,373	127.7	96.1	123.4
11452	Other taxes on use of goods, permission to use goods or perform activities	517,870	661,146	514,728	635,373	127.7	96.1	123.4
1146	Other taxes on goods and services	532,700	524,078	565,784	514,817	98.4	98.2	91.0
115	Taxes on international trade and transactions	1,721,164	1,644,448	1,681,686	1,766,356	95.5	107.4	105.0
1151	Customs and other import duties	1,721,164	1,644,448	1,681,686	1,766,356	95.5	107.4	105.0
116	Other taxes	1,347,920	2,179,061	342,139	367,761	161.7	16.9	107.5
12	Social contributions	39,994,739	38,712,382	39,316,927	38,605,067	96.8	99.7	98.2
121	Social security contributions	39,994,739	38,712,382	39,316,927	38,605,067	96.8	99.7	98.2
1211	Employee contributions	17,925,299	17,290,552	17,491,964	17,302,315	96.5	100.1	98.9
1212	Employer contributions Self-employed	21,373,979	20,783,571	21,142,271	20,686,181	97.2	99.5	97.8
1213	or nonemployed contributions	695,462	638,260	682,693	616,570	91.8	96.6	90.3
13	Grants	616,307	637,087	1,192,115	868,988	103.4	136.4	72.9
131	From foreign governments	5,450	13,236	37,344	39,130	242.9	295.6	104.8
132	From international organizations	604,122	615,102	1,152,271	827,432	101.8	134.5	71.8
133	From other general government units	6,735	8,749	2,500	2,426	129.9	27.7	97.0
14	Other revenue	5,967,975	5,260,300	5,204,218	6,173,430	88.1	117.4	118.6
141	Property income	2,367,214	1,298,345	1,274,167	1,869,510	54.8	144.0	146.7
142	Sales of goods and services	1,682,037	1,856,422	1,709,140	1,381,724	110.4	74.4	80.8
143	Fines, penalties, and forfeits	515,461	524,795	535,732	534,434	101.8	101.8	99.8
144	Voluntary transfers other than grants	15,865	15,940	16,479	29,068	100.5	182.4	176.4
145	Miscellaneous and unidentified revenue	1,387,397	1,564,799	1,668,699	2,358,694	112.8	150.7	141.3

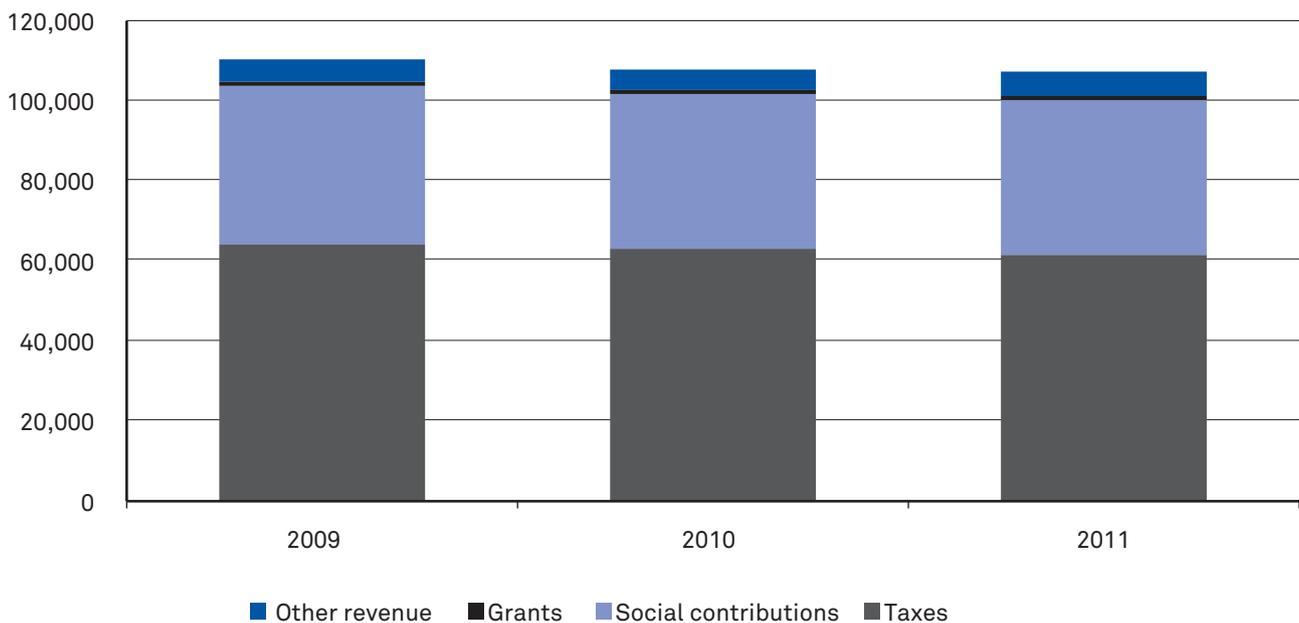
Source: Ministry of Finance

The most significant element within the current revenue was tax revenue, with the share of 57.1 percent, followed by the contribution revenue with the share of 36.1 percent, while the remainder referred to grants, property income, administrative fees revenue and revenue based on special regulations, and other revenue. In the structure of total revenue, the share of tax revenue was reduced, while other revenue categories recorded stagnation or slight increase with respect to the previous year.

During 2010, certain changes were introduced into the tax system, which had an all-year effect on budget revenues in 2011. This led to the amendment of the Income Tax Act in July of 2010. Amendments to this Act changed the income tax rates and the brackets for the application of those rates, all for the purpose of simplifying the income tax system. Regulations on excise duties on tobacco and oil derivatives were also amended. The Government Regulation amended the ad valorem excise duty rate on cigarettes with the application from 1 October 2010 and the excise duty on unleaded petrol which is used as fuel with the application from 1 September 2010. These changes are mentioned in more detail in the subchapter on excise duties. Additional amendments to the Income Tax Act, the General Tax Act and the Real Estate Transfer Tax Act also came into force in 2011.

Figure 2.1. The Structure of the Budgetary Central Government Revenue in the 2009 - 2011 Period

mil. HRK

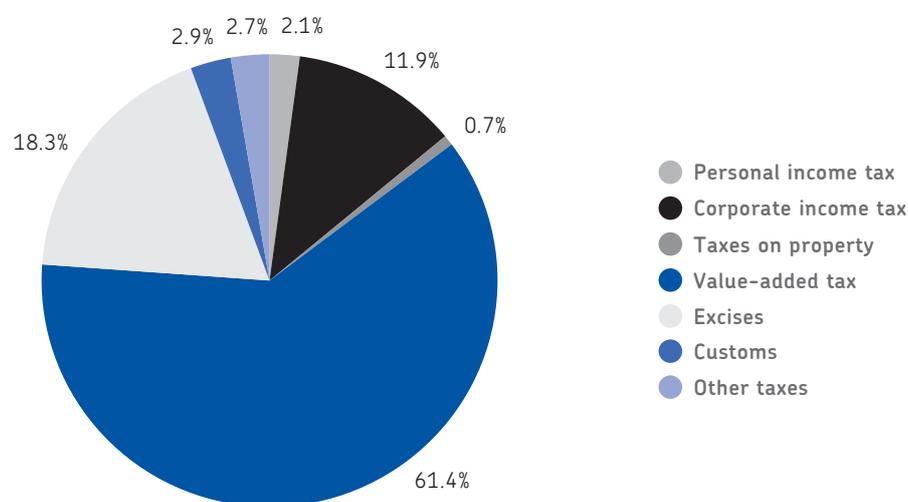


Source: Ministry of Finance

2.2.1. Tax Revenue

Tax revenue in 2011 made 57.1 percent of current revenue of the Budgetary Central Government, which was 0.5 percentage points less than in 2010 and amounted to HRK 61.1 billion. The year-on-year drop of tax revenue during 2011 amounted to 1.2 percent. This revenue was approximately within the planned amounts, i.e. 0.2 percent above planned. In the structure of tax revenue the most significant share was that of the VAT revenue, which participated with 61.7 percent in the total tax revenue, and was followed by excise tax revenue, which made 18.4 percent of total tax revenue, and the corporate income tax revenue, with the share of 11.9 percent. Other tax revenues of the Budgetary Central Government have a smaller portion in total taxes.

Figure 2.2. Tax Revenue Structure in 2011



Source: Ministry of Finance

Personal Income Tax

Revenue collected from personal income tax is distributed between the Budgetary Central Government and the Local and Regional Self-Government Units. On the Budgetary Central Government level, in 2011 this revenue was collected in the amount of HRK 1.3 billion, which was an increase of 8.8 percent in relation to 2010 and exceeds the planned amount by 23.7 percent. The year-on-year increase of revenue from personal income tax was, in spite of unfavourable trends on the labour market, a result of amendments in the Income Tax Act implemented in July 2010. Specifically, the amendments to the Act prescribed new tax rates for income tax and the brackets for the application of those rates, but also abolished tax reliefs on income tax (for residential and health-care needs and cash-value life insurance premiums, voluntary pension insurance, supplementary and additional health insurance). The mentioned tax reliefs could, after the submission of annual tax returns for 2010, only be used for the first six months, which in 2011 caused a reduction of tax refunds by 23.1 percent and an increase in budget revenues based on personal income tax.

Most of the income tax was collected by taxation of income from non-self employment and taxation of self-employment activities, with tax also being collected on property, property rights and by taxation of capital.

In 2011, personal income tax was calculated as follows:

1. 12 percent of the amount from the tax base to double the basic personal allowance;
2. 25 percent of the difference of the annual tax base between double and six times the basic personal allowance;
3. 40 percent of the amount exceeding six times the basic personal allowance.

Throughout 2010, the basic personal allowance was HRK 1,800.

In 2011, some additional tax amendments were made to the income tax system. In this way, the Act on Amendments to the Income Tax Act³ enabled employers to approve loans to their employees with more favourable interest rates, without it being considered a taxable income for the recipient of the loan, i.e. the Act reduced the lower limit of interests by 1 percentage point, from 4 percent to 3 percent. Also, this Act technically simplified the manner of keeping records on paid dividends and profit shares, by deletion of the provision regarding the obligation of dividend and profit share payment into a drawing account of the bank, and a new provision was implemented, which stipulates that the payers of dividends and profit shares are obliged to keep records and submit reports to the Tax Administration on dividend and profit share payments.

Corporate Income Tax

Corporate income tax revenue in 2011 amounted to HRK 7.3 billion, which marked a year-on-year increase of 13.7 percent. Since the corporate income tax revenue is paid on the basis of company operation in the previous year, this increase was a result of increase in company profits, primarily bank profits, during 2010. Also, this kind of increase in income indicated a slight recovery of business operation after a considerable drop in 2009. Corporate income tax generated 28.2 percent more revenue than planned during 2010.

In 2011, there have been no amendments to the Corporate Income Tax Act system, but changes have been made to the Ordinance. Ordinance on Amendments to the Corporate Income Tax Ordinance⁴ was passed, among other, for the purpose of harmonisation with the amendments in the Income Tax Act⁵ from 2011, which deleted the provision on dividend and profit share payments into a bank drawing account. Furthermore, the mentioned amendments harmonise the Corporate Income Tax Ordinance with the Act on Amendments to the Corporate Income Tax Act, which is implemented by this Ordinance⁶. This Act is harmonised with the EU Council Directives, i.e. the Act harmonises the corporate income tax system with the Council Directives 90/434/EEC and 2005/19/EC relating to mergers, divisions, partial divisions, transfers of assets and exchanges of shares concerning companies of different Member States, or the taxation of income and capital gains during changes of status, but also with the Council Directive 2003/49/EC. Specifically, according to this Directive, withholding tax is not required on the payment of interests or royalty fees between a company which is a resident of the Republic of Croatia (or a permanent establishment of a company from the European Union) and its affiliated company in one of the European Union Member States. However, such provisions of the Corporate Income Tax Ordinance as well as the Corporate Income Tax Act regarding the harmonisation with the *acquis communautaire* enter into force on the day the Republic of Croatia becomes a European Union Member State.

³ Official Gazette, number 114/2011

⁴ Official Gazette, number 137/2011

⁵ Official Gazette, number 114/2011

⁶ Official Gazette, number 146/2008

The Corporate Income Tax Ordinance has also been amended for the purpose of harmonisation with the amendments in the Investment Promotion Act⁷ from 2011, which prescribe new reliefs for investments in technology research-innovation centres and strategic management of business support (customer/user service centres, centres for joint activities, logistic and distribution centres, ICT centres and centres for software development), from the amount of EUR 100,000, while prior to these amendments it was necessary for the investment to amount to at least EUR 300,000. This means that the amount of investment for which it is possible to use the tax relief has been reduced. Therefore it was necessary to harmonise the section of the Corporate Income Tax Ordinance regarding the registration and calculation of the tax relief amount in the Income Tax Statement - the PD Form.

Property Tax

In 2011, property tax, or real estate transfer tax revenue, has been collected in the amount of HRK 448.5 million, which was 11 percent less than planned. In relation to 2010, property tax revenue has increased by 1 percent. This increase is a result of a minor recovery of property market trends in relation to the previous year.

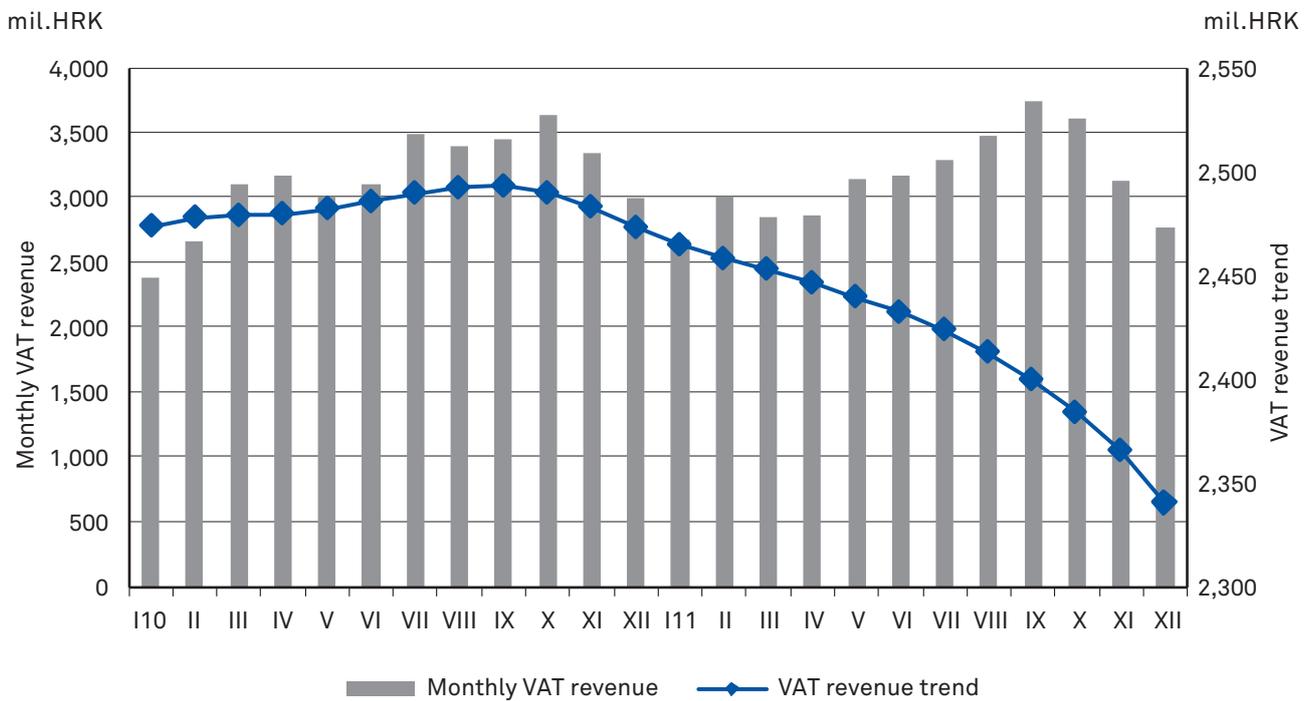
The largest and most significant part of the amendments to the Real Estate Transfer Tax Act includes provisions which regulate the tax base, tax exemption for the first property purchase and the date of enforcement of the decision regarding the tax assessment for real estate transfer. Other amendments to the Act are focused on the harmonisation of legal provisions with the changes made to other legal provisions, for example provisions regarding the lifelong maintenance contracts and life-care contracts, real estate transfer tax revenue allocation, tax liabilities for the acquisition of real estate by adverse possession and in procedures where the taxpayer is a foreign natural or legal person, etc. The precondition for the tax base assessment in the manner prescribed by the Act on Amendments to the Real Estate Transfer Tax Act was the formation of a database of average prices which will enable monitoring of whether the reimbursement amount in the document on the acquisition is approximately equal to the prices on the market, as well as a database of prices achieved for comparable properties. The formation of the mentioned databases requires an entry of a greater amount of real estate data from the real estate transfer tax statement. Based on the above mentioned, a new real estate transfer tax statement form has been prepared, prescribing all the relevant data which the taxpayer has to enter into the mentioned form.

Value-Added Tax

VAT revenue is the most significant budget revenue, with the share of 35.2 percent in total revenue, and it amounted to HRK 37.7 billion. With respect to the previous year, value-added tax has recorded a very slight year-on-year growth of 0.1 percent. Since VAT revenue depends on the trend of consumer spending, which has not significantly increased in relation to 2010, this revenue also recorded stagnation at the year-on-year level. In comparison with the planned amount, the VAT revenue was 4.1 percent less, considering that the plan for 2011 was based on a stronger recovery of consumer spending than was actually the case. The highest VAT revenue was realised during the summer months, as well as in September and October. Such monthly dynamics was a result of revenues collected from taxpayers who settle their VAT liability quarterly, the tourist season and increased consumption during the summer months. In the value-added tax revenue structure, the most important is the value-added tax paid on import.

⁷ Official Gazette, number 61/2011

Figure 2.3. Value-Added Tax Revenue Monthly Trends



Source: Ministry of Finance

Excises

Total revenue from excises in 2011 amounted to HRK 11.2 billion, which was 6.3 percent less than in 2010, and with respect to the planned amount, this revenue was 2.7 percent less. In 2011, an increase was recorded in revenue from excise taxes on passenger cars, other motor vehicles, vessels and aircraft, excise tax on tobacco, excise tax on nonalcoholic beverages and excise taxes on luxury products. Other excise revenues have recorded a year-on-year drop, including the most important excise revenue, revenue from excise tax on energy products and electricity.

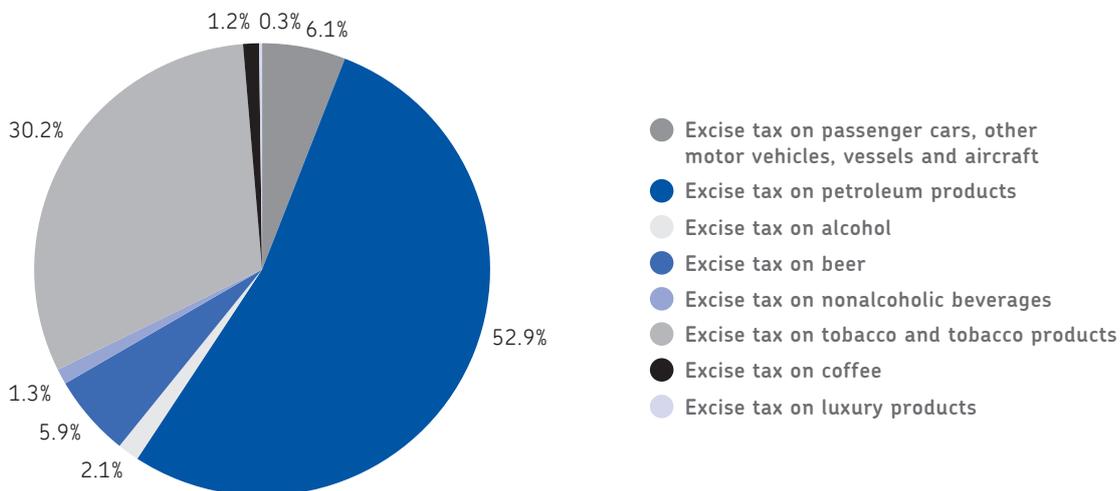
Table 2.2. Excise Tax Revenue Trends

	(000 HRK)	2009	2010	Plan 2011	2011	Index 2010 /2009	Index 2011 /2010	Index 2011 /Plan 2011
Excises		10,998,910	11,972,326	11,531,739	11,215,054	108.9	93.7	97.3
- Excise tax on passenger cars, other motor vehicles, vessels and aircraft	696,791	589,983	603,608	663,585	84.7	112.5	109.9	
- Excise tax on petroleum products	6,045,624	6,932,709	6,384,084	5,978,413	114.7	86.2	93.6	
- Excise tax on alcohol	189,895	207,445	206,000	172,083	109.2	83.0	83.5	
- Excise tax on beer	680,567	655,266	673,982	653,951	96.3	99.8	97.0	
- Excise tax on nonalcoholic beverages	125,817	121,615	126,137	123,347	96.7	101.4	97.8	
- Excise tax on tobacco and tobacco products	3,073,671	3,292,993	3,352,458	3,473,375	107.1	105.5	103.6	
- Excise tax on coffee	156,910	149,682	159,601	126,424	95.4	84.5	79.2	
- Excise tax on luxury products	29,635	22,633	25,870	23,875	76.4	105.5	92.3	

Source: Ministry of Finance

In the total excise tax structure, most important excise tax is the one on petroleum products, which makes 53.3 percent of total revenue from excise tax, and excise tax on tobacco products has a share of 31 percent in total excise taxes.

Figure 2.4. Excise Tax Revenue Structure in 2011



Source: Ministry of Finance

Excise tax on petroleum products amounted to HRK 6 billion and has dropped by 13.8 percent on the year-on-year level. However, this drop is partially a result of reduction of sold quantities of petroleum products, and partially of a decrease in excise tax rates for petroleum products. At the beginning of March 2011, due to strong pressures on petroleum prices, the excise tax on petrol and diesel fuels was amended by Government Regulation in a way that all excise taxes were reduced by 15 lipas per litre of fuel. The additional cause for a year-on-year drop in oil excise tax revenue was a high base from 2010, owing to the discharge of INA's debt toward the government, which was paid in the course of the first three months of that year. The highest revenue based on excise tax on oil and oil derivatives was realized during the summer months, which was a direct result of increase in traffic due to the tourist season.

If we look at the trend of delivered quantities of petroleum products in 2011, it is evident that the consumption of unleaded petrol and diesel fuels decreased. At the same time, the delivered amounts of blue diesel increased by 4.8 percent, on a year-on-year level.

Table 2.3. Petroleum Products Delivered in 2010 and 2011

	BMB			DIESEL			BLUE DIESEL		
	litres	2010	2011	Index 11/10	2010	2011	Index 11/10	2010	2011
January	58,015,066	59,422,395	102.4	92,756,398	98,641,488	106.3	7,502,576	11,109,391	148.1
February	56,513,536	55,720,098	98.6	98,049,886	106,373,045	108.5	7,006,574	7,847,372	112.0
March	68,541,394	63,995,695	93.4	125,063,384	124,313,177	99.4	10,664,636	10,045,394	94.2
April	78,973,455	70,115,853	88.8	133,977,713	126,058,186	94.1	16,172,093	16,986,741	105.0
May	72,483,419	68,858,910	95.0	131,816,232	131,084,868	99.4	11,834,703	12,392,273	104.7
June	82,350,288	77,713,589	94.4	139,545,772	141,410,514	101.3	14,001,031	13,212,029	94.4
July	100,840,424	90,679,669	89.9	171,121,011	162,605,788	95.0	17,214,926	13,842,758	80.4
August	104,057,988	98,479,008	94.6	169,093,648	170,555,172	100.9	11,704,222	13,259,278	113.3
September	75,272,792	73,369,304	97.5	144,310,921	145,878,936	101.1	13,439,897	13,285,791	98.9
October	70,278,683	67,898,369	96.6	135,317,191	136,411,691	100.8	18,809,924	23,222,561	123.5
November	65,549,199	62,512,779	95.4	124,289,179	122,427,135	98.5	15,794,238	15,167,928	96.0
December	68,693,278	65,018,325	94.7	121,135,811	115,358,547	95.2	15,900,088	17,356,381	109.2
TOTAL	901,569,522	853,783,994	94.7	1,586,477,146	1,581,118,547	99.7	160,044,908	167,727,897	104.8

Source: Ministry of Finance - Customs Administration

Revenue from excise tax on tobacco products in 2011 amounted to HRK 3.5 billion, which was an increase of 5.5 percent on a year-on-year level. This increase is in a high degree a result of an all-year impact of change of the excise tax rate. The Government Regulation changed the rate of proportional excise tax on cigarettes from 30 to 33 percent of the retail price, applied as of 1 October 2010, in order to gradually meet the minimum conditions and amounts of excise on cigarettes prescribed by EU directives. With respect to the planned amount, this revenue increased by 3.6 percent. In the following several months, payments of revenue on the basis of excise tax on tobacco were considerably reduced because of the stocks accumulated by manufacturers in October 2010, prior to the increase of excise tax rates on tobacco products. Regular monthly payments based on these revenues stabilised again in March 2011.

In 2011, retail trade of tobacco products increased by 9.7 percent in nominal amount in relation to 2010. At the same time, the export of manufactured tobaccos records a year-on-year drop of 23.5 percent, while the import decreased by 4.5 percent.

The most significant year-on-year increase in excise tax structure, of 12.5 percent, was achieved by excise taxes on passenger vehicles, other motor vehicles, vessels and aircraft. After a significant decrease in car demand in 2010, during 2011 there was a slight recovery of demand, increase of car dealership and, consequently, an increase in excise tax payments.

In 2011, excise tax revenue from beer amounted to HRK 654 million, which was a year-on-year drop of 0.2 percent. This achievement is 3 percent less than the planned amount. Revenue from other excisable products (excise tax on coffee, alcohol and alcoholic beverages, nonalcoholic beverages and luxury products) amounted to HRK 445.7 million, which was 11.1 percent less than in the previous year. In this connection, revenue from excise tax on coffee amounted to HRK 126.4 million, decreasing by 15.5 percent as compared to 2010. Excise tax on alcohol and alcoholic beverages amounted to HRK 172.1 million, which was a year-on-year drop of 17 percent. In 2011, excise tax on nonalcoholic beverages amounted to HRK 123.3 million of the Budgetary Central Government revenue, which was a 1.4 percent increase compared to the previous year. Excise tax on luxury products amounted to HRK 23.9 million, which was a 5.5 increase compared to 2010.

Revenue from Customs Duties

In 2011, revenue from taxes on international trade and transactions (customs) amounted to HRK 1.8 billion, which was a 7.4 percent increase in comparison to 2010, and a 5 percent increase compared to the planned amount. Year-on-year increase of the Budgetary Central Government revenue based on custom duties was the result of increase in import during 2011, after a two-year successive drop.

In October 2011, Croatia and the Czech Republic signed the Protocol to the Agreement between the Republic of Croatia and the Czech Republic for the Avoidance of Double Taxation with Respect to Taxes on Income and on Capital. Furthermore, in 2011, a draft Proposal of the Act for the Ratification of the Agreement between the Republic of Croatia and Iceland on the Avoidance of Double Taxation⁸ was also made.

Other Tax Revenue

Within the framework of tax revenue in 2011, the Budgetary Central Government also collected revenue from the tax on gains from games of chance and other taxes on games of chance, revenue from fees for organising games of chance, revenue from other taxes on goods and services and other taxes. According to the GFS 2001 methodology, other tax revenue includes state administrative and court fees and special tax on salaries, pensions and other receivables. Special tax on salaries, pensions and other receivables was introduced in July 2009, with the limited validity period until the end of 2010. However, although in 2011 this form of tax was no longer used, HRK 34.2 million was realised from special tax on salaries, pensions and other receivables, and these funds refer to delayed payments based on this tax revenue. In 2011, tax revenue from the tax on gains from games of chance and other taxes on games of chance amounted to HRK 31 million and fees for organising games of chance amounted to HRK 635.4 million. In 2011, revenue collected from organising games of chance recorded the year-on-year drop of 0.8 percent, but an increase of 25.8 percent with respect to the planned amount. Revenue from other taxes on goods and services amounted to HRK 514.8 million, which was 1.8 percent less than in 2010. Revenues collected from state administrative and court fees amounted to HRK 333.6 million, with a year-on-year increase of 4.3 percent.

Amendments to the General Tax Act⁹ (GTA) were also made in one of the sections of the tax system in 2011, including the amendment of Article 63 of the GTA which regulates the form and contents of the income tax return by prescribing the obligation to submit the income tax return forms and reports necessary for taxation in electronic form for a particular segment of taxpayers, which is the single most significant amendment of the provisions of the GTA. The amendment to the provision of Article 94 of the GTA prescribes the suspension of limitation periods during court proceedings for the purpose of securing the collection of taxes, interests and execution expenses, and a proposition is made for the amendment according to which the expired interests cannot be compensated out of a pledged asset, for the purpose of harmonisation with the provisions of the Civil Obligations Act¹⁰. With respect to the entry into force of the Execution on Monetary Funds Act¹¹ which regulates the forced collection of monetary funds, the amendments to the provisions contained in Chapter VI of the GTA concerning the conduct of execution proceedings which are necessary for harmonisation with the provisions of the Execution on Monetary Funds Act have also been prescribed. The handling of cases where the procedure for confiscation of monetary funds has been initiated, but not completed, is also regulated, so that the initiated but unfinished procedures should be completed according to the provisions of the General Tax Act¹². The amendments to the provisions contained in Chapter IX of the GTA concerning the exchange of information between the EU Member States on

8 Official Gazette – International Agreements, number 3/2011

9 Official Gazette – number 18/2011

10 Official Gazette – numbers 35/2005 and 41/2008

11 Official Gazette – number 91/2010

12 Official Gazette – number 147/2008

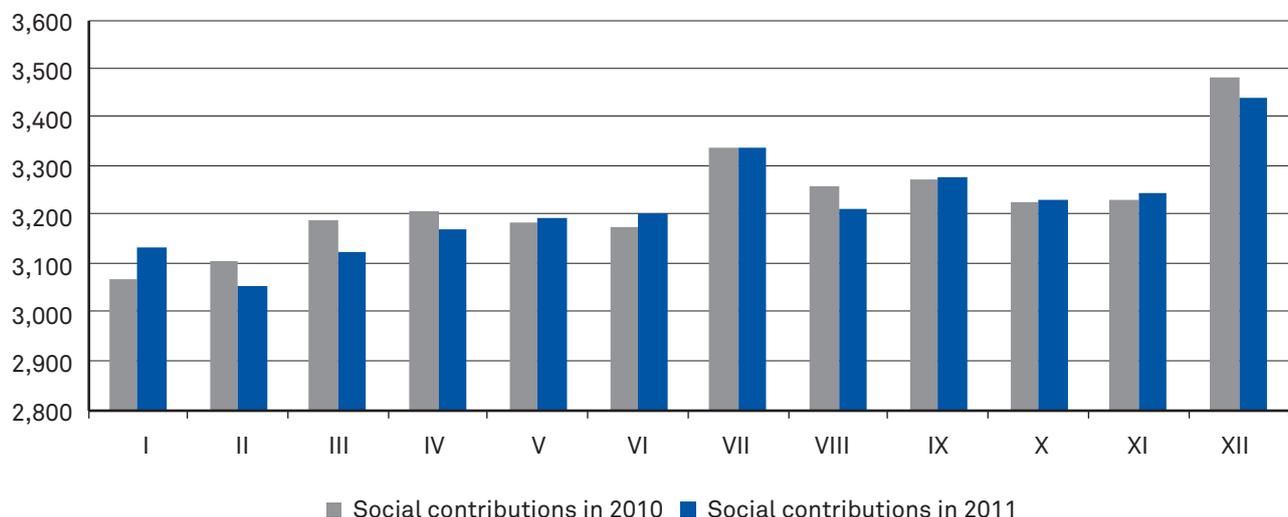
the savings income interest payments have also been implemented for the purpose of complete harmonisation with the Council Directive 2003/48/EC and the Council Directive 85/611/EEC.

2.2.2. Social Security Contributions

Social security contributions are the second most significant category of the Budgetary Central Government revenue, which makes up 36.1 percent of the total operating revenue. In 2011, this revenue amounted to HRK 38.6 billion, which was a year-on-year drop of 0.3 percent. The revenue amounted to 98.2 percent of the planned revenue. As the social contributions revenue trends depend on the labour market trends, the year-on-year drop was the result of negative trends on the labour market. Revenues from social contributions consist of employee contributions, employer contributions and contributions from the self-employed and the unemployed. The largest share in total contributions comes from employer contributions, which amounted to 53.6 percent in 2011. These contributions amounted to HRK 20.7 billion, with the largest part referring to health insurance contributions, and the remaining part to employment contributions. The second most significant contributions in the contribution revenue structure are employee contributions, which make 44.8 percent of the total social contributions in 2011, and almost completely come from pension insurance contributions. Employee contribution revenue amounted to HRK 17.3 billion. Self-employed and nonemployed contribution category constitutes the smallest portion of the total social contributions, with only 1.6 percent. These contributions amounted to HRK 616.6 million, and they are, in roughly equal proportion, comprised of health and pension insurance contributions of persons performing independent business activities.

Figure 2.5. Social Contributions Revenue Trends in 2010 and 2011, by Months

mil. HRK



Source: Ministry of Finance

2.2.3. Grants

In 2011, grant revenue amounted to HRK 941.3 million, and consisted of grants from foreign governments, grants from international organizations and grants to other general government units. The most significant category are the grants from international organizations and institutions as well as EU authorities, which make 87.9 percent of the total collected grant revenue and which amount to HRK 827.4 million. The largest share of these funds consists primarily of pre-accession EU funds for the financing of specific projects.

2.2.4. Property Income

Total property income in 2011 amounted to HRK 1.9 billion. On a year-on-year level, an increase of 44 percent has been recorded, or a revenue of HRK 571.2 million. Property income comprises of interest revenue, dividend revenue, withdrawals from the income of quasi-corporations and revenue from rent.

Dividend revenue in 2011 amounted to HRK 286.6 million, of which approximately HRK 215 million was collected through the INA dividend payment. Revenue collected from the profit of quasi-corporations in 2011 amounted to HRK 637.2 million. The largest amount of this revenue came from the profit of HEP, in the amount of approximately HRK 494 million. Interest revenue amounted to HRK 115 million, and referred to interest on given loans, securities interest, time deposit interest and sight deposit interest as well as overdue interest.

Revenue from rents in 2011 amounted to HRK 829.9 million, and it comprised concession revenue, revenue from property lease and revenue from nonfinancial assets. Significant revenue from rent is concession revenue, which in 2011 amounted to HRK 541.8 million, with a year-on-year growth of 7.3 percent. Revenue from concessions was realised from fees for frequency concessions, concessions for waters and public water resources, road concessions, monthly concession fees for casinos, fees for concessions on the maritime domain, fees for concessions on public roads, fees for customs zone concessions and other concession fees. The largest amount of revenue from property lease and rent came from revenue from agricultural land leases, followed by other revenues: revenue from real estate lease, state-owned agricultural land easement fees, state-owned agricultural land usage fee, and state-owned forest easement fee. Monument annuities, oil ports and pipeline usage fees were the biggest item in other revenues from rent.

2.2.5. Revenue from Sales of Goods and Services

Revenue from sales of goods and services comprise revenue from administrative fees and revenue from incidental sale on the market. In 2011, these revenues were realised in the amount of HRK 1.4 billion, of which HRK 1.2 billion refer to revenues collected from administrative fees, while HRK 228.8 million refer to the revenues from incidental sale on the market. Revenue from administrative fees was generated by various public notary fees, fees from the sale of stamp duties, state issued guarantee fees, fees for issued long-term securities, fees for issued border crossing permits, fees and compensations paid by persons in transit, industrial property rights fees, and various other fees.

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

In 2011, revenue from fines, penalties and forfeits amounted to HRK 534.4 million, and thus recorded a year-on-year growth of 1.8 percent. As in the previous years, the largest share in total penalties refers to traffic fines, followed by customs fines and tax penalties. Other penalties comprise criminal penalties, penalties for violations of foreign exchange regulations, penalties for economic offences, penalties for fire protection offences, etc.

In 2011, voluntary transfers other than grants amounted to HRK 29.1 million, which is a year-on-year growth of 82.4 percent, and consisted of current and capital donations from legal and natural persons outside the general government.

Miscellaneous and unidentified revenues amounted to HRK 2.4 billion in 2011, which represented a year-on-year growth of 50.7 percent. The most significant revenue in this category included revenue from supplementary health insurance, revenue from fire-insurance premiums, revenue based on reimbursement of expenses from previous years, revenue from exchange gains, revenue from insurance-based damages, and other unspecified revenues. The largest part of the year-on-year increase of this revenue category refers to revenue from exchange gains, which amounted to HRK 123.7 million in 2011 and to the increase of revenue from supplementary health insurance by about HRK 570 million.

2.3. BUDGETARY CENTRAL GOVERNMENT EXPENSE

Budgetary Central Government expense in 2011 amounted to HRK 119.9 billion, which is 0.3 percent less than the budget plan for 2011. Compared to 2010, Budgetary Central Government expense was also reduced by 0.3 percent.

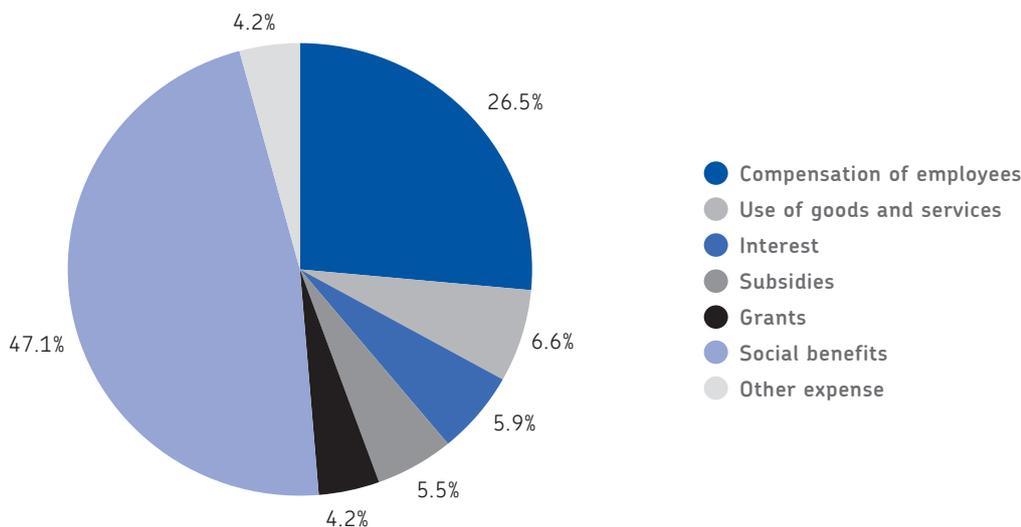
Table 2.4. Budgetary Central Government Expense in the 2009 - 2011 Period

	(000 HRK)	2009	2010	Plan 2011	2011	Index 2010 /2009	Index 2011 /2010	Index 2011 /Plan 2011
2	EXPENSE	117,923,992	120,323,332	120,323,762	119,939,511	102.0	99.7	99.7
21	Compensation of employees	31,289,325	31,096,464	31,710,384	31,737,350	99.4	102.1	100.1
211	Wages and salaries	26,555,399	26,391,104	26,874,967	26,932,391	99.4	102.1	100.2
212	Social contributions	4,733,926	4,705,360	4,835,417	4,804,959	99.4	102.1	99.4
22	Use of goods and services	7,363,814	7,655,745	8,301,027	7,943,604	104.0	103.8	95.7
24	Interest	5,225,174	6,236,482	7,040,989	7,097,592	119.4	113.8	100.8
241	To nonresidents	1,391,408	1,723,831	2,360,079	2,491,668	123.9	144.5	105.6
242	To residents other than general government	3,833,767	4,512,651	4,680,910	4,605,924	117.7	102.1	98.4
25	Subsidies	6,710,033	6,582,192	6,304,433	6,555,277	98.1	99.6	104.0
251	To public corporations	3,134,258	3,186,622	2,869,299	3,063,739	101.7	96.1	106.8
252	To private enterprises	3,575,775	3,395,569	3,435,134	3,491,538	95.0	102.8	101.6
26	Grants	5,559,586	5,778,575	5,194,149	5,083,665	103.9	88.0	97.9
261	To foreign governments	78,184	58,594	34,785	39,806	74.9	67.9	114.4
2611	Current	68,150	49,412	29,256	34,346	72.5	69.5	117.4
2612	Capital	10,034	9,181	5,529	5,459	91.5	59.5	98.7
262	To international organizations	134,031	175,808	197,520	212,234	131.2	120.7	107.4
2621	Current	133,061	175,808	196,306	212,234	132.1	120.7	108.1
2622	Capital	970	0	1,214	0	-	-	-
263	To other general government units	5,347,372	5,544,174	4,961,844	4,831,625	103.7	87.1	97.4
2631	Current	2,598,678	2,663,291	2,434,938	2,468,917	102.5	92.7	101.4
2632	Capital	2,748,694	2,880,883	2,526,907	2,362,708	104.8	82.0	93.5
27	Social benefits	56,148,498	56,906,555	56,325,630	56,482,968	101.4	99.3	100.3
271	Social security benefits	40,605,352	43,008,291	42,762,691	42,752,824	105.9	99.4	100.0
272	Social assistance benefits	15,258,436	13,728,987	13,364,254	13,602,326	90.0	99.1	101.8
273	Employer social benefits	284,709	169,277	198,685	127,817	59.5	75.5	64.3
28	Other expense	5,627,561	6,067,319	5,447,150	5,039,054	107.8	83.1	92.5
281	Property expense other than interest	7,730	88	25	12	1.1	13.9	50.0
282	Miscellaneous other expense	5,619,832	6,067,231	5,447,125	5,039,042	108.0	83.1	92.5
2821	Current	2,174,864	2,280,627	2,175,892	2,018,297	104.9	88.5	92.8
2822	Capital	3,444,968	3,786,604	3,271,233	3,020,745	109.9	79.8	92.3

Source: Ministry of Finance

In the structure of the realised expense for the observed period, social benefits had a share of 47.1 percent. They were followed by compensation of employees with the share of 26.5 percent in the Budgetary Central Government expense, the use of goods and services with 6.6 percent, interest with 5.9 percent, subsidies with 5.5 percent, other expense with 4.2 percent and grants with 4.2 percent.

Figure 2.6. Structure of the Budgetary Central Government Expense in 2011



Source: Ministry of Finance

2.3.1. Compensation of Employees

Expense for the compensation of employees amounted to HRK 31.7 billion in 2011, which is at the level with the planned amount. Compared to 2010, this expense is 2.1 percent higher, considering that in the Budgetary Central Government funds have been provided for a 0.5 percent salary growth in respect of years of service and a 2.2 percent salary growth in education and science based on the Agreement on Salary Supplements in Education and Science of 2006 and the additional strengthening of administrative capacities for the purposes of the EU.

Of the total expense for compensation of employees, 84.9 percent refers to wages and salaries expense, and the remaining 15.1 percent refers to social contribution expense.

Besides the salaries of civil servants and employees, this expense category also includes salaries and the corresponding employers' contributions of the workers employed in health facilities owned by the Republic of Croatia or units of local and regional self-government, which, according to the GFS 2001 methodology, were reclassified to the category of compensation of employees. The State Budget provides for those items within the category of compensation of citizens and households (as part of total payments to those institutions for the provision of contract-based healthcare services), but they were reclassified to the category of compensations of employees because that is where they belong by their type.

During 2011, negotiations with trade unions in public services were held on the Amendments of the Annex to the Agreement on the Base for Salaries in Public Services of May 2009. Negotiations on the Amendments of the Annex have been concluded by an arbitral award, which postponed the correction of the base for salaries, which, according to the Annex, was scheduled for 31 December 2011, by another year.

2.3.2. Use of Goods and Services

Expense for the use of goods and services amounted to HRK 7.9 billion, which is 4.3 percent less than the amount planned for 2011. Allocations for particular categories have not changed significantly with respect to the same period of the previous year, except for material and energy expenses, which increased by 23.2 percent, primarily due to investments in military hardware.

2.3.3. Interest

Interest expense in 2011 was HRK 7.1 billion, or 0.8 percent above the plan for the observed year.

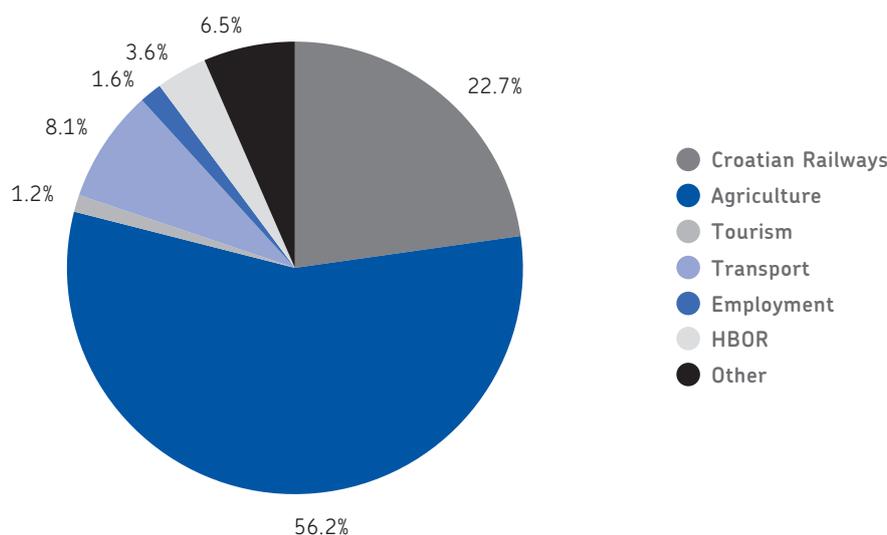
In the structure of the realised interest expense, interest expense for issued bonds prevails. In respect of interest on bonds, a total of HRK 5 billion was secured, which was 70.4 percent of the total amount of interest expense. The remaining part refers to interest on domestic and foreign loans and domestic treasury bills.

2.3.4. Subsidies

Expense for subsidies amounted to HRK 6.6 billion, which was 4 percent above the amount planned for 2011.

Of that amount, subsidies to private enterprises amounted to 53.3 percent, while 46.7 percent went to public corporations. The largest part of the total subsidies expense refers to agricultural subsidies, which amounted to HRK 3.7 billion, and subsidies to Croatian Railways in the amount of HRK 1.5 billion. Other subsidies refer mainly to shipbuilding, employment, tourism, etc.

Figure 2.7. Subsidy Expense Structure in 2011



Source: Ministry of Finance

2.3.5. Grants

In 2011, expense for grants amounted to HRK 5.1 billion, which was 2.1 percent less than planned for the observed year.

Total grants consisted of grants to foreign governments and international organisations, as well as grants to other general government units. About 95 percent refers to grants to other general government units, of which 51.1 percent are current grants to other general government units which mainly include additional funding for equalisation of decentralised functions, grants to local and regional self-government units based on criteria established by the Act on the Execution of the State Budget of the Republic of Croatia for 2011, grants to areas of special state concern and hilly and mountainous areas and other. The remaining 48.9 percent were capital grants, the largest part of which were road charges for Croatian Roads (Hrvatske ceste). Also, current and capital grants for regional programmes have been provided during the year

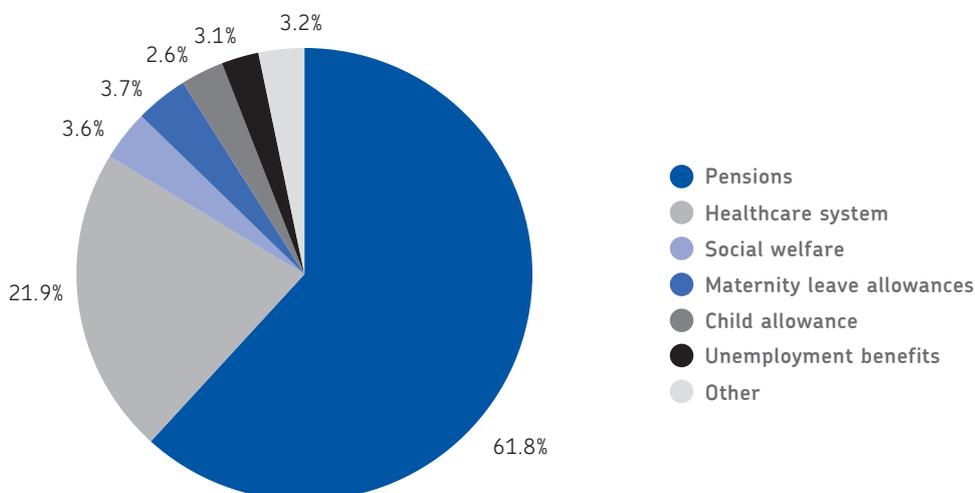
2.3.6. Social Benefits

Social benefits expense amounted to HRK 56.5 billion, which was 0.3 percent higher than the amount planned for 2011.

In the structure of total expense for social benefits in 2011, 75.7 percent referred to social security benefits, 24.1 percent to social assistance benefits, and the remaining 0.2 percent to employer social benefits.

Pensions and compensations in the healthcare system account for about 83.7 percent of the total social benefits. In other words, pension expense in 2011 amounted to HRK 34.9 billion and compensations in the healthcare system to HRK 12.4 billion. During the year, HRK 2 billion were allocated for social welfare for particular population groups. Furthermore, maternity leave allowances amounted to HRK 2.1 billion and unemployment benefits to HRK 1.5 billion. Child allowance expense amounted to HRK 1.7 billion.

Figure 2.8. Social Benefits Structure in 2011



Source: Ministry of Finance

2.3.7. Other Expense

Other expense is classified into property expense other than interest, and miscellaneous other expense which includes other current and capital expense. It amounted to HRK 5 billion, which was 7.5 percent less than the amount planned for other expense.

Other expense mostly included transfers to Croatian Motorways (HAC) and expense for housing accommodation, natural disasters, investments in modernisation of Croatian Railways (HŽ), student standard and student accommodation, investments in culture, etc. The largest item in this category of expense are capital grants in the amount of HRK 2.4 billion, of which HRK 1.4 billion refer to the transfer to Croatian Motorways for the part of the corresponding fee in the fuel price, and HRK 534.8 million was allocated for capital grants to Croatian Railways.

2.3.8. Budgetary Central Government Expenditure by Function

Overview of the realisation of the Budgetary Central Government expenditure, in terms of function, provides insight in execution of expenditure with regard to main functions fulfilled by its execution, i.e., shows fiscal policy priorities within a certain time period. Insight in the function of expenditure also enables quality international comparison and analysis of public expenditure. In conformity with the GFS 2001 methodology, according to which the overview of functional classification of expenditure was laid down in this chapter, the Budgetary Central Government expenditure includes total current expense increased by expense for the acquisition of nonfinancial assets.

The total Budgetary Central Government expenditure in 2011, in terms of function, amounted to HRK 121.4 billion, which was a year-on-year decrease of 0.4 percent.

The largest allocations, in terms of function, were those for social protection and health, with a total share of about 56 percent in the total expenditure in 2011. The share of social protection expenditure in total expenditure was increased by 0.1 percent as compared to 2010, whereas the share of health expenditure was reduced by 0.3 percent. The share of these categories of expenditure in GDP shows a year-on-year decrease by 0.3 and 0.2 percent, respectively.

Other larger allocations were to general public services and economic affairs. General public services expenditure, which mostly results from transactions related to public debt and executive and legislative affairs, increased their share in total expenditure by 4.1 percent, and in GDP by 0.1 percent. Economic affairs expenditure decreased its share in total expenditure by 8.6 percent and in GDP by 0.5 percent. The main items of expenditure within this category are transport (especially road and railway), agriculture, forestry, fishing and hunting, and general economic, commercial and labour affairs.

Expenditure for education records an increase of share in the total expenditure by 2 percent, whereby the share in the GDP remains unchanged. Expenditure for public order and safety, as well as expenditure for recreation, culture and religion, maintain their share in the GDP. At the same time, the share of expenditure for public order and safety, which traditionally refers to police forces and the judicial system, increases in total expenditure by 3.9 percent, whereas the share of expenditure for recreation, culture and religion is reduced by 4.6 percent.

The largest increase of share in the total expenditure, of 42.4 percent, was recorded in environment protection expenditure, primarily on the basis of increase of expenditure for wastewater and waste management. This expenditure also records a 0.1 percent increase of share in the GDP. An increase of share in the GDP of 0.1 percent was also recorded in case of expenditure for defence and, at the same time, the share in total expenditure also increases by 7.1 percent, which is a result of increased allocations for military defence.

Expenditure for housing and community amenity affairs record the greatest reduction in share in the total expenditure of 16.6 percent, which means that their share in the GDP is reduced by 0.1 percent.

Table 2.5. Budgetary Central Government Expenditure by Function in the 2009 - 2011 Period

	(000 HRK)	2009	2010	2011	Index 2010 /2009	Index 2011 /2010
7	Total expenditure	120,191,398	121,874,004	121,425,489	101.4	99.6
701	General public services	12,176,736	13,507,060	14,059,500	110.9	104.1
702	Defense	4,997,410	4,678,530	5,008,713	93.6	107.1
703	Public order and safety	7,626,856	7,535,152	7,827,335	98.8	103.9
704	Economic affairs	13,675,761	14,180,173	12,954,014	103.7	91.4
705	Environment protection	288,526	450,058	641,062	156.0	142.4
706	Housing and community amenity affairs	1,896,281	1,677,274	1,398,986	88.5	83.4
707	Health	19,883,412	20,152,144	19,762,452	101.4	98.1
708	Recreation, culture and religion	1,714,807	1,741,378	1,661,596	101.5	95.4
709	Education	10,395,997	10,277,096	10,483,615	98.9	102.0
710	Social protection	47,535,611	47,675,139	47,628,215	100.3	99.9

Source: Ministry of Finance

2.4. TRANSACTIONS IN NONFINANCIAL ASSETS OF THE BUDGETARY CENTRAL GOVERNMENT

Transactions in nonfinancial assets refer to all expense associated with acquisition of nonfinancial assets and to all receipts associated with disposal of nonfinancial assets. In this sense, the amount of net transactions in nonfinancial assets is the net result of all acquisitions and disposals, i.e. total acquisitions reduced by total disposals of nonfinancial assets.

In 2011, total net acquisition of nonfinancial assets amounted to HRK 1.1 billion, which was a year-on-year decrease of 7.6 percent. Total net acquisition of nonfinancial assets was the result of acquisition of nonfinancial assets in the amount of HRK 1.5 billion, and disposals in the amount of HRK 347 million.

The acquisition of nonfinancial assets mostly referred to acquisition of fixed assets, which was dominated by acquisition of buildings and structures in the amount of HRK 783.3 million, and machinery and equipment in the amount of HRK 596.5 million. On the other hand, disposals mostly referred to disposals of buildings and structures within the fixed assets in the amount of HRK 298.9 million.

Net acquisition of inventories amounted to HRK 2.5 million, which was the result of acquisitions in

the amount of HRK 3.2 million, and disposals in the amount of HRK 763.8 thousand.

Total net acquisition of valuables amounted to HRK 3.7 million, accounted for entirely by the acquisition of valuables, and there were no disposals.

Acquisition of nonproduced assets amounted to HRK 58.9 million, and it mostly arose from the acquisition of licences and other rights, while disposals in the amount of HRK 44.8 million were almost entirely accounted for by sales of land.

Table 2.6. Transactions in Nonfinancial Assets of the Budgetary Central Government in the 2009-2011 Period

	(000 HRK)	2009	2010	2011	Index 2010 /2009	Index 2011 /2010
31	NET ACQUISITION OF NONFINANCIAL ASSETS	1,963,401	1,232,366	1,138,970	62.8	92.4
311	Fixed assets	1,839,720	1,200,398	1,118,710	65.2	93.2
311,1	Acquisitions: fixed assets	2,097,601	1,466,817	1,420,148	69.9	96.8
311,2	Disposals: fixed assets	257,881	266,419	301,438	103.3	113.1
3111	Buildings and structures	824,283	608,822	484,370	73.9	79.6
3111,1	Acquisitions: buildings and structures	1,076,215	872,737	783,289	81.1	89.8
3111,2	Disposals: buildings and structures	251,932	263,915	298,919	104.8	113.3
3112	Machinery and equipment	931,108	529,521	594,015	56.9	112.2
3112,1	Acquisitions: machinery and equipment	937,057	532,022	596,534	56.8	112.1
3112,2	Disposals: machinery and equipment	5,949	2,502	2,519	42.0	100.7
3113	Other fixed assets	84,330	62,056	40,325	73.6	65.0
3113,1	Acquisitions: other fixed assets	84,330	62,058	40,325	73.6	65.0
3113,2	Disposals: other fixed assets	0	2	0	-	-
312	Inventories	35,412	10,955	2,473	30.9	22.6
312,1	Acquisitions: inventories	43,144	16,910	3,237	39.2	19.1
312,2	Disposals: inventories	7,732	5,954	763,8	77.0	12.8
313	Valuables	8,929	6,136	3,741	68.7	61.0
313,1	Acquisitions: valuables	8,929	6,136	3,741	68.7	61.0
313,2	Disposals: valuables	0	0	0	-	-
314	Nonproduced assets	79,340	14,877	14,046	18.8	94.4
314,1	Acquisitions: nonproduced assets	117,733	60,809	58,852	51.7	96.8
314,2	Disposals: nonproduced assets	38,392	45,933	44,806	119.6	97.5
3141	Land	-38,175	-45,536	-42,728	119.3	93.8
3141,1	Acquisitions: land	125	396	1,988	-	-
3141,2	Disposals: land	38,300	45,933	44,716	119.9	97.4
3142	Subsoil assets	-93	0	-90	-	-
3142,2	Disposals: subsoil assets	93	0	90	-	-
3144	Intangible nonproduced assets	117,608	60,413	56,864	51.4	94.1
3144,1	Acquisitions: intangible nonproduced assets	117,607	60,413	56,863	51.4	94.1

Source: Ministry of Finance

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

The total net acquisition of financial assets of the Budgetary Central Government is the difference between domestic and foreign acquisitions and disposals of financial assets and the change in currency and deposits. In 2011, net acquisition of domestic financial assets in the amount of HRK -618.4 million was the result of HRK -2.2 billion change in currency and deposits, the net acquisition of loans in the amount of HRK 1 billion, and the net acquisition of shares and other equity in the amount of HRK 550.7 million. The negative amount of currency and deposits represents a decrease in the amount of funds in the state account in the observed period. The net acquisition of domestic loans was the result of acquisition of loans in the amount of HRK 1.8 billion, and disposals of loans in the amount of HRK 816.7 million. The acquisition of loans mostly referred to loans to companies in the public sector, i.e. payments for protested guarantees in the amount of HRK 1.5 billion. These were followed by loans to other government levels (HRK 194.2 million), to non-profit organisations, citizens and households (HRK 83.6 million), and loans to companies and small businesses outside the public sector (HRK 19.7 million). Disposals of domestic loans referred to loan principal repayments by public corporations in the amount of HRK 517.8 million and to loan principal repayments by companies and small businesses outside the public sector in the amount of HRK 212 million.

The net acquisition of domestic shares and other equity in the amount of HRK 550.7 million was entirely the result of acquisitions of shares and other equity. Acquisition of domestic shares and other equity mostly referred to shares and equity in banks and other financial institutions in the public sector, in the amount of HRK 350 million, and to shares and equity in private enterprises (HRK 200 million).

Foreign net acquisition of financial assets amounted to HRK 5.3 million, and was the result of acquisition of shares and other equity, whereas the acquisitions and disposals of foreign loans amounted to HRK 1.8 million.

Tablica 2.7. Transactions in Financial Assets of the Budgetary Central Government in the 2009-2011 Period

	(000 HRK)	2009	2010	2011
32	NET ACQUISITION OF FINANCIAL ASSETS	6,825,544	2,022,682	-618,448
321	Domestic	6,823,196	2,022,294	-623,788
3212	Currency and deposits	4,127,800	569,502	-2,198,870
3214	Loans	2,316,757	657,093	1,024,421
3214,1	Acquisition	2,458,939	1,366,444	1,841,105
3214,2	Disposal	142,181	709,351	816,684
3215	Shares and other equity	378,639	795,699	550,660
3215,1	Acquisition	387,017	803,044	550,660
3215,2	Disposal	8,378	7,345	0
322	Foreign	2,348	388	5,341
3224	Loans	1,447	388	0
3224,1	Acquisition	1,447	2,365	1,793
3224,2	Disposal	0	1,977	1,793
3225	Shares and other equity	901	0	5,341
3225,1	Acquisition	901	0	5,341
3225,2	Disposal	0	0	0

Source: Ministry of Finance

In 2011, total net incurrence of liabilities of the Budgetary Central Government amounted to HRK 13.4 billion, resulting from the net incurrence of domestic liabilities in the amount of HRK 4.8 billion and net incurrence of foreign liabilities in the amount of HRK 8.6 billion.

The net incurrence of domestic liabilities was the result of incurrence and repayments through securities other than shares and loans on the domestic financial market. Total incurrence on the domestic market amounted to HRK 7.9 billion, while domestic repayments amounted to HRK 3.1 billion. As regards the incurrence on the domestic financial market, HRK 5.7 billion referred to incurrence through securities other than shares. During 2011, two bond issues were realised on the domestic market. The first issue refers to the five-year kuna bond in the amount of HRK 1.5 billion, and the second to the extended ten-year bond (with maturity in the first half of 2022) with foreign currency clause in the amount of EUR 600 million. Incurrence through loans on the domestic market amounted to HRK 2.2 billion, and it mainly referred to incurrence through a long-term foreign currency loan in the amount of EUR 260 million for the repayment of bonds for the restructuring of economy from 1991. Domestic repayment on the basis of securities other than shares amounted to HRK 2.7 billion, of which HRK 2.4 billion referred to repayment of bonds for the restructuring of economy from 1991. Domestic repayment on the basis of loans amounted to HRK 434.7 million.

The net incurrence of foreign liabilities comprised total foreign incurrence in the amount of HRK 16.8 billion and total foreign repayments in the amount of HRK 8.2 billion. Foreign incurrence in 2011 was mostly realised through securities other than shares in the total amount of HRK 13.3 billion. Thus, in March 2011, a ten-year Eurobond was issued on the US market in the value of USD 1.5 billion and, in June 2011, a Eurobond in the amount of EUR 750 million was issued, with maturity in 2018. Incurrence through loans on the foreign financial market amounted to HRK 3.5 billion. Foreign repayments comprised repayments of securities other than shares in the amount of HRK 5.5 billion, i.e., the repayment of EUR 750 million for a bond issued in 2001, whereas the repayment of foreign loans in 2011 amounted to HRK 2.7 billion.

Observing the total (domestic and foreign) incurrence, and total (domestic and foreign) repayments of the Budgetary Central Government in 2011, we can say that the net incurrence of liabilities of the Budgetary Central Government was the difference between the incurrence in the amount of HRK 24.7 billion, and repayments in the amount of HRK 11.3 billion.

Table 2.8. Transactions in Liabilities of the Budgetary Central Government in the 2009 - 2011 Period

	(000 HRK)	2009	2010	2011
33	NET INCURRENCE OF LIABILITIES	16,454,990	16,112,029	13,390,363
33,1	Total repayments	9,700,319	17,999,196	11,320,894
33,2	Total incurrence	26,155,309	34,111,225	24,711,257
331	Domestic	9,576,610	11,835,071	4,793,136
331,1	Repayment	2,704,283	12,815,011	3,124,139
331,2	Incurrence	12,280,893	24,650,082	7,917,275
3313	Securities other than shares	4,855,440	12,222,784	3,023,835
3313,1	Repayment	273,892	3,289,266	2,689,441
3313,2	Incurrence	5,129,332	15,512,050	5,713,276
3314	Loans	4,721,170	-387,713	1,769,302
3314,1	Repayment	2,430,391	9,525,745	434,698
3314,2	Incurrence	7,151,562	9,138,032	2,203,999
332	Foreign	6,878,380	4,276,958	8,597,227
332,1	Repayment	6,996,036	5,184,185	8,196,755
332,2	Incurrence	13,874,416	9,461,143	16,793,982
3323	Securities other than shares	7,801,073	3,517,533	7,786,583
3323,1	Repayment	5,054,565	3,655,005	5,541,105
3323,2	Incurrence	12,855,638	7,172,538	13,327,688
3324	Loans	-922,693	759,425	810,644
3324,1	Repayment	1,941,471	1,529,180	2,655,650
3324,2	Incurrence	1,018,778	2,288,606	3,466,295

Source: Ministry of Finance

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

Net operating balance, defined as the difference between the revenue and the expense of the Budgetary Central Government, amounted to HRK -12.9 billion in 2011.

The primary operating balance is also considered as a measure of budgetary deficit/surplus and is an indicator of current fiscal policy as it excludes interest payments from the previous calculation of deficit/surplus, and thereby the impact of previous deficits and the accumulated public debt. In 2011, primary operating balance amounted to HRK -5.8 billion, which was an increase of HRK 848.3 million compared to 2010.

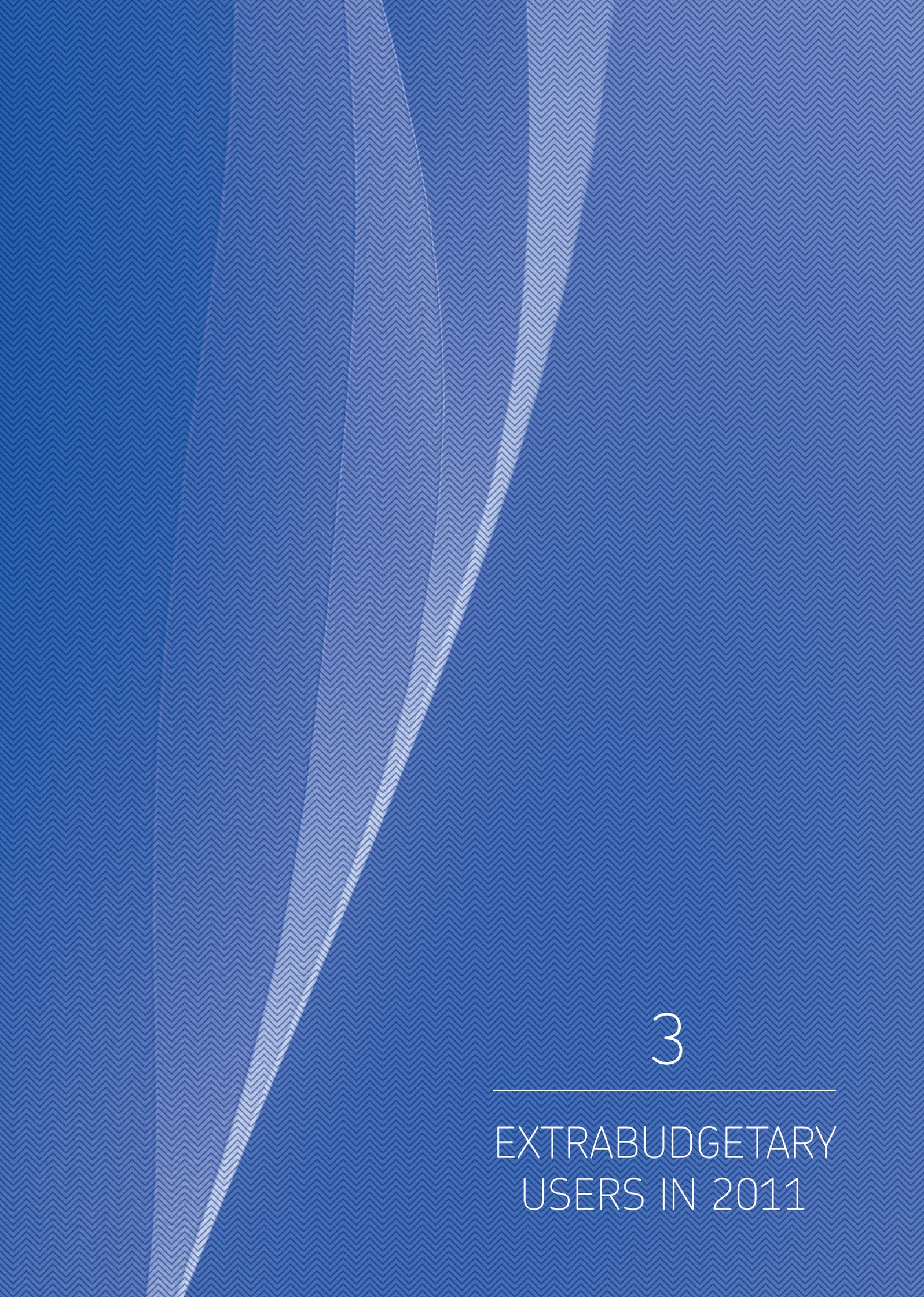
The category of net lending/borrowing is defined as the difference between the net operating balance and net acquisitions of nonfinancial assets. In 2011, net lending/borrowing was recorded at the level of HRK -14 billion, or 4.2 percent of the GDP. Total financing of this amount was the result of previously described net incurrence of liabilities in the amount of HRK 13.4 billion and net acquisitions of financial assets in the amount of HRK -618.4 million. In other words, repayments were below incurrence on the liability side of the Budgetary Central Government, whilst on the financial assets side, disposals were below the acquisitions of financial assets.

Table 2.9. Budgetary Central Government Deficit/Surplus and Financing in the 2009 - 2011 Period

	(000 HRK)	2009	2010	2011
TRANSACTIONS AFFECTING NET WORTH				
1 Revenue		110.257.947	107.466.351	107.069.670
2 Expense		117.923.992	120.323.332	119.939.511
24 Interest		5.225.174	6.236.482	7.097.592
Net - gross operating balance (1-2)		-7.666.045	-12.856.981	-12.869.841
Primary operating balance (1-2+24)		-2.440.871	-6.620.499	-5.772.249
TRANSACTIONS IN NONFINANCIAL ASSETS				
31 Net acquisition of nonfinancial assets		1.963.401	1.232.366	1.138.970
Net lending - borrowing (1-2-31)		-9.629.446	-14.089.347	-14.008.811
Financing (33-32)		9.629.446	14.089.347	14.008.811
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES				
32 Net acquisition of financial assets		6.825.544	2.022.682	-618.448
33 Net incurrence of liabilities		16.454.990	16.112.029	13.390.363

Source: Ministry of Finance





3

EXTRABUDGETARY
USERS IN 2011

3.1. EXTRABUDGETARY USERS

During 2011, six Extrabudgetary Users were covered by the general government budget: Croatian Waters (Hrvatske vode - HV), the Environmental Protection and Energy Efficiency Fund (Fond za zaštitu okoliša i energetske učinkovitost - FZOEU), Croatian Roads (Hrvatske ceste - HC), the State Agency For Deposit Insurance and Bank Rehabilitation (Državna agencija za osiguranje štednih uloga i sanaciju banaka - DAB), the Croatian Privatization Fund (Hrvatski fond za privatizaciju - HFP) until 31 March 2011 and the Government Asset Management Agency (Agencija za upravljanje državnom imovinom - AUDIO) from 1 April 2011. HFP and the earlier budgetary user of the budgetary central government, the Central State Administrative Office for State Property Management, have become part of AUDIO.

3.2. REVENUE OF EXTRABUDGETARY USERS

The total revenue of the Extrabudgetary Users in 2011 amounted to HRK 5.1 billion. Viewing its structure, HV accounted for its largest portion or 38 percent; HC for 28.6 percent; FZOEU for 21.6 percent; DAB for 10.9 percent, and HFP and AUDIO for 0.9 percent.

Within the structure of the total revenue of Extrabudgetary Users, the largest contribution comes from the revenue of sales of goods and services, which in 2011 amounted to HRK 2.6 billion. The largest part of these revenues refers to revenues from administrative fees within HV (HRK 1.5 billion) and FZOEU (HRK 1 billion).

The total revenues from grants amounted to HRK 1.8 billion, 99.8 percent of which are grants from other general government units. Of these, the largest part refers to capital grants from the Budgetary Central Government within HC, while the rest refers to capital grants from the Budgetary Central Government to HV, FZOEU and AUDIO.

The collected property income amounted to HRK 637.3 million, of which the DAB contributed the most (83.5 percent), followed by HV (7.3 percent) and AUDIO (6.2 percent). The largest property income revenue refers to the withdrawal of income of quasi-corporations that are part of the DAB.

Aside from this, Extrabudgetary Users also realised HRK 54.1 million revenue from voluntary transfers, except for state aid, and HRK 53 million in miscellaneous and unidentified revenue, the most of which was realised by DAB (38.8 percent).

3.3. EXPENSE OF EXTRABUDGETARY USERS

In 2011, the total expense of Extrabudgetary Users amounted to HRK 4.2 billion. Within this structure, the biggest contribution came from HV (34.7 percent), followed by HC (31.4 percent), FZOEU (21.8 percent), DAB (9.7 percent), AUDIO (2 percent) and HFP (0.4 percent).

Within the structure of the total expense of Extrabudgetary Users, the most significant is the expense for the use of goods and services, which, in the observed period, amounted to HRK 2.4 billion. The largest part of this expense refers to HV (HRK 930.8 million), FZOEU (HRK 763.4 million) and HC (HRK 686.5 million), and the rest refers to AUDIO, DAB and HFP. The largest part of the expense refers to the expense for services, specifically services for regular and investment maintenance at HV and HC, as well as other unmentioned operating expenses in FZOEU.

With regard to the amount of the realised expenses, the abovementioned is followed by other expenses, which in 2011 amounted to HRK 1 billion. The largest part of these expenses refers to

DAB (37.6 percent), followed by HV (33.9 percent) and HC (25.4 percent).

At the level of Extrabudgetary Users, HRK 266.7 million was spent on compensations of employees, of which HRK 229.4 million refers to wages and salaries, and HRK 37.4 million to social contributions.

Grants to other general government units amounted to HRK 126.5 million, and these refer to FZOEU and HV.

During 2011, Extrabudgetary Users spent HRK 347 million for interest expenses, of which the largest amount refers to HC (HRK 283.9 million).

The expense for subsidies amounted to HRK 7.2 million and entirely refers to subsidies to private enterprises outside the public sector. The expense for subsidies was realised by the FZOEU as part of the environmental protection programme and project.

3.4. TRANSACTIONS IN NONFINANCIAL ASSETS OF EXTRABUDGETARY USERS

The net acquisition of nonfinancial assets of Extrabudgetary Users in 2011, amounted to HRK 2.2 billion. This amount is the result of the total acquisition of nonfinancial assets in the amount of HRK 2.3 billion and revenues from the disposal of nonfinancial assets in the amount of HRK 32.4 million. Considering the types of nonfinancial assets, 93.8 percent refers to fixed assets, and the remaining 6.2 percent to transactions in nonproduced assets. In the largest part, transactions in fixed assets refer to acquisitions of buildings and structures of HV (HRK 1.2 billion) and HC (HRK 880.8 million).

Nonproduced assets refer to land acquisition in the amount of HRK 151.2 million, which was mainly realised by HC. Land disposal was realised in the amount of HRK 13.7 million, of which HRK 12.8 million by AUDIO and HRK 869 thousand by HFP.

3.5. TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES OF EXTRABUDGETARY USERS

In the structure of net acquisitions of financial assets of Extrabudgetary Users in 2011, currency and deposits record positive amounts (HRK 522.6 million), of which the largest part refers to DAB and FZOEU. The net acquisition of loans was also recorded in the positive amount of HRK 226.3 million. It is the result of total acquisitions in the amount of HRK 250.7 million and total disposals, or repayments of given loans in the amount of HRK 24.4 million. The net acquisition of shares and equity amounted to HRK -290.1 million, primarily as a result of disposals of shares and equity in the capital.

In the same period, the net incurrence of liabilities of Extrabudgetary Users amounted to HRK 1.8 billion. This amount is the result of the total incurrence of debt on the domestic and foreign market in the amount of HRK 2.4 billion and domestic and foreign repayments in the amount of HRK 587.3 million. At the same time, domestic liabilities of Extrabudgetary Users amounted to HRK 1.8 billion, and foreign liabilities to HRK -5.4 million. All incurrences and repayments in the observed period referred to the category of loans, and, in terms of amount, the most significant transactions in liabilities of Extrabudgetary Users during 2011 were realised at items for HC.

Table 3.1. Transactions in Financial Assets and Liabilities of the Extrabudgetary Users in 2011

	(000 HRK)	Croatian Waters	Fund for Environmental Protection and Energy Efficiency	Croatian Roads Ltd.	State Agency for Deposit Insurance and Bank Rehabilitation	Croatian Privatization Fund (until 31 March 2011)	Government Asset Management Agency (from 1 April 2011)	TOTAL
32 Net acquisition of financial assets	38,016	113,167	48,973	143,640	62,991	52,016	458,803	
321 Domestic	38,016	113,167	48,973	143,640	62,991	52,016	458,803	
Currency and deposits	74,357	105,530	48,973	285,777	8,741	-789	522,589	
Loans	-941	7,637	0	0	99,037	120,551	226,284	
Acquisitions	0	31,125	0	0	99,037	120,551	250,713	
Disposals	941	23,488	0	0	0	0	24,429	
Shares and other equity	-35,400	0	0	-142,137	-44,787	-67,746	-290,070	
Acquisitions	0	0	0	0	0	0	0	
Disposals	35,400	0	0	142,137	44,787	67,746	290,070	
322 Foreign	0	0	0	0	0	0	0	
33 Net incurrence of liabilities	763,072	0	935,769	0	76,331	68,904	1,844,076	
331 Domestic	777,014	0	895,422	0	88,461	88,580	1,849,477	
Loans	777,014	0	895,422	0	88,461	88,580	1,849,477	
Repayment	98,559	0	339,607	0	11,539	6,989	456,694	
Incurrences	875,573	0	1,235,029	0	100,000	95,569	2,306,171	
Securities other than shares	0	0	0	0	0	0	0	
Repayment	0	0	0	0	0	0	0	
Incurrences	0	0	0	0	0	0	0	
332 Foreign	-13,942	0	40,347	0	-12,130	-19,676	-5,401	
Loans	-13,942	0	40,347	0	-12,130	-19,676	-5,401	
Repayment	13,942	0	84,823	0	12,130	19,676	130,571	
Incurrences	0	0	125,170	0	0	0	125,170	

Source: Ministry of Finance

3.6. DEFICIT/SURPLUS MEASURES AND FINANCING OF EXTRABUDGETARY USERS

The net operating balance of Extrabudgetary Users in 2011 amounted to HRK 848.3 million. At the same time, the primary operating balance amounted to HRK 1.2 billion.

Net lending/borrowing amounted to HRK -1.4 billion, which represents 0.4 percent of the GDP. Total financing is the difference between the net incurrence of liabilities in the amount of HRK 1.8 billion and the net acquisition of financial assets in the amount of HRK 458.8 million.

Table 3.2. Measures of Deficit/Surplus and Financing of the Extrabudgetary Users in 2011

(000 HRK)	Croatian Waters	Fund for Environmental Protection and Energy Efficiency	Croatian Roads Ltd.	State Agency for Deposit Insurance and Bank Rehabilitation	Croatian Privatization Fund (until 31 March 2011)	Government Asset Management Agency (from 1 April 2011)	TOTAL
TRANSACTIONS AFFECTING NET WORTH							
1 Revenue	1,919,586	1,091,289	1,447,462	552,819	1,892	41,216	5,054,264
2 Expense	1,459,634	915,778	1,320,918	408,867	16,161	84,648	4,206,006
24 Interest	30,438	139	283,868	191	6,262	26,133	347,031
Net/Gross operating balance (1-2)	459,952	175,511	126,544	143,952	-14,269	-43,432	848,258
Primary operating balance (1-2+24)	490,390	175,650	410,412	144,143	-8,007	-17,299	1,195,289
TRANSACTIONS IN NONFINANCIAL ASSETS							
31 Net acquisition of nonfinancial assets	1,185,008	62,344	1,013,340	312	-929	-26,544	2,233,531
Net lending/borrowing (1-2-31)	-725,056	113,167	-886,796	143,640	-13,340	-16,888	-1,385,273
Financing (33-32)	725,056	-113,167	886,796	-143,640	13,340	16,888	1,385,273
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES							
32 Net acquisition of financial assets	38,016	113,167	48,973	143,640	62,991	52,016	458,803
33 Net incurrence of liabilities	763,072	0	935,769	0	76,331	68,904	1,844,076

Source: Ministry of Finance



4

FINANCING OF LOCAL
AND REGIONAL
SELF-GOVERNMENT
UNITS IN 2011

4.1. LEGAL FRAMEWORK

The Act on the Areas of Counties, Cities, and Municipalities in the Republic of Croatia¹ establishes the regional organisational structure of the Republic of Croatia and determines the territories of all counties, cities and municipalities in the Republic of Croatia, their titles and centres, methods of defining and changing borders of municipalities and cities, procedure preceding the changes of the regional organisational structure and other issues of importance for regional organisational structure of local or regional self-government units.

The territory of the Republic of Croatia consists of a total of 576 local and regional self-government units, of which 20 are regional self-government units (counties), 555 are local self-government units (126 cities and 429 municipalities) and the City of Zagreb.

A local and regional self-government unit (further in the chapter: local unit) is a municipality, city and a county whose bodies perform services, duties and adopt programmes prescribed by law and decisions issued under the law, for which the resources are provided within their budget.

As part of their self-government authority, municipalities and cities deal with affairs of local importance which directly address the needs of citizens, and which are not assigned to state bodies by the Constitution or by law, especially affairs dealing with the following: settlement improvement and lodgement, physical and urban planning, utility services, child care, social welfare, primary health care, upbringing and primary education, culture, physical education and sports, consumer protection, natural environment protection and improvement, fire-prevention and civil protection, transport on their territory and other activities according to relevant acts.

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

As part of their self-governing authority, counties perform activities of regional importance, especially activities concerning education, health care system, physical and urban-development planning, economic development, transport and transport infrastructure, maintenance of public roads, planning and development of the network of educational, health, social and cultural institutions, issuance of construction and location permits, other documents concerning construction and the implementation of physical planning documents for the county area outside of the big city area, and other activities according to relevant acts.

Financing of local units is regulated by the Constitution², Act on Local and Regional Self-Government³, Budget Act⁴, Act on the Financing of Local and Regional Self-Government Units⁵, Act on Areas of

1 Official Gazette, numbers 86/2006, 125/2006, 16/2007, 46/2010 and 145/2010

2 Official Gazette, numbers 56/1990, 135/1997, 8/1998 - consolidated version, 113/2000, 124/2000 - consolidated version, 28/2001, 41/2001 - consolidated version, 55/2001 - correction, 76/2010, 85/2010 - consolidated version

3 Official Gazette, numbers 33/2001, 60/2001, 129/2005, 109/2007, 125/2008, 36/2009 and 150/2011

4 Official Gazette, number 87/2008

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

Special State Concern⁶, Act on Hilly and Mountainous Areas⁷, Act on the City of Zagreb⁸, Islands Act⁹, Act on the Execution of the State Budget for 2011¹⁰, acts that prescribe decentralisation of the services of primary and secondary education, health care system, social welfare and firefighting, and annual regulations of the Government of the Republic of Croatia which regulate minimum financial norms for the financing of decentralised services.

The Budget Act¹¹ which came into force on 1 January 2009 regulates the three main areas:

1. the area of planning, preparing and passing the budget for the next year and budget forecasts for the following two years, as well as executing the central state and local unit budgets;
2. the area of managing budget funds, managing the property and public debt of central state and local unit;
3. the area of budget relations in the public sector, as well as relations between the budget and budget users, on the one part, and entities outside the budget system, or the public sector, on the other.

4.2. FINANCING OF LOCAL AND REGIONAL SELF-GOVERNMENT UNITS

Local and regional self-government unit budget is a document estimating revenues and receipts and identifying expenses and expenditures of a local unit for one year, in accordance with the law and the decision issued under the law, and adopted by its representative body (county assembly, City Assembly of the City of Zagreb and the municipality and city council).

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

4.2.1. Budget Revenue of Local and Regional Self-Government Units

Municipalities, cities and counties use their budget revenues to finance their self-government activities. The Act on the Financing of Local and Regional Self-Government Units defines types of revenues, their distribution and rates, and the limits of the rates within which units can prescribe them. In addition to the abovementioned regulations, local and regional self-government units must also comply with other acts and regulations governing various areas of public spending, through which units independently, but within the legal framework, collect and determine revenues by special regulation as well as capital revenues.

According to data on budget execution for 53 local units, total revenue in 2011 amounted to HRK 14.8 billion, which is a 1.9 percent reduction compared to the previous year.

6 Official Gazette, numbers 86/2008 and 57/2011

7 Official Gazette, numbers 12/2002, 32/2002, 117/2003, 42/2005, 90/2005 and 80/2008

8 Official Gazette, numbers 62/2001, 125/2008 and 36/2009

9 Official Gazette, numbers 34/1999, 32/2002 and 33/2006

10 Official Gazette number 140/2010

11 Official Gazette, number 87/2008

Table 4.1. Budget Revenue in the 2009 – 2011 period for 53 Local Units

	(000 HRK)	2009	2010	2011	Index 2010/2009	Index 2011/2010
1	REVENUE	16,062,945	15,041,812	14,763,088	93.6	98.1
11	Taxes	9,891,927	8,872,440	8,805,856	89.7	99.2
111	Taxes on income, profits, and capital gains	8,961,506	8,021,829	7,965,284	89.5	99.3
1111	Payable by individuals	8,961,506	8,021,829	7,965,284	89.5	99.3
113	Taxes on property	512,708	439,983	437,557	85.8	99.4
114	Taxes on goods and services	406,662	398,714	392,941	98.0	98.6
1141	General taxes on goods and services	52,947	49,883	51,404	94.2	103.0
11412	Sales taxes	52,947	49,883	51,404	94.2	103.0
1144	Taxes on specific services	16,702	15,153	13,167	90.7	86.9
1145	Taxes on use of goods, permission to use goods	331,726	328,302	323,113	99.0	98.4
11451	Motor vehicles taxes	263,123	256,786	249,977	97.6	97.3
11452	Other	68,603	71,516	73,136	104.2	102.3
1146	Other taxes on goods and services	5,287	5,376	5,256	101.7	97.8
116	Other taxes	11,052	11,913	10,075	107.8	84.6
13	Grants	2,034,478	2,147,948	2,122,230	105.6	98.8
131	From foreign governments	1,248	3,776	549	302.6	14.5
132	From international organizations	1,946	2,367	8,814	121.6	372.4
133	From other general government units	2,031,284	2,141,806	2,112,867	105.4	98.6
14	Other revenue	4,136,540	4,021,424	3,835,003	97.2	95.4
141	Property income	983,916	945,050	886,337	96.0	93.8
142	Sales of goods and services	2,842,416	2,747,197	2,684,869	96.7	97.7
1422	Administrative fees	2,622,462	2,497,536	2,422,160	95.2	97.0
1423	Incidental sales by nonmarket establishments	219,954	249,662	242,571	113.5	97.2
143	Fines, penalties, and forfeits	7,570	13,734	54,327	181.4	395.6
144	Voluntary transfers other than grants	35,992	32,054	33,759	89.1	105.3
145	Miscellaneous and unidentified revenue	266,646	283,389	175,710	106.3	62.0

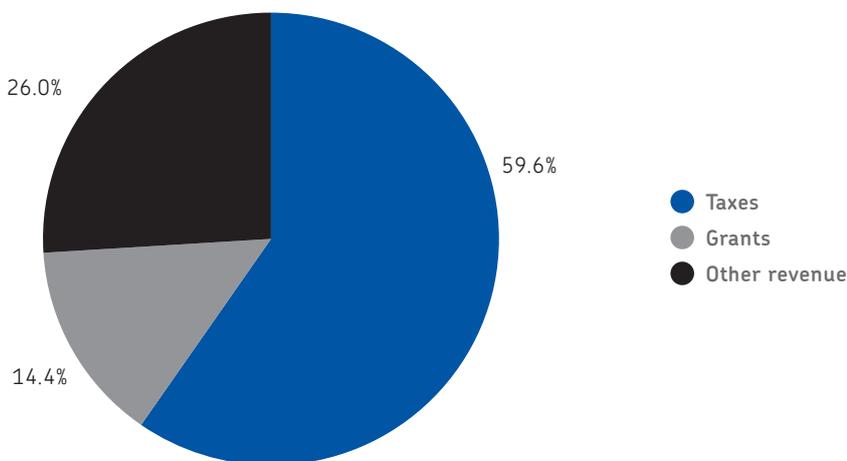
Source: Ministry of Finance

Tax revenue is the most abundant local unit revenue. In 2011 it amounted to HRK 8.8 billion, which makes 59.6 percent of total revenue. In relation to 2010, tax revenue was reduced by 0.8 percent.

Grants amounted to HRK 2.1 billion, which is 1.2 percent less than in 2010. Their share in total revenues was 14.4 percent.

In 2011 there was a reduction of other revenues, which made the second group of the most abundant local unit revenues (26 percent of total revenue). Compared to the previous year, this revenue was reduced by 4.6 percent and amounted to HRK 3.8 billion.

Figure 4.1. Structure of Total Revenue of 53 Local Units in 2011



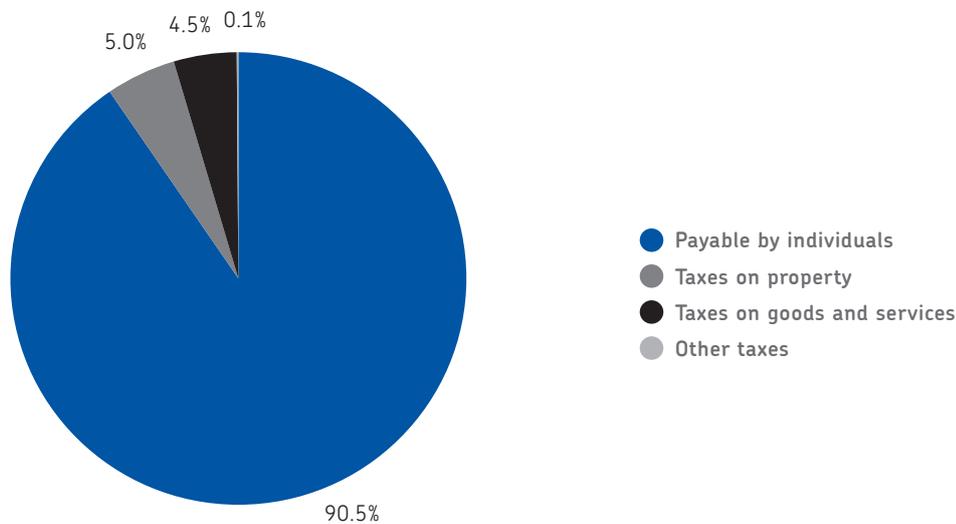
Source: Ministry of Finance

4.2.1.1. Taxes

The Act on the Financing of Local Units defines sources of funds categories and defines types of joint taxes and their distribution between the state, counties, municipalities and cities.

Within the structure of tax revenue, the major part came from personal income tax and surtax revenue, 90.5 percent, followed by tax on property and taxes on goods and services with their share in total tax revenue of 5 and 4.5 percent, respectively. Other taxes make 0.1 percent of local units' tax revenue.

Figure 4.2. Structure of Tax Revenues for 53 Local Units in 2011



Source: Ministry of Finance

Compared to the previous year, in 2011 personal income tax and surtax revenue was reduced by 0.7 percent or HRK 56.7 million. This reduction is partly a result of the application of the new Act on Amendments to the Income Tax Act¹², which entered into force on 1 July 2010 and whose annual effect can be seen in 2011.

These Amendments reduced the tax burden on income. The reduction of the number and level of income tax rates has particularly removed the tax burden from taxpayers with the lowest income, considering that the minimum rate was reduced from the previous 15 percent to 12 percent. Simultaneously, the 35 percent and the 45 percent tax rates were repealed, and the new 40 percent rate was introduced. The Amendments of the Act repealed tax reliefs which taxpayers could use in the total annual amount of up to HRK 12,000.00 on the basis of their annual tax application, and which was, on average, used more by the taxpayers with higher income. Considering that a part of the personal income tax revenue was allocated for the financing of decentralized functions, the reduction of its realisation in 2011 also affected financing of these functions.

Amendments to the Act on the Financing of Local Units from 2001 and 2003 and amendments to other individual acts created a legal framework for the decentralisation of functions of primary and secondary education, social welfare, health care system and firefighting (public fire brigades) from central state to local and regional self-government units.

A part of the functions/expenses for educational system, health care and social welfare were devolved to 54 largest units, i.e., 20 counties, 34 cities and the City of Zagreb, and the regular activities of public fire brigades are financed by 130 municipalities/cities. Local units have received an additional share of the personal income tax for each individual delegated function. These additional shares of personal income tax cover the minimum financial standards determined by objective criteria regulated by annual decisions of the Government of the Republic of Croatia for the respective areas. In addition, in accordance with the mentioned Act, units which collect insufficient resources to cover the minimum financial standards, despite the additional share of the personal income tax, have the right to use the grants for the decentralised functions from the State Budget.

¹² Official Gazette, number 80/2010

In March 2011, the Government adopted individual decisions for 2011 on the criteria and standards for determining balance rights for financing the minimum financial standards for the public needs of secondary schools and student homes, primary education, and minimum financial standards applicable to material and financial expenses for social welfare centres and for assistance in covering housing costs of users who use wood for heating, as well as for decentralised functions related to health care services, and decentralised funding for homes for the elderly and disabled, and for regular activities of public fire brigades. Pursuant to the Regulation on the Method for Calculating the Amount of Equalisation Grants for Decentralised Functions of Local and Regional Self-Government Units for 2011¹³, total funding for decentralised functions in the amount of HRK 2.52 billion was established, assigned by units and purpose.

Table 4.2. Number of Local Units Financing the Decentralized Functions

	Health care	Social welfare	Secondary education	Primary education	Public fire brigades	Total number of units
Counties			20		-	20
Cities	-	-	-	2	32	66
Municipalities	-	-	-	-	66	66
Total	20	20	20	54	130	152

Source: Ministry of Finance

Table 4.3. Financing of Decentralised Functions in 2011

	(000 HRK)	Counties and the City of Zagreb	Cities	Municipalities	Total
Health care		491,612			491,612
Social welfare		375,063			375,063
Secondary education		460,659			460,659
Primary education		723,462	251,106		974,568
Public fire brigades		44,983	262,425	32,535	339,944
Total		2,095,779	513,531	32,535	2,641,846

Source: Ministry of Finance

¹³ Official Gazette, numbers 29/2011 and 66/2011

4.2.1.2. Grants

Grants are current or capital transfers to local unit budgets from foreign governments, international organisations and other general government units. The total amount of grants also includes a part of the personal income tax obtained as an equalisation grant from the State Budget for decentralised functions. In the fiscal year 2011, total grants paid in the budgets of local units amounted to HRK 2.1 billion.

Table 4.4. Grants Revenue Achieved in 2009 - 2011 for 53 Local Units

	(000 HRK)	2009	2010	2011	Index 2010/2009	Index 2011/2010
13 Grants		2,034,478	2,147,948	2,122,230	105.6	98.8
131 From foreign governments		1,248	3,776	549	302.6	14.5
1311 Current		1,245	3,660	481	293.9	13.1
1312 Capital		3	116	68	4636.0	58.7
132 From international organizations		1,946	2,367	8,814	121.6	372.4
1321 Current		856	1,487	6,016	173.7	404.6
1322 Capital		1,090	880	2,798	80.7	318.0
133 From other general government units		2,031,284	2,141,806	2,112,867	105.4	98.6
1331 Current		1,845,638	1,972,006	1,669,772	106.8	84.7
1332 Capital		185,646	169,800	443,095	91.5	261.0

Source: Ministry of Finance

Grants from other general government units also include grants to local and regional self-government units from the State Budget. Therefore, counties, municipalities and cities of the first and second category of areas of special state concern which meet the criteria for the calculation and allocation of grants receive grants from the State Budget. The grants' identification, allocation and use is defined by the Act on the Execution of the State Budget for the respective years. In the Act on the Execution of the State Budget of the Republic of Croatia for 2011 this is regulated by Article 38.

In 2011, these grants amounted to HRK 84.1 million, which represents a decrease of 7 percent compared to the previous year. The grants were allocated to 14 counties and 9 cities and 38 municipalities of the first and second category of areas of special state concern. Amounts of grants paid to counties range between HRK 1.2 and 8.5 million, depending on the fulfilment of the criteria for the calculation of grants; for cities between HRK 20 thousand to 2.9 million, and for municipalities between HRK 32 thousand and 2.2 million.

Table 4.5. Grants to Regional and Local Units in the Areas of Special State Concern from the State Budget in 2011

	(000 HRK)	2009	2010	2011	Index 2010/2009	Index 2011/2010
Grants to Local Units		90,009	89,049	84,289	98.9	94.7
Grants to Counties		49,063	47,935	44,148	97.7	92.1
Grants to Cities		13,833	7,700	9,880	55.7	128.3
Grants to Municipalities		27,113	33,414	30,261	123.2	90.6

Source: Ministry of Finance

In accordance with the act on the execution of the state budget, counties must distribute at least 75 percent of the received grant to municipalities and cities in their territory which are not direct users of these grants.

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

From the State Budget, local self-government units in the areas of special state concern and hilly and mountainous areas also receive grants in the amount of corporate income tax realised in the area of special state concern and the hilly and mountainous area. Payments of the said grants in 2011 are defined in Article 49 of the Act on the Execution of the State Budget of the Republic of Croatia for 2011. All 230 local units located in the areas of special state concern and the hilly and mountainous areas received grants in the amount of corporate income tax from their territory in the total amount of HRK 222.9 million.

Table 4.6. Grants for Regional and Local Units from the State Budget in the Amount of Corporate Income Tax from their Territory in 2009 - 2011 Period

(000 HRK)	Total number of Units	Of which		2009			2010			2011		
		Cities	Municipalities	Cities	Municipalities	Total	Cities	Municipalities	Total	Cities	Municipalities	Total
Areas of special State concern	185	30	155	102.507	75.081	177.587	86.122	57.874	143.996	81.230	74.350	155.580
Group I	50	8	42	29.177	9.209	38.385	24.643	12.007	36.650	28.368	16.241	44.609
Group II	61	21	40	73.023	34.967	107.990	61.012	23.012	84.024	52.247	27.622	79.868
Group III	74	1	73	307	30.905	31.212	467	22.855	23.322	616	30.487	31.103
Hilly and mountainous areas	45	12	33	81.222	42.879	124.100	50.778	37.029	87.807	36.026	31.296	67.322
Total	230	42	188	183.728	117.959	301.687	136.900	94.903	231.803	117.256	105.646	222.902

Source: Ministry of Finance

Pursuant to the provisions of the Act on the Execution of the State Budget of the Republic of Croatia for 2011, personal income tax return was paid, based on annual application, to taxpayers from the areas of special state concern (first, second and third category) and hilly and mountainous areas, from the revenue which belongs to the State Budget, in the total amount of HRK 501.9 million. Considering that the personal income tax return is paid directly to taxpayers, citizens, local and regional self-government units on behalf of which the Republic of Croatia returns the overpaid amount do not register these funds as the received grant.

Table 4.7. Personal Income Tax Return Based on an Annual Application which the State Returns on Behalf of Regional and Local Units in 2009 - 2011 Period

	(000 HRK)	2009	2010	2011	Index 2010/2009.	Index 2011/2010.
Personal Income Tax Return		611,828	593,436	501,898	97.0	84.6
on behalf of regional units		63,718	61,854	51,840	97.1	83.8
on behalf of local units		548,110	531,582	450,058	97.0	84.7

Source: Ministry of Finance

4.2.1.3. Other Revenue

Other revenue, as the second most significant revenue of local units, amounted to HRK 3.8 billion in 2011, which represents a reduction of 4.6 percent compared to 2010. It can be classified in five main categories: property income, revenue from sales of goods and services, fines, penalties and forfeits, voluntary transfers other than grants, and miscellaneous and unidentified revenue.

The share of revenue from sales of goods and services in other revenue is 70 percent, in the amount of HRK 2.7 billion, which is a reduction of 2.3 percent in relation to the previous year. Revenue from sales of goods and services is the revenue from the sales of fee stamps, residence charges, utility-service fees, utility-service payments and other fees.

The second biggest revenue within other revenue is property income (23 percent) which consists of revenue from movables and immovables, concessions, fees for the use of space in power plants, mineral ore fees, fees for the use of public areas etc. In 2011 this revenue amounted to HRK 886.3 million, which represents a decrease of 6.2 percent compared to 2010.

Miscellaneous and unidentified revenue amounted to HRK 175.7 million, which represents a year-on-year decrease of 38 percent. Fines, penalties and forfeits amounted to HRK 54.3 million, which represents an increase of 295.6 percent compared to 2010, and voluntary transfers other than grants amounted to HRK 33.8 million, which represents an increase of 5.3 percent compared to the previous year.

Revenues from fees and charges determined by relevant regulations are earmarked revenues, which can be used only for activities for which they were introduced. Introduction of these revenues and their amounts are determined by local units themselves, within legal framework.

4.2.2. Budget Expense of Local and Regional Self-Government Units

Budget expense of counties, cities and municipalities are conditioned not only by laws and by own decisions issued under the law that determine their obligations, but also by the realisation of budget revenue. Local unit expense is used to perform activities within the authority of local and regional self-government.

Expense financing is planned on the basis of laws and on decisions made by local units, whereas execution is ensured by decisions on budget execution, with budget users obliged to rationally and effectively use funds for earmarked purposes, and on the basis of the planned revenue.

Total expense in 2011 amounted to HRK 12.7 billion which is, compared to 2010, a decrease of 3.1 percent. The major part refers to the use of goods and services (HRK 5 billion), because of financing of current expenses as part of decentralised functions and material expenses from the area of activity of local units. Expense for the use of goods and services include expenses necessary for the regular functioning of all users. Resources were spent on materials, energy, public lighting, cleaning of public areas, utilities and other services for regular needs and expenses for the regular maintenance of buildings and equipment. Expense for the use of goods and services recorded an increase of 0.1 percent in comparison to 2010.

Table 4.8. Budget Expense in the 2009 - 2011 Period for 53 Local Units

	(000 HRK)	2009	2010	2011	Index 2010/2009	Index 2011/2010
2	EXPENSE	13,958,975	13,066,277	12,661,547	93.6	96.9
21	Compensation of employees	3,665,254	3,622,102	3,604,127	98.8	99.5
211	Wages and salaries	3,175,226	3,133,718	3,088,997	98.7	98.6
212	Social contributions	490,028	488,383	515,130	99.7	105.5
22	Use of goods and services	5,167,299	4,995,571	4,998,530	96.7	100.1
24	Interest	115,495	102,517	126,181	88.8	123.1
25	Subsidies	1,275,536	1,253,408	1,043,625	98.3	83.3
251	To public corporations	1,078,024	1,066,185	882,406	98.9	82.8
252	To private enterprises	197,512	187,223	161,219	94.8	86.1
26	Grants	328,602	299,226	291,279	91.1	97.3
263	To other general government units	328,602	299,226	290,163	91.1	97.0
2631	Current	182,045	167,229	153,746	91.9	91.9
2632	Capital	146,557	131,997	136,417	90.1	103.3
27	Social benefits	779,170	647,916	652,601	83.2	100.7
272	Social assistance benefits	755,214	616,744	623,596	81.7	101.1
273	Employer social benefits	23,956	31,172	29,005	130.1	93.0
28	Other expense	2,627,619	2,145,538	1,945,205	81.7	90.7
282	Miscellaneous other expense	2,627,619	2,145,538	1,945,205	81.7	90.7
2821	Current	1,609,480	1,483,437	1,372,127	92.2	92.5
2822	Capital	1,018,139	662,101	573,078	65.0	86.6

Source: Ministry of Finance

Compensation of employees (salaries and contributions), in the amount of HRK 3.6 billion, decreased by as little as 0.5 percent in comparison to the previous year. Apart from the salaries of employees in local units, compensation of employees also includes salaries of their budgetary users (theatres, museums, libraries, kindergartens, etc.).

Interests amounted to HRK 126.2 million, which is a year-on-year increase of 23.1 percent. Most interests were for the settlement of credit liabilities of local units from previous years.

Subsidies are current funds transfers that are given once or on a regular basis, for example interest subsidies, subsidies for employee training programmes, etc. In total they amounted to HRK 1 billion, which is a decrease of 14.7 percent in comparison with 2010. For the most part they were intended for public corporations, while a smaller part was intended for those outside the public sector, mostly farmers, trades and crafts businesses and small and medium-sized enterprises.

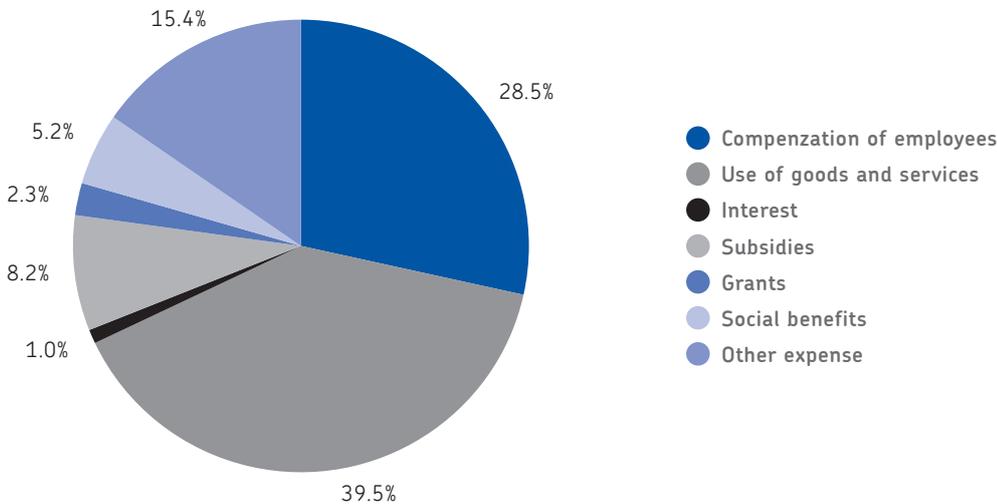
Expense for social benefits amounted to HRK 652.6 million, which is an increase of 0.7 percent compared to the previous year.

Grants are non-compulsory current and/or capital transfers which are allocated to budget users for the cofinancing of their current and capital expense. In 2011, this expense amounted to HRK 291.3 million, which is 2.7 percent less when compared to 2010. Capital grants make 46 percent of total allocations for grants.

Other expense (donations) includes current and capital expense which amounted to HRK 1.9 billion in 2011. In other words, this was a year-on-year reduction of 9.3 percent. Looking at the structure of other expense, 70 percent refers to current other expense, and the rest to capital other expense. Donations are mostly intended for non-profit organisations and non-economic investments, reparations following natural disasters, and acquisition of equipment, and for the acquisition of nonfinancial assets for companies and non-profit institutions owned by local units.

Within the structure of total expense, expense for the use of goods and services accounted for 39.5 percent, compensation of employees for 28.5 percent, other expense for 15.4 percent, subsidies for 8.2 percent, social benefits for 5.2 percent, grants for 2.3 percent and interest for 1 percent.

Figure 4.3. Structure of Total Expenses of 53 Local Units in 2011



Source: Ministry of Finance

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

In 2011, net transactions in nonfinancial assets amounted to HRK 1.7 billion, a decrease of 22.9 percent as compared to the year before. Nonfinancial assets include fixed assets, valuables and nonproduced assets. Fixed assets include buildings and structures, machinery and equipment and other fixed assets.

Expense for the acquisition of fixed assets amounted to HRK 1.9 billion, which is a reduction of 20.5 percent compared to 2010. Of that, the major part referred to schools and health facilities, cultural facilities, preschool institutions, entrepreneurial zones, business buildings, road reconstruction and construction, sports and recreational centres, furniture, equipment and other. Revenue from the disposal of long-term nonfinancial assets amounted to HRK 237.9 million.

Nonproduced nonfinancial assets comprise land, ore assets, other naturally occurring assets and other rights (concessions, licences, patents, etc.). The largest part of disposal of nonproduced nonfinancial assets in 2011 refers to land disposal. The majority of the acquisition of nonproduced nonfinancial assets is also in the land.

Table 4.9. Transactions in Nonfinancial Assets in the 2009 - 2011 Period for the 53 Local Units

(000 HRK)	2009	2010	2011	Index 2010/2009	Index 2011/2010
NET ACQUISITION OF NONFINANCIAL ASSETS	2,756,124	2,168,528	1,671,392	78.7	77.1
Fixed assets	2,773,332	2,223,776	1,642,846	80.2	73.9
Acquisitions: fixed assets	2,907,375	2,366,044	1,880,738	81.4	79.5
Disposals: fixed assets	134,042	142,268	237,892	106.1	167.2
Buildings and structures	2,354,629	1,844,836	1,330,805	78.3	72.1
Acquisition: buildings and structures	2,487,885	1,986,047	1,565,770	79.8	78.8
Disposal: buildings and structures	133,256	141,210	234,966	106.0	166.4
Machinery and equipment	307,583	304,061	247,130	98.9	81.3
Acquisition: machinery and equipment	308,167	305,067	248,822	99.0	81.6
Disposal: machinery and equipment	584	1,006	1,692	172.2	168.2
Other fixed assets	111,121	74,879	64,911	67.4	86.7
Acquisition: other fixed assets	111,323	74,930	66,146	67.3	88.3
Disposal: other fixed assets	203	51	1,235	25.2	2421.6
Valuables	203	69	146	34.3	210.4
Acquisition: valuables	203	69	146	34.3	210.4
Disposal: valuables	0	0	0	-	-
Nonproduced assets	-17,411	-55,318	28,400	317.7	-51.3
Acquisition: nonproduced assets	297,960	254,896	243,344	85.5	95.5
Disposal: nonproduced assets	315,371	310,214	214,945	98.4	69.3
Land	-86,030	-122,696	-46,877	142.6	38.2
Acquisition: land	225,338	183,672	165,566	81.5	90.1
Disposal: land	311,368	306,367	212,443	98.4	69.3
Other naturally occurring assets	1,883	14	16	0.7	115.9
Acquisition: other naturally occurring assets	1,883	14	16	0.7	115.9
Disposal: other naturally occurring assets	0	0	0	-	-
Intangible nonproduced assets	66,737	67,364	75,260	100.9	111.7
Acquisition: intangible nonproduced assets	70,739	71,211	77,762	100.7	109.2
Disposal: intangible nonproduced assets	4,003	3,847	2,502	96.1	65.0

Source: Ministry of Finance

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

In 2011, net acquisition in financial assets amounted to HRK 440.8 million, whereas net liabilities increased by HRK 10.6 million.

The net amount of transactions in financial assets results from expenditures and receipts on the basis of financial assets, and changes in the status of currency and deposits. Transactions in financial assets include primarily:

- Increase in the amount of currency and deposits by HRK 459.2 million;
- Acquisition of domestic loans in the amount of HRK 50.5 million, as well as acquisitions of shares and equities in companies' capital in the amount of HRK 18.8 million;
- Disposals of loans in the amount of HRK 56.2 million, and disposals of shares and equities in companies in the amount of HRK 31.5 million.

Transactions in liabilities include incurrences and repayments of received loans on the basis of issued securities. Incurrences in 2011 were domestic incurrences, in the total amount of HRK 576 million, mostly by taking loans from domestic commercial banks (HRK 492 million). Repayments are mostly related to domestic loans, and less to domestic issued securities and foreign loans. Total repayments in 2011 amounted to HRK 565.4 million.

Table 4.10. Transactions in Financial Assets and Liabilities in the 2009 - 2011 Period for 53 Local Units

	(000 HRK)	2009	2010	2011
NET ACQUISITION OF FINANCIAL ASSETS		-634,558	-226,342	440,757
Domestic		-634,558	-226,342	440,757
Currency and deposits		-613,723	-172,226	459,173
Securities other than shares		0	0	0
Loans		-53,268	-75,065	-5,665
Acquisitions		73,194	52,960	50,506
Disposals		126,462	128,024	56,171
Shares and other equity		32,433	20,949	-12,751
Acquisitions		55,832	32,969	18,791
Disposals		23,399	12,020	31,542
Other accounts receivable		0	0	0
Foreign		0	0	0
NET INCURRENCE OF LIABILITIES		17,596	-33,349	10,608
Domestic		39,441	20,901	17,113
Securities other than shares		-11,633	-23,991	-80,891
Repayments		13,571	26,386	164,912
Incurrences		1,938	2,395	84,021
Loans		51,074	3,090	98,004
Repayments		285,276	338,103	394,015
Incurrences		336,350	341,193	492,019
Foreign		-21,844	-12,448	-6,505
Loans		-21,844	12,448	-6,505
Repayments		21,844	12,448	6,505
Incurrences		0	0	0

Source: Ministry of Finance

Local units are given the possibility of incurrence for the financing of investments (capital projects) as provided in the Budget Act, the act on the execution of the state budget for the particular year, and secondary legislation. Counties, cities and municipalities can incur a debt by taking loans and issuing securities only at banks on the territory of the Republic of Croatia for capital projects which are financed from their budgets, and which were verified by the representative body, with the prior approval of the Government.

The Budget Act prescribes the limit of liabilities, annuity and the base for determining the scope of borrowing. Annuity of loans, guarantees and other arrears can amount up to 20 percent of units' revenue realised in a year preceding the year in which liabilities were to be incurred. Also, municipalities, cities and counties can issue guarantees for borrowing to a public institution or trading company of which they are founders and majority owners. Such guarantees are included in the aforementioned annual borrowing limit of the respective unit.

The units are also allowed to refinance former loan liabilities due to more favourable loan conditions, primarily due to a drop in interest rates on the capital market. A loan that was taken with the approval of the Government as well as the rest of the debt based on issued securities, for the issuance of which the Government gave its consent, can be refinanced under the condition that the refinancing does not increase the existing liabilities of the respective unit.

The Act on the Execution of the State Budget for 2011 (Article 18) prescribes the measures of limitation by means of which the Government can annually grant its consent on borrowing to local units. In accordance with this Act, municipalities, cities and counties could apply for borrowing if their reported financial revenue exceeded current expense for 2010, and the Government could give its consent on borrowing up to 2.3 percent of total realised revenue of all local units stated in the financial report for 2010. 2.3 percent of total realised revenue in 2010 amounted to HRK 485 million, which means that, in 2011, local units could borrow up to that amount. The act on the execution of the state budget also prescribes derogation from the application of this limitation. The provision on the limits of the amount to which the Government may approve borrowing does not apply to units in the areas of special state concern, to the units which borrow for projects which are co-financed from the European Union pre-accession programmes and to the units which borrow for energy efficiency projects (ESCO projects).

Local units used these legal provisions in accordance with the regulations, primarily to finance the construction of municipal infrastructure, roads, public lighting, business zones, libraries, school sports halls and other activities.

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

As a result of local unit revenue and expense trends, the net operating balance in 2011 amounted to HRK 2.1 billion. At the same time, the primary operating balance was HRK 2.2 billion.

If the net operating balance is reduced by the value of the net acquisition of nonfinancial assets, we arrive at the category of net lending/borrowing, and in 2011 this amounted to HRK 430.1 million. Financing of this measure of deficit is the result of the difference between the net acquisition of financial assets in the amount of HRK 440.8 million and the net incurrence of liabilities in the amount of HRK 10.6 million.

Table 4.11. Deficit/Surplus Measures and Financing in the 2009 - 2011 Period for 53 Local Units

	(000 HRK)	2009	2010	2011
TRANSACTIONS AFFECTING NET WORTH				
1 Revenue		16,062,945	15,041,811	14,763,088
2 Expense		13,958,975	13,066,277	12,661,547
24 Interest		115,495	102,517	126,181
Net/gross operating balance (1-2)		2,103,970	1,975,535	2,101,541
Primary operating balance (1-2+24)		2,219,464	2,078,051	2,227,722
TRANSACTIONS IN NONFINANCIAL ASSETS				
31 Net acquisition of nonfinancial assets		2,756,123	2,168,528	1,671,392
Net lending/borrowing (1-2-31)		-652,154	-192,993	430,149
Financing (33-32)		652,155	192,993	-430,149
TRANSACTIONS IN FINANCIAL ASSETS AND LIABILITIES				
32 Net acquisition of financial assets		-634,558	-226,342	440,757
33 Net incurrence of liabilities		17,596	-33,349	10,608

Source: Ministry of Finance



5

TOTAL
DEFICIT/SURPLUS
OF THE
CONSOLIDATED
GENERAL
GOVERNMENT
IN 2011

5.1. TOTAL DEFICIT/SURPLUS OF THE CONSOLIDATED GENERAL GOVERNMENT

The calculation of the General Government's total deficit starts with the category of net lending/borrowing, which presents the difference between revenue, expense and net acquisitions of nonfinancial assets. The starting point for the deficit calculation is not a purely cash principle as it also includes a review of the transaction calculation principle of the Croatian Motorways (Hrvatske autoceste) and Croatian Roads (Hrvatske ceste) in 2007, and only the Croatian Roads (Hrvatske ceste) for the 2008 to 2011 period. Consequently, the trends in revenue and expense and net acquisition of nonfinancial assets of the Consolidated General Government in 2011 resulted in net lending/borrowing in the amount of HRK -14.9 billion. If we add changes in arrears of the Central and Local Government, the total deficit of the Consolidated General Government reaches the level of HRK 14.8 billion, which represents 4.4 percent of the GDP, which is 0.7 percentage points less compared to the planned amount.

The majority of the deficit, 4.2 percent of the GDP, was recorded at the level of the Budgetary Central Government, whereas the budget of the Extrabudgetary Users recorded a deficit of 0.4 percent of the GDP, and the Local and Regional Self-Government Units recorded a surplus of 0.2 percent of the GDP.

Table 5.1. Total Deficit/Surplus of the Consolidated General Government in the 2007 - 2011 Period

CONSOLIDATED GENERAL GOVERNMENT

	(000 HRK)	2007	2008	2009	2010	Plan 2011	2011
1 Revenue		126,621,570	134,735,549	128,089,920	123,715,244	123,050,818	123,034,566
2 Expense		118,818,568	130,381,146	132,447,149	133,658,424	133,851,590	132,888,884
31 Net acquisition nonfinancial assets		11,666,135	7,353,658	6,134,006	4,796,378	6,412,464	5,023,525
I Net lending/borrowing (1-2-31)		-3,863,132	-2,999,255	-10,491,235	-14,739,559	-17,213,236	-14,877,843
II Arrears		-155,463	237,876	302,269	-256,463		-98,640
Total deficit/surplus of Consolidated General Government (I-II)		-3,707,669	-3,237,131	-10,793,504	-14,483,096	-17,213,236	-14,779,202
GDP, %		-1.2	-0.9	-3.3	-4.4	-5.2	-4.4

Source: Ministry of Finance

The tables below show a review of the deficit/surplus for all levels of the Consolidated General Government in the 2007 to 2011 period.

Table 5.2. Total Deficit/Surplus of the Consolidated General Government according to Government Level in the 2007 - 2011 Period

BUDGETARY CENTRAL GOVERNMENT

	(000 HRK)	2007	2008	2009	2010	Plan 2011	2011
1 Revenue		108,320,595	115,772,655	110,257,947	107,466,351	107,051,947	107,069,670
2 Expense		108,007,605	115,292,426	117,923,992	120,323,332	120,323,762	119,939,511
31 Net acquisition nonfinancial assets		2,545,220	2,988,129	1,963,401	1,232,366	1,613,996	1,138,970
I Net lending/borrowing (1-2-31)		-2,232,230	-2,507,901	-9,629,446	-14,089,347	-14,885,811	-14,008,811
II Arrears		-437,749	351,713	-133,559	-95,771		830
Total deficit/surplus of Budgetary Central Government (I-II)		-1,794,482	-2,859,613	-9,495,887	-13,993,576	-14,885,811	-14,009,641
GDP, %		-0.6	-0.8	-2.9	-4.3	-4.5	-4.2

EXTRABUDGETARY USERS

	(000 HRK)	2007	2008	2009	2010	Plan 2011	2011
1 Revenue		10,465,139	6,324,346	5,659,418	5,060,498	5,207,448	5,114,098
2 Expense		6,609,484	5,578,677	4,454,571	4,122,233	4,204,759	4,200,116
31 Net acquisition nonfinancial assets		5,916,914	1,249,579	1,414,481	1,395,484	2,403,319	2,213,163
I Net lending/borrowing (1-2-31)		-2,061,259	-503,910	-209,634	-457,219	-1,400,631	-1,299,181
GDP, %		-0.6	-0.1	-0.1	-0.1	-0.4	-0.4

LOCAL GOVERNMENT

	(000 HRK)	2007	2008	2009	2010	Plan 2011	2011
1 Revenue		15,502,588	16,825,641	16,062,945	15,041,812	14,440,917	14,763,088
2 Expense		11,868,231	13,697,135	13,958,975	13,066,277	12,972,563	12,661,547
31 Net acquisition nonfinancial assets		3,204,000	3,115,950	2,756,124	2,168,528	2,395,149	1,671,392
I Net lending/borrowing (1-2-31)		430,357	12,556	-652,155	-192,993	-926,794	430,149
II Arrears		282,286	-113,837	435,828	-160,692		-99,470
Total deficit/surplus of Local Government (I-II)		148,071	126,393	-1,087,983	-32,301	-926,794	529,619
GDP, %		0.0	0.0	-0.3	0.0	-0.3	0.2

Source: Ministry of Finance

Considering that the Republic of Croatia, as a candidate country, participates in procedures of fiscal surveillance by the European Union via fiscal notifications of the Excessive Deficit Procedure (EDP) and via the regular annual preparation of the Pre-Accession Economic Programme, the total deficit of the Consolidated General Government needs to be viewed in accordance with EU public finance statistics, that is, in accordance with the ESA 95 methodology.

The most significant difference in surplus/deficit levels between the ESA 95 methodology and the national methodology is manifested in two facts. The first is the payment for the redemption of the debt to pensioners, which according to the ESA 95 methodology is included in the annual calculation of the surplus/deficit. The second is how payments under called guarantees carried out by the Budgetary Central Government are categorised. According to the national methodology, they are considered an expense for financial assets and therefore do not represent a part of the deficit/surplus calculation, whereas the ESA 95 methodology categorises such payments as expenditures (that is, they are an integral part of the calculation of the deficit/surplus).

In accordance with the above, in 2011 the total deficit of the Consolidated General Government according to the ESA 95 methodology amounted to HRK 17.1 billion or 5.1 percent of the GDP, which is an increase of 0.1 percentage points compared to 2010, and 0.6 percentage points less compared to the amount planned.

The table below shows the total deficit/surplus of the Consolidated General Government for the 2008 to 2011 period in accordance with the ESA 95 methodology.

Table 5.3. Net lending/net borrowing of the Consolidated General Government in the 2008 - 2011 Period, ESA 95 Methodology

CONSOLIDATED GENERAL GOVERNMENT					
(000 HRK)	2008	2009	2010	Plan 2011	2011
Net lending/net borrowing of Consolidated General Government	-3,237,131	-10,793,504	-14,483,096	-17,213,236	-14,779,202
Net payments of called guarantees	367,192	2,043,232	1,099,263	1,000,000	1,543,629
Repayments of pensioners debt	1,067,145	816,261	820,000	820,000	818,741
Net lending/net borrowing, ESA 95 methodology	-4,671,468	-13,652,997	-16,402,359	-19,033,236	-17,141,573
GDP, %	-1.4	-4.2	-5.0	-5.7	-5.1

Source: Ministry of Finance



6

PUBLIC DEBT OF THE
REPUBLIC OF CROATIA
AND INTERNATIONAL
FINANCIAL RELATIONS
IN 2011

6.1. PUBLIC DEBT OF THE REPUBLIC OF CROATIA

The Budget Act¹ prescribes the main objectives of borrowing and debt management, aimed at securing the financial needs of the state budget by achieving the lowest medium and long-term cost of financing, while taking a prudent degree of risk.

The Budget Act defines the state debt as the debt of the central budget, and the public debt as the debt of general budget. The central budget consists of the Budgetary Central Government and the financial plans of the Extrabudgetary Users. The general budget is defined as the central budget plus the budgets of the Local and Regional Self-Governments and of the Extrabudgetary Users of Local and Regional Self-Government.

Table 6.1. presents the trends of the public debt of the Republic of Croatia in the 2006 to 2011 period. At the end of 2011, the total public debt amounted to HRK 156 billion, which is 46.7 percent of the nominal GDP for 2011. The total domestic and foreign guarantees issued by the Republic of Croatia at the end of 2011 amounted to HRK 46.5 billion, while the debt of Croatian Bank for Reconstruction and Development (HBOR) amounted to HRK 13.3 billion for the same period.

¹ Official Gazette, number 87/2008

Table 6.1. Public Debt in the 2006 - 2011

PUBLIC DEBT at the end of the period, in milion HRK	2006	2007	2008	2009	2010	2011
1. Domestic Public Debt	58,326.3	60,135.6	65,743.3	75,799.7	89,249.1	103,289.2
1.1. Domestic Debt of the Republic of Croatia	51,474.8	51,913.7	60,994.0	70,447.0	82,952.1	95,720.7
Treasury Bills	11,503.1	11,420.6	14,260.3	17,558.3	16,886.5	18,990.4
Money Market Instruments	-	-	10.7	19.3	20.5	20.6
Bonds	33,143.8	34,624.1	35,519.3	36,586.8	48,862.5	56,191.2
Credits from the CNB	0.9	1.0	2.2	2.9	0.3	0.8
Bank Loans	6,827.0	5,867.9	11,201.5	16,279.8	17,182.3	20,517.7
1.2. Domestic Debt of Extrabudgetary Users	5,198.0	6,357.8	3,035.0	3,794.4	4,604.7	5,791.5
Money Market Instruments	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Bank Loans	5,198.0	6,357.8	3,035.0	3,794.4	4,604.7	5,791.5
1.3. Local Government's Domestic Debt	1,653.5	1,864.1	1,714.3	1,558.3	1,692.3	1,777.0
Money Market Instruments	29.3	36.8	12.0	6.8	1.6	6.4
Bonds	246.9	365.5	414.0	406.4	387.0	260.9
Bank Loans	1,377.4	1,461.8	1,288.3	1,145.1	1,303.6	1,509.6
2. Foreign Public Debt	44,710.4	44,524.2	34,878.8	41,933.3	48,754.1	52,682.7
2.1. Foreign Debt of the Republic of Croatia	35,572.4	34,190.6	32,619.4	39,812.5	46,443.9	50,365.2
Money Market Instruments	909.8	320.0	180.3	1,244.3	3,458.6	1,189.2
Bonds	24,942.2	25,046.1	22,991.6	28,884.2	31,684.5	36,962.4
Loans	9,720.4	8,824.5	9,447.4	9,684.1	11,300.8	12,213.6
2.2. Foreign Debt of Extrabudgetary Users	8,938.2	10,000.7	1,826.1	1,715.3	1,984.2	2,092.2
Money Market Instruments	-	-	-	-	-	-
Bonds	-	-	-	-	-	-
Loans	8,938.2	10,000.7	1,826.1	1,715.3	1,984.2	2,092.2
2.3. Local Government's Foreign Debt	199.9	333.0	433.4	405.5	325.9	225.4
Money Market Instruments	-	-	-	-	-	-
Bonds	47.4	106.8	168.7	168.2	168.7	135.9
Loans	152.5	226.1	264.7	237.2	157.2	89.5
Total Public Debt (1+2)	103,036.7	104,659.9	100,622.2	117,733.0	138,003.2	155,971.9
PUBLIC DEBT (% GDP)	35.4%	32.9%	29.3%	35.8%	42.2%	46.7%
Dodatak:						
1. Guarantees Issued by the Republic of Croatia	14,188.2	17,399.0	33,835.5	38,575.5	44,828.1	46,537.6
1.1. Domestic	7,252.3	7,867.8	12,447.2	15,611.4	17,440.5	19,847.4
1.2. Foreign	6,935.9	9,531.2	21,388.3	22,964.1	27,387.5	26,690.2
2. Total Debt of HBOR	7,686.3	9,563.2	10,778.3	12,347.1	14,522.3	13,299.5

Source: Croatian National Bank, Ministry of Finance

6.1.1. Credit Rating of the Republic of Croatia

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

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

Each year, these agencies have performed verifications of the ratings granted, which in 2011 resulted in the confirmation of the investment credit rating given to the Republic of Croatia, as indicated in Table 6.2.

Table 6.2. Overview of Credit Ratings of the Republic of Croatia at the End of 2011

	Long Term Rating Foreign Currency	Long Term Rating Domestic Currency	Short Term Rating Foreign Currency
Mood's Investors Service	Baa3/stable "outlook"	Baa3	P-1
Standard & Poors	BBB-/negative "outlook"	BBB-	A-3
Fitch Ratings	BBB-/negative "outlook"	BBB	
R & I	BBB+/stable "outlook"		

Source: Ministry of Finance

Table 6.3. Comparison of Credit Ratings at the End of 2011

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

Source: Ministry of Finance

6.1.2. State Budget's Domestic Debt in 2011

6.1.2.1. Domestic Debt Categories

During 2011, the domestic debt of the Republic of Croatia increased from HRK 84.4 billion at the end of 2010 to HRK 90.3 billion at the end of 2011. The increase of the domestic debt during 2011 was caused by the issue of guarantees on the domestic capital market.

Table 6.4. The Central Domestic Debt of the Republic of Croatia in thousand HRK

Debt Item	Original currency	2010		2011		Maturity (Year)	Coupon
		Amount owed in original currency	Amount owed in HRK	Amount owed in original currency	Amount owed in HRK		
Big Bonds Series I	HRK	2,209,572	2,209,572	0	0	2011	5.000%
Big Bonds Series II	EUR	11,537	85,202	0	0	2011	7.200%
Big Bonds Series III	EUR	16,144	119,226	5,588	42,080	2012	7.200%
Bonds – Series 03 D-12	EUR	500,000	3,692,587	500,000	3,765,210	2012	6.875%
Bonds – Series 05 D-14	EUR	650,000	4,800,362	650,000	4,894,773	2014	5.500%
Bonds – Series 07 D-19	EUR	500,000	3,692,587	500,000	3,765,210	2019	5.375%
Bonds – Series 09 D-15	EUR	350,000	2,584,811	350,000	2,635,647	2015	4.250%
Bonds – Series 10 D-15	HRK	5,500,000	5,500,000	5,500,000	5,500,000	2015	5.250%
Bonds – Series 11 D-13	HRK	4,000,000	4,000,000	4,000,000	4,000,000	2013	4.500%
Bonds – Series 12 D-17	HRK	5,500,000	5,500,000	5,500,000	5,500,000	2017	4.750%
Bonds – Series 13 D-20	HRK	5,000,000	5,000,000	5,000,000	5,000,000	2020	6.750%
Bonds – Series 14 D-20	EUR	1,000,000	7,385,173	1,000,000	7,530,420	2020	6.500%
Bonds – Series 15 D-17	HRK	4,000,000	4,000,000	4,000,000	4,000,000	2017	6.250%
Bonds – Series 16 D-16	HRK			1,500,000	1,500,000	2016	5.750%
Bonds – Series 17 D-22	EUR			600,000	4,518,252	2022	6.500%
Bank Rehabilitation - Series II	EUR	6,028	44,520	2,056	15,486	2012	5.000%
Bank Rehabilitation - Series III	EUR	16,740	123,627	5,794	43,634	2012	7.200%
Bank Rehabilitation - Series IV	EUR	8,252	60,942	2,815	21,198	2012	5.000%
Syndicated Foreign Currency Loan I	EUR	500,000	3,692,587	500,000	3,765,210	2014	5.150%
Syndicated Foreign Currency Loan II	EUR	760,000	5,612,731	760,000	5,723,119	2013	4.710%
Syndicated Foreign Currency Loan III	EUR	750,000	5,538,880	750,000	5,647,815	2014	5.450%
Syndicated Foreign Currency Loan IV	EUR			260,000	1,957,909	2016	5.500%
Midium and long term debt			63,642,806		69,825,963		
Treasury Bills	HRK	11,545,000	11,545,000	15,285,000	15,285,000		
Treasury Bills FX	EUR	1,242,163	9,173,589	694,362	5,228,837		
Other Short term debt	HRK						
Short term debt			20,718,589		20,513,837		
Total debt			84,361,395		90,339,800		

Source: Ministry of Finance

In July of 2011, the Republic of Croatia issued five-year domestic market bonds of the 16 D-16 Series² in the amount of HRK 1,5 billion at the annual interest rate of 5.75 percent and bonds of the 17 D-22 Series³ in the amount of EUR 600 million in the HRK equivalent at the annual interest rate of 6.50 percent and the maturity in 2022.

Table 6.5. Amortisation of Domestic Debt

(HRK million)	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Amortisation	7,140.75	11,959.65	9,992.87	8,527.23	1,891.58	9,500.00	0.00	3,765.21	12,530.42	0.00	4,518.25
Big Bonds III (PBZ)	42.08	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Rehabilitation-Series II (PBZdm)	15.49	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Rehabilitation-Series III (PBZk)	43.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Rehabilitation-Series IV (PBZk5)	21.20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 03 D-12	3,765.21	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 05 D-14	0.00	0.00	4,894.77	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 07 D-19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,765.21	0.00	0.00	0.00
Bonds - Series 09 D-15	0.00	0.00	0.00	2,635.65	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 10 D-15 (HRK)	0.00	0.00	0.00	5,500.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 11 D-13 (HRK)	0.00	4,000.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 12 D-17 (HRK)	0.00	0.00	0.00	0.00	0.00	5,500.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 13 D-20 (HRK)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	5,000.00	0.00	0.00
Bonds - Series 14 D-20	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7,530.42	0.00	0.00
Bonds - Series 15 D-17 (HRK)	0.00	0.00	0.00	0.00	0.00	4,000.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 16 D-16	0.00	0.00	0.00	0.00	1,500.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 17 D-22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	4,518.25
Syndicated Foreign Currency Loan I	0.00	1,882.61	1,882.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated Foreign Currency Loan II	2,861.56	2,861.56	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated Foreign Currency Loan III	0.00	2,823.91	2,823.91	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated Foreign Currency Loan IV	391.58	391.58	391.58	391.58	391.58	0.00	0.00	0.00	0.00	0.00	0.00
Payment of Interest	3,754.32	3,398.71	2,727.49	2,364.97	1,942.43	1,703.67	1,323.04	1,323.04	707.18	293.69	293.69
Big Bonds III (PBZ)	1.51	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Rehabilitation-Series II (PBZdm)	0.39	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Rehabilitation-Series III (PBZk)	1.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bank Rehabilitation-Series IV (PBZk5)	0.53	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 03 D-12	129.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 05 D-14	269.21	269.21	134.61	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 07 D-19	202.38	202.38	202.38	202.38	202.38	202.38	202.38	202.38	0.00	0.00	0.00
Bonds - Series 09 D-15	112.01	112.01	112.01	112.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 10 D-15 (HRK)	288.75	288.75	288.75	288.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 11 D-13 (HRK)	180.00	180.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 12 D-17 (HRK)	261.25	261.25	261.25	261.25	261.25	130.63	0.00	0.00	0.00	0.00	0.00
Bonds - Series 13 D-20 (HRK)	337.50	337.50	337.50	337.50	337.50	337.50	337.50	337.50	168.75	0.00	0.00
Bonds - Series 14 D-20	489.48	489.48	489.48	489.48	489.48	489.48	489.48	489.48	244.74	0.00	0.00
Bonds - Series 15 D-17 (HRK)	250.00	250.00	250.00	250.00	250.00	250.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 16 D-16	86.25	86.25	86.25	86.25	86.25	0.00	0.00	0.00	0.00	0.00	0.00
Bonds - Series 17 D-22	293.69	293.69	293.69	293.69	293.69	293.69	293.69	293.69	293.69	293.69	293.69
Syndicated Foreign Currency Loan I	209.66	156.67	52.13	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated Foreign Currency Loan II	224.18	74.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated Foreign Currency Loan III	307.06	309.59	153.95	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Syndicated Foreign Currency Loan IV	109.48	87.34	65.50	43.66	21.88	0.00	0.00	0.00	0.00	0.00	0.00
Total	10,895.07	15,358.36	12,720.36	10,892.20	3,834.01	11,203.67	1,323.04	5,088.25	13,237.60	293.69	4,811.94

Source: Ministry of Finance

Exchange rate: Mid exchange rate of the CNB as of 31st December 2011

² Official Gazette, number 85/2011

³ Official Gazette, number 85/2011

In September of 2011, HRK 2.4 billion of the Bonds for the Restructuring of the Economy from 1991 matured and were redeemed.

All bonds of the Republic of Croatia are listed in the first quotation of the Zagreb Stock Exchange. At the end of 2011, a total of twelve emissions of bonds of the Republic of Croatia were listed on the Zagreb Stock Exchange (the list of these, with the conditions, is presented in Table 6.6.).

Table 6.6. Overview of Domestic Bonds Issued by the Republic of Croatia or with Croatian State Guarantees

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

Bonds – Series 04 D-08

RHMF-O-085A

Issuer: Republic of Croatia
HRK 1,000,000,000
5 years
6.125% coupon
Lead managers: Riječka banka Rijeka i Splitska banka Split
Listing: Zagreb Stock Exchange
Date of Issue: 28 May 2003
Date of Maturity: 28 May 2008
The bond was fully repaid at maturity.

Bonds – Series 05 D-14

RHMF-O-142A

Issuer: Republic of Croatia
EUR 650,000,000
10 years
5.5% coupon
Lead managers: Privredna banka Zagreb, Zagrebačka banka Zagreb and Raiffeisen bank Zagreb
Listing: Zagreb Stock Exchange
Date of Issue: 10 February 2004
Date of Maturity: 10 February 2014

Bonds – Series 06 D-07

RHMF-O-077A

Issuer: Republic of Croatia
EUR 400,000,000
3 years
3.875% coupon
Lead managers: Privredna banka Zagreb, Zagrebačka banka Zagreb and Raiffeisen bank Zagreb
Listing: Zagreb Stock Exchange
Date of Issue: 7 July 2004
Date of Maturity: 7 July 2007
The bond was fully repaid at maturity.

Bonds – Series 07 D-19

RHMF-O-19BA

Issuer: Republic of Croatia
EUR 500,000,000
15 years
5.375% coupon
Lead managers: Erste&Steiermarkische Bank, Privredna banka Zagreb, Zagrebačka banka Zagreb and Raiffeisenbank Zagreb
Listing: Zagreb Stock Exchange
Date of Issue: 29 November 2004
Date of Maturity: 29 November 2019

Bonds – Series 08 D-10

RHMF-O-103A

Issuer: Republic of Croatia
HRK 3,000,000,000
5 years
6.750% coupon
Lead managers: Privredna banka Zagreb, Zagrebačka banka Zagreb and Raiffeisen bank Zagreb
Listing: Zagreb Stock Exchange
Date of Issue: 8 March 2005
Date of Maturity: 8 March 2010
The bond was fully repaid at maturity.

Bonds – Series 09 D-15

RHMF-O-157A

Issuer: Republic of Croatia
EUR 350,000,000
10 years
4.25% coupon
Lead manager: Erste&Steiermarkische Bank
Listing: Zagreb Stock Exchange
Date of Issue: 14 July 2005
Date of Maturity: 14 July 2015

Bonds – Series 10 D-15

RHMF-O-15CA

Issuer: Republic of Croatia
HRK 5,500,000,000
10 years
5.25% coupon
Lead managers: Erste&Steiermärkische Bank, HVB Splitska banka, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb
Listing: Zagreb Stock Exchange
Date of Issue: 15 December 2005
Date of Maturity: 15 December 2015

Bonds – Series 11 D-13

RHMF-O-137A

Issuer: Republic of Croatia
HRK 4,000,000,000
7 years
4.50% coupon
Lead managers: Erste&Steiermärkische Bank, HVB Splitska banka, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb
Listing: Zagreb Stock Exchange
Date of Issue: 11 July 2006
Date of Maturity: 11 July 2013

Bonds – Series 12 D-17**RHMF-O-172A**

Issuer: Republic of Croatia

HRK 5,500,000,000

10 years

4.75% coupon

Lead managers: Erste&Steiermärkische Bank, SG Splitska banka, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb

Listing: Zagreb Stock Exchange

Date of Issue: 8 February 2007

Date of Maturity: 8 February 2017

Bonds – Series 13 D-20**RHMF-O-203A**

Issuer: Republic of Croatia

HRK 5,000,000,000

10 years

6.75% coupon

Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb

Listing: Zagreb Stock Exchange

Date of Issue: 5 March 2010

Date of Maturity: 5 March 2020

Bonds – Series 14 D-20**RHMF-O-203E**

Issuer: Republic of Croatia

EUR 1,000,000,000

10 years

6.5% coupon

Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb

Listing: Zagreb Stock Exchange

Date of Issue: 5 March 2010

Date of Maturity: 5 March 2020

Bonds – Series 15 D-17**RHMF-O-17BA**

Issuer: Republic of Croatia

HRK 4,000,000,000

7 years

6.25% coupon

Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria and Zagrebačka banka Zagreb

Listing: Zagreb Stock Exchange

Date of Issue: 25 November 2010

Date of Maturity: 25 November 2017

Bonds – Series 16 D-16**RHMF-O-167A**

Issuer: Republic of Croatia

HRK 1.500.000.000

5 years

5,75% coupon

Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria i Zagrebačka banka Zagreb

Listing: Zagreb Stock Exchange

Date of Issue: 22 July 2011

Date of maturity: 22 July 2016

Bonds – Series 17 D-22**RHMF-O-227E**

Issuer: Republic of Croatia

EUR 600.000.000

11 years

6,5% coupon

Lead managers: Erste&Steiermärkische Bank, Privredna banka Zagreb, Raiffeisenbank Austria i Zagrebačka banka Zagreb

Listing: Zagreb Stock Exchange

Date of Issue: 22 July 2011

Date of maturity: 22 July 2016

Source: Ministry of Finance

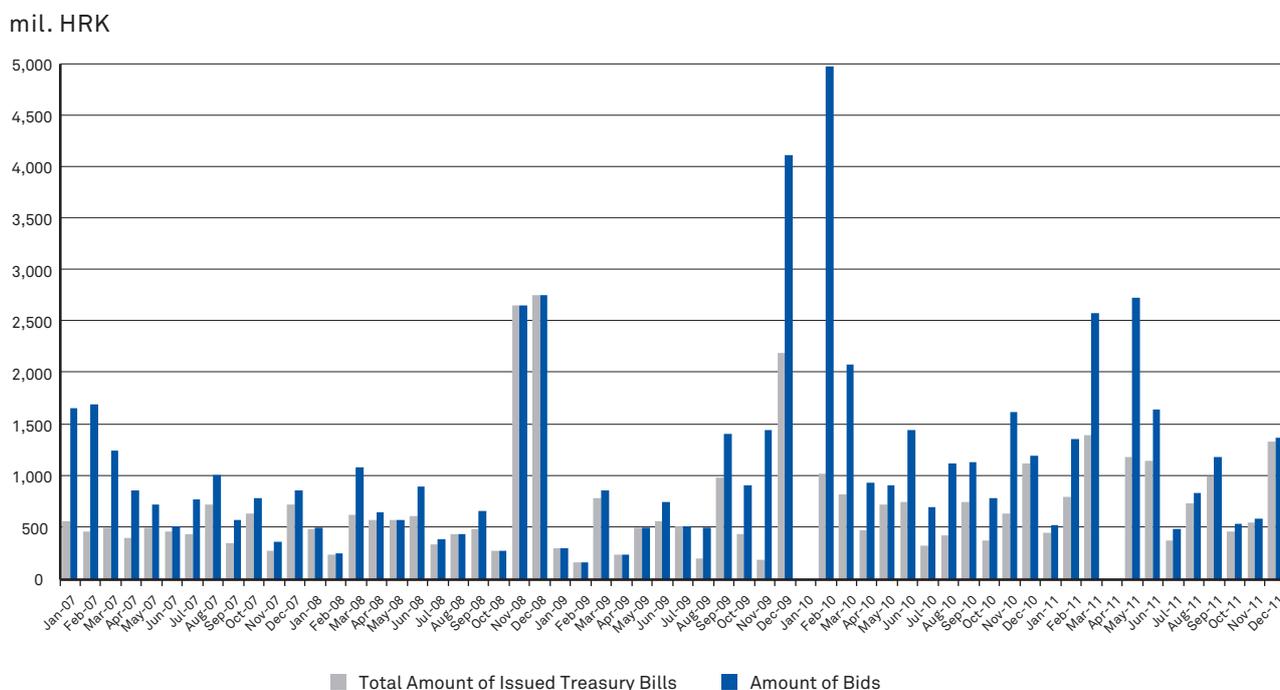
6.1.2.2. Treasury Bills

The Ministry of Finance carries out the auction of treasury bills in conformity with the Regulations and conditions for auctions of treasury bills using the electronic Bloomberg bond auction system (BAS).

During 2011, 32 auctions of treasury bills were held, with a total of 120 issues, 77 of which were HRK issues and 43 were expressed in EUR, and payable in HRK. Of the HRK issues of treasury bills, 19 were 91-day issues, 28 were 182-day issues and 30 were 364-day issues, whereas of the issues of treasury bills expressed in EUR and payable in HRK 12 were 91-day issues and 31 were 364-day issues.

In 2011, at the treasury bill auctions, a total of HRK 18.8 billion and EUR 763.3 million of treasury bills were issued, while HRK 15.0 billion and EUR 1.3 billion of treasury bills was redeemed. The balance of registered treasury bills decreased from HRK 20.7 billion at the end of 2010 to HRK 20.5 billion at the end of 2011.

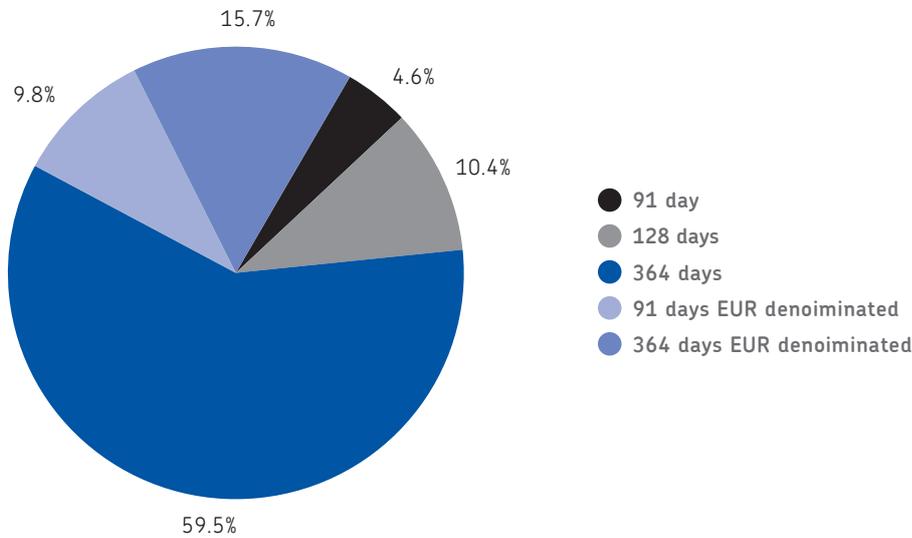
Figure 6.1. Results of Treasury Bill Auctions



Source: Ministry of Finance

At the end of 2011, out of the total amount of registered treasury bills of the Ministry of Finance, the share of treasury bills with a maturity term of 364 days expressed in HRK amounted to 59.5 percent, and the share of treasury bills with a maturity term of 364 days expressed in EUR amounted to 15.7 percent. The share of 182-day treasury bills amounted to 10.4 percent, of 91-day treasury bills expressed in HRK to 4.6 percent, and of 91-day treasury bills expressed in EUR to 9.8 percent.

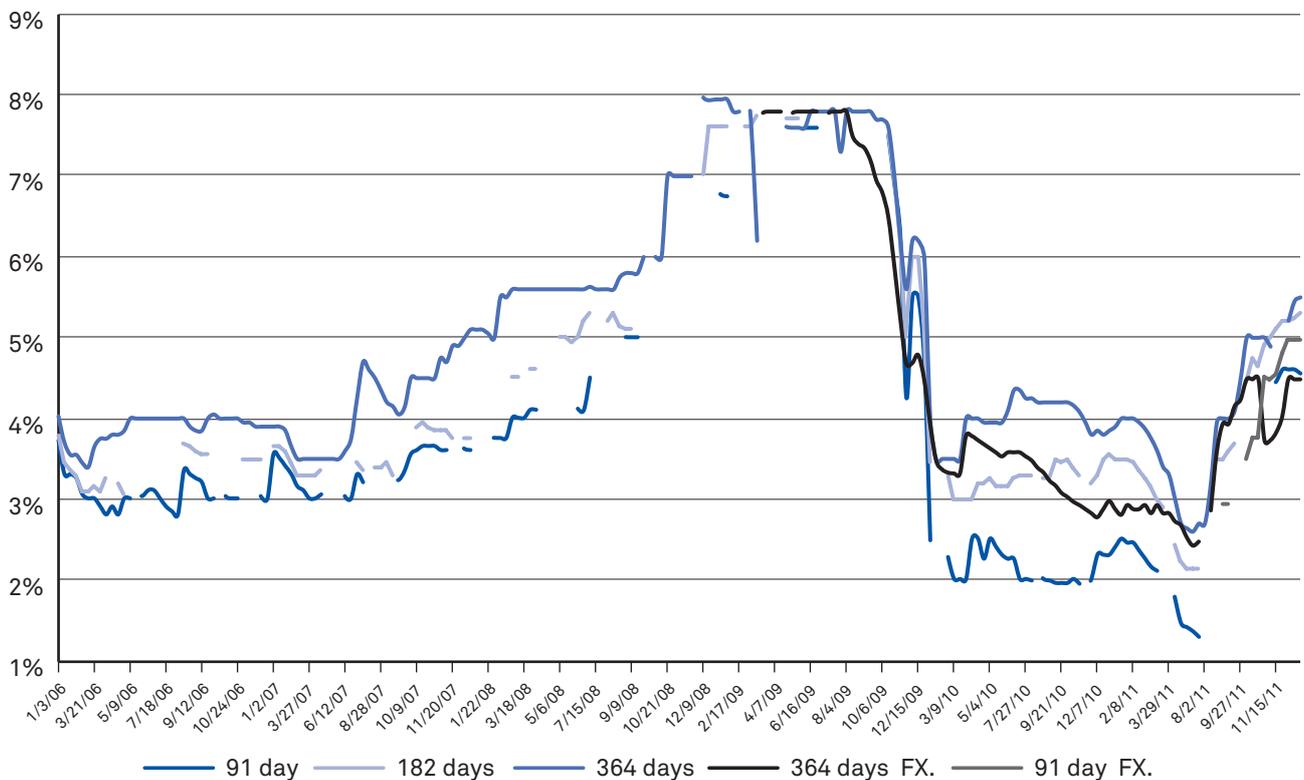
Figure 6.2. Maturity Structure of Treasury Bills as of 31st December 2011



Source: Ministry of Finance

During 2011, interest rates for treasury bills increased compared to 2010 and at the end of 2011 they amounted to 4.55 percent for 91-day treasury bills, 5.3 percent for 182-day treasury bills, 5.5 percent for 364-day treasury bills, 4.5 percent for 91-day treasury bills with a currency clause and 4.98 percent for 364-day treasury bills with a currency clause.

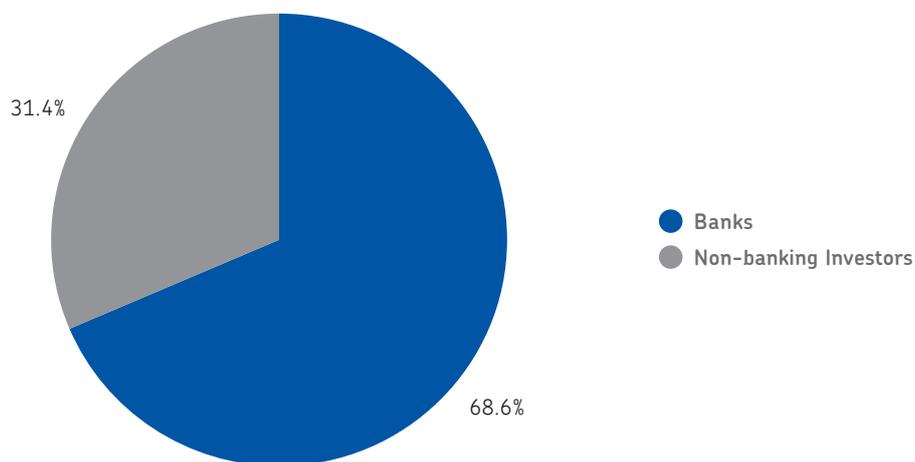
Figure 6.3. Interest Rates of Treasury Bills



Source: Ministry of Finance

During 2011, the share of the banking sector in the structure of buyers of treasury bills increased compared to 2010. The share of the banking sector in the total registered bills at the end of 2011 amounted to 68.6 percent, compared to the end of 2010 when it amounted to 66.5 percent.

Figure 6.4. Structure of Treasury Bills by Investors as of 31st December 2011



Source: Ministry of Finance

6.1.3. Foreign Debt of the Republic of Croatia

6.1.3.1. International Bonds of the Republic of Croatia

At the end of 2011, a total of six emissions of Croatian Government bonds were listed on foreign capital markets. In March of 2011, EUR 750 million of bonds issued in 2001 matured and were redeemed.

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

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

Samurai bond / II:

JPY 40 billion
7 years, bullet
3% coupon
(135 bps over 7-year Yen LIBOR)
Lead manager: Daiwa Securities SB
Listing: Tokyo
Date of Issue: 11 July 2000
Date of Maturity: 11 July 2007
The Bond was fully repaid at maturity.

Samurai bond / III:

JPY 25 billion
5 years, bullet
2.5% coupon
(152 bps over 5-year Yen LIBOR)
Lead manager: Daiwa Securities SB
Listing: Tokyo
Date of Issue: 6 February 2001
Date of Maturity: 23 February 2006
The Bond was fully repaid at maturity.

Euro-EUR bonds / III:

EUR 750 milion
10 years, bullet
6.75 % coupon
(215 bps over 10-year German Bund)
Lead managers: JP Morgan and Deutsche Bank
Listing: Luxembourg
Date of Issue: 6 March 2001
Date of Maturity: 14 March 2011
The Bond was fully repaid at maturity.

Euro-EUR bonds / IV:

EUR 500 milion
7 years, bullet
6.25 % coupon
(158 bps over 7-year German Bund)
Lead managers: Deutsche Bank and CSFB
Listing: Luxembourg
Date of Issue: 28 January 2002
Date of Maturity: 11 February 2009
The Bond was fully repaid at maturity.

Samurai bond / IV:

JPY 25 billion
6 years, bullet
2.15% coupon
(144 bps over 6-year Yen LIBOR)
Lead managers: Daiwa Securities SMBC and Nomura Securities

Date of Issue: 26 June 2002
Date of Maturity: 26 June 2008
The Bond was fully repaid at maturity

Euro-EUR bonds / V:

EUR 500 milion
7 years, bullet
4.625 % coupon
(95 bps over 7-year Euribor)
Lead managers: Deutsche Bank and Citigroup
Listing: Luxembourg
Date of Issue: 24 February 2003
Date of Maturity: 24 February 2010
The Bond was fully repaid at maturity.

Samurai bond / V:

JPY 25 billion
6 years, bullet
1.23% coupon
(99bps over 6-year Yen LIBOR)
Lead managers: Daiwa Securities SMBC and Nomura Securities
Date of Issue: 26 June 2003
Date of Maturity: 26 June 2009
The Bond was fully repaid at maturity.

Euro-EUR bonds / VI:

EUR 500 milion
10 years, bullet
5 % coupon
(100 bps over 10-year Euribor)
Lead managers: JP Morgan and UBS Investment Bank
Listing: Luxembourg
Date of Issue: 15 April 2004
Date of Maturity: 15 April 2014

Euro-EUR bonds / VII:

EUR 750 milion
6 years, bullet
6.5 % coupon
(369.2 bps over 10-year German Bund)
Lead managers: BNP Paribas, Deutsche Bank and Unicredit
Listing: Luxembourg
Date of Issue: 5 June 2009
Date of Maturity: 5 January 2015

Euro-USD bonds / I:

USD 1,5 billion
10 years, bullet
6.75% coupon
(350 bps over 10-years US Treasury)
Lead managers: Barclays Capital, Citigroup and JP Morgan
Listing: Luxembourg
Date of Issue: 5 November 2009
Date of Maturity: 5 November 2019

Euro-USD bonds / II:

USD 1,25 billion (cross currency swap - 1,4165 USD za 1 euro)
 10 years, bullet
 6.625% coupon
 (381.3 bp over 10-years US Treasury)
 Lead managers: Barclays Capital, Citigroup i JP Morgan
 Listing: Luxembourg
 Date of Issue: 14 July 2010
 Date of Maturity: 14 July 2020

Euro-USD bonds / III:

USD 1,5 milijardi (cross currency swap - 1,3875 USD za 1 euro)
 10 years, bullet
 6,375% coupon
 (340 bp over 10-years US Treasury)
 Lead managers: Barclays Bank Plc, Deutsche Bank AG i JP Morgan Securities Ltd
 Listing: Luxembourg
 Date of Issue: 24 March 2011
 Date of Maturity: 24 March 2021

Euro-EUR bonds / VIII:

EUR 750 million
 7 years, bullet
 5,875 % coupon
 Lead manager: Deutsche Bank A.G. London Branch, HSBC Bank Plc. and Zagrebačka banka Zagreb, Erste Group Bank A.G. and Raiffeisen Bank Internacional A.G.
 Listing: Luxembourg
 Date of Issue: 8 July 2011
 Date of Maturity: 9 July 2018

Source: Ministry of Finance

In March of 2011, the Republic of Croatia issued euro-bonds in the amount of USD 1.5 billion⁴ with a maturity of 10 years and a fixed annual interest rate of 6.375 percent.

As protection from inter-currency exchange rate changes, incoming payments and all outgoing payments of the interests and the principal amount of these bonds are converted into EUR according to the fixed exchange rate of USD 1.3875 for EUR 1.

In July of 2011, the Republic of Croatia issued euro-bonds in the amount of EUR 750 million⁵ at a maturity of 7 years and a fixed annual interest rate of 5.875 percent.

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

Of the total of six international bonds of the Republic of Croatia, whose projection of repayments is presented in Table 6.8., three are denominated in EUR, and three in USD. The total nominal value of all six emissions of Croatian bonds on foreign markets amounted to EUR 5.3 billion at the end of 2011.

⁴ Official Gazette, number 35/2011

⁵ Official Gazette, number 77/2011

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

	Amount in (EUR*)	2012 (EUR*)	2013 (EUR*)	2014 (EUR*)	2015 (EUR*)	2016 (EUR*)	2017 (EUR*)	2018 (EUR*)	2019 (EUR*)	2020 (EUR*)	2021 (EUR*)
EUR 500,000,000	Principal	0	0	500,000,000							
5.0%, Maturity: 2014	Interest	37,500,000	37,500,000	37,500,000							
EUR 750,000,000	Principal	0	0	0	750,000,000						
6.5%, Maturity: 2015	Interest	75,353,586	75,353,586	75,353,586	75,353,586						
EUR 750,000,000	Principal	0	0	0	0	0	0	750,000,000			
5.875%, Maturity: 2018	Interest	44,062,500	44,062,500	44,062,500	44,062,500	44,062,500	44,062,500	44,062,500			
USD 1,500,000,000	Principal	0	0	0	0	0	0	0	1,159,285,936		
6.75%, Maturity: 2019	Interest	78,251,801	78,251,801	78,251,801	78,251,801	78,251,801	78,251,801	78,251,801	78,251,801		
USD 1,250,000,000	Principal	0	0	0	0	0	0	0	0	966,071,614	
6.625%, Maturity: 2020	Interest	64,002,244	64,002,244	64,002,244	64,002,244	64,002,244	64,002,244	64,002,244	64,002,244	64,002,244	
USD 1,500,000,000	Principal	0	0	0	0	0	0	0	0	0	1,159,285,936
6.375% Maturity: 2021	Interest	73,904,478	73,904,478	73,904,478	73,904,478	73,904,478	73,904,478	73,904,478	73,904,478	73,904,478	73,904,478
Principal Repayment (EUR*)		0	0	500,000,000	750,000,000	0	0	750,000,000	1,159,285,936	966,071,614	1,159,285,936
Interest Payment (EUR*)		373,074,609	373,074,609	373,074,609	335,574,609	260,221,024	260,221,024	260,221,024	216,158,524	137,906,723	73,904,478
Total Servicing Costs (EUR*)		373,074,609	373,074,609	873,074,609	1,085,574,609	260,221,024	260,221,024	1,010,221,024	1,375,444,460	1,103,978,336	1,233,190,415
Total Principal Outstanding (at year end) (EUR*)		5,284,643,486	5,284,643,486	4,784,643,486	4,034,643,486	4,034,643,486	4,034,643,486	3,284,643,486	2,125,357,550	1,159,285,936	0

Source: Ministry of Finance

* Exchange rate: Mid exchange rate of the CNB as of 31st December 2011

6.2. INTERNATIONAL FINANCIAL RELATIONS IN 2011

6.2.1. Relations with International Financial Institutions

6.2.1.1. International Bank for Reconstruction and Development (IBRD⁶)

The role of IBRD and its financial support to the Republic of Croatia are defined under the Partnership Strategy of the World Bank and the Republic of Croatia for the 2009 - 2012 period, adopted by the Government of the Republic of Croatia at its session on 31 July 2008, and by the World Bank Board of Executive Directors at its session held on 30 September 2008. The goal of the Partnership Strategy is the support provided by the World Bank to the Republic of Croatia for a quick and successful completion of the EU accession process, acceleration of the convergence with income levels of current EU member states in a fiscally, socially and environmentally sustainable manner and the provision of a better standard of living of Croatian citizens. There are four priority areas in which the World Bank will provide support: a) maintaining macroeconomic stability; b) strengthening growth of the private sector and accelerating convergence with the EU; c) increasing the quality and effectiveness of the welfare system and d) advancing the sustainability of long-term development. The strategy envisages a four-year loan programme for project financing in the Republic of Croatia in the amount of USD 1 to 1.4 billion as a base case loan scenario (projects in the transport, energy, education, environmental protection, adaptation to climate changes, health care, the judiciary) and analytical support funds. This base case scenario programme could be supplemented by Development Policy Loans (DPL), as special support to reforms in the public sector and for the improvement of the economy's competitiveness. If this possibility is used, the Strategy envisages expanding the base case scenario programme to a high case scenario loan programme of USD 1.4 to 1.8 billion.

New Loans Contracted with the IBRD in 2011

During 2011, four loan agreements were signed with the IBRD:

- a) loan no. 80210-HR (EUR 20.8 million) granted directly to the Republic of Croatia, for the European Union Natura 2000 Integration Project (provision of support to national parks, nature parks and county public institutions for the management of protected natural values in the implementation of the goals of the Natura 2000 European Ecological Network in their investment programmes, capacity building for the monitoring of the state of biodiversity and reporting upon demand of the EU and the introduction of programmes for the purpose of including a wider group of stakeholders in the process of management of the Natura 2000 network); beneficiary: Ministry of Environmental and Nature Protection;
- b) loan no. 80630-HR (EUR 150 million) granted directly to the Republic of Croatia, for the Economic Recovery Development Policy (strengthening fiscal viability through the consolidation of public spending and creation of an environment that stimulates growth of the private sector with the purpose of advancing of economic reform programmes); beneficiary: Ministry of Finance;
- c) loan no. 80860-HR (EUR 16.5 million) granted directly to the Republic of Croatia, for the Integrated Land Administration System Project (development of the land registry system, modernisation of zoning information system and the land register and the improvement of digital services); beneficiaries: Ministry of Justice and the State Geodetic Administration;

⁶ The International Bank for Reconstruction and Development (IBRD) is a special development institution within the World Bank group. The Republic of Croatia is a full member of IBRD since 25 February 1993 and owns 0.15 percent of its shares and has 0.16 percent of voting power. In the IBRD Board of Directors the Republic of Croatia, along with twelve other countries, is represented by the executive director from the Netherlands.

- d) loan no. 80770-HR (EUR 50 million) given to the Ploče Port Authority with sovereign guarantee, for the Additional financing for Trade and Transport Integration Project (expansion of the multi-purpose terminal, construction of bulk cargo terminals and construction of container terminal).

Overview of Loans, Disbursed Funds and Outstanding Debt towards IBRD

In the 1994 to 2011 period, the IBRD granted for the financing of projects and programmes in the Republic of Croatia a total of EUR 1.9 billion⁷ and USD 649 million through a total of 51 long-term loans (Table 6.9.), 35 of which are direct loans and 16 sovereign guarantee loans⁸. In accordance with decisions of the IBRD Board of Directors and current practice towards borrowers who settle their debts for contracted loans in a timely manner, savings of EUR 1.7 million and USD 452.4 thousand were achieved for direct loans and sovereign guarantee loans. During 2011, accrued interests were paid semi-annually at the following floating rates, depending on the type of loan: a) for Currency Pooled Loans (CPL) from 1.70 percent to 1.87 percent; b) for Variable Spread Loans (VSL): 1) contracted in EUR or converted into EUR – from 1.19 percent to 2.21 percent; 2) contracted in USD – from 0.71 percent to 0.98 percent and c) for Fixed Spread Loans (FSL), contracted in or converted into EUR – from 1.25 percent to 2.77 percent. Front-end Fees were calculated and paid at a rate of 0.25 percent of the loan amount, and the commitment charges at a rate of 0.25 percent.

⁷ This amount in EUR is a sum of the amounts of loans originally contracted in EUR and the amounts of loans originally contracted in DEM and converted into EUR.

⁸ Loan No. 30690-HR, granted in the amount of USD 28 million, was taken over on the basis of the Act on the Ratification of the Guarantee Agreement between the Republic of Croatia and the IBRD and the Loan Agreement between the Republic of Croatia and the IBRD, concluded on 25 February 1993 (Official Gazette - International agreements, number 7/1994). In January of 2001 undisbursed amounts of approximately USD 1.98 million were called off and the loan was closed for disbursement. The loan was paid off in 2004.

Table 6.9. Overview of IBRD Loans Concluded in the Period 1994 to 2011, with a Review of Outstanding Debit and Funds Disbursement Overview, as of 31 December 2011 and Disbursed Funds During 2011

DIRECT LOANS									
Signing Date	The Act published in Official Gazette No.:	Effective/ Closing Date	Currency	Loan Amount 000 USD/ /000 EUR	Disbursed 000 USD/ /000 EUR	Undisbursed 000 USD/ /000 EUR	Out- standing 000 USD/ /000 EUR	Principal Repayment, First and Last	Disbursed in 2011 000 USD/ /000 EUR
Emergency Reconstruction Project - loan no. 37600 - HR CPL									
27/06/1994	7/1994	19/08/1994 31/12/1999	000 USD	128,000.00	128,000.00	0.00	0.00	15/12/1998 15/06/2011	0.00
Health Project - loan no. 38430 - HR CPL (1)									
08/03/1995	7/1995	17/08/1995 31/12/1999	000 USD	38,925.50	38,925.50	0.00	0.00	15/06/2000 15/12/2011	0.00
Highway Sector Project - loan no. 38690 - HR CPL (2)									
27/04/1995	8/1995	26/07/1995 30/06/2001	000 USD	79,878.49	79,878.49	0.00	4,582.10	15/12/1999 15/06/2012	0.00
Capital Market Development Project - loan no. 39990 - HR VSL									
23/04/1996	1/1996 and 9/1996	22/07/1996 30/06/1999	000 EUR	7,260.35	7,260.35	0.00	925.44	15/10/2001 15/04/2013	0.00
Farmer Support Services Project - loan no. 39880 - HR CPL (3)									
23/04/1996	1/1996 and 9/1996	22/07/1996 31/12/2002	000 USD	14,258.75	14,258.75	0.00	1,731.54	01/09/2001 01/03/2013	0.00
Technical Assistance Project - loan no. 39890 - HR VSL									
23/04/1996	1/1996 and 8/1996	22/07/1996 30/04/2000	000 USD	5,000.00	5,000.00	0.00	590.00	15/10/2001 15/04/2013	0.00
Emergency Reconstruction Transport and Mine Clearing Project - loan no. 41040 - HR VSL (4)									
04/12/1996	3/1997	04/03/1997 31/12/2001	000 EUR	74,797.17	74,797.17	0.00	3,727.93	15/07/2002 15/01/2012	0.00
Coastal Forest Reconstruction Project - loan no. 41190 - HR CPL (5)									
31/01/1997	8/1997	31/07/1997 30/06/2003	000 USD	38,589.31	38,589.31	0.00	6,283.31	15/06/2002 15/12/2013	0.00
Enterprise and Financial Sector Adjustments Loan - loan no. 41590 - HR VSL EFSAL									
04/06/1997	17/1997	05/11/1997 31/12/2001	000 EUR	81,806.70	81,806.70	0.00	4,090.34	15/12/2002 15/06/2012	0.00
Reconstruction Project for Eastern Slavonia, Baranja and Western Srijem - loan no. 43510 - HR VSL (6)									
08/09/1998	15/1998	06/01/1999 31/12/2004	000 EUR	36,600.50	36,600.50	0.00	7,258.42	15/01/2004 15/07/2013	0.00
Railway Modernization and Restructuring Project - loan no. 44330 - HR VSL (7)									
20/01/1999	4/1999	09/06/1999 30/06/2005	000 EUR	85,398.55	85,398.55	0.00	21,349.65	15/09/2004 15/03/2014	0.00
Technical Assistance Project for Institutional and Legislative Changes for Private Sector Development - loan no. 44600 - HR VSL (8)									
05/05/1999	8/1999	03/08/1999 30/06/2006	000 USD	7,253.43	7,253.43	0.00	1,809.53	15/10/2004 15/04/2014	0.00
Health System Project - loan no. 45130 - HR VSL (9)									
07/10/1999	14/1999	28/03/2000 30/12/2005	000 USD	26,155.16	26,155.16	0.00	7,783.06	15/06/2005 15/12/2014	0.00
Trade and Transport Facilitation in Southeast Europe Project - loan no. 45820 - HR VSL (10)									
27/10/2000	5/2001	02/05/2001 31/03/2005	000 EUR	13,813.21	13,813.21	0.00	5,526.01	15/05/2006 15/11/2015	0.00
Court and Bankruptcy Administration Project - loan no. 46130 - HR VSL (11)									
03/07/2001	14/2001 and 5/2002	29/01/2002 31/01/2007	000 USD	4,636.27	4,636.27	0.00	2,057.47	15/12/2006 15/06/2016	0.00
Structural Adjustment Loan - loan no. 46410 - HR VSL SAL									
05/12/2001	2/2002 and 5/2002	08/02/2002 31/10/2003	000 USD	202,000.00	202,000.00	0.00	101,000.00	15/04/2007 15/10/2016	0.00
Pension System Investment Project - loan no. 46720 - HR VSL (12)									
17/09/2002	2/2003 and 6/2003	20/02/2003 31/12/2008	000 USD	21,221.14	21,221.14	0.00	10,835.78	15/11/2007 15/05/2017	0.00
Real Property Registration and Cadastre Project - loan no. 46740 - HR VSL (13)									
18/09/2002	2/2003 and 6/2003	20/02/2003 30/06/2010	000 EUR	25,973.29	25,973.29	0.00	15,577.10	15/05/2008 15/11/2017	0.00
Coastal Cities Pollution Control Project - loan no. 72260 - HR FSL (14)									
02/07/2004	11/2004 and 2/2005	17/12/2004 30/11/2009	000 EUR	39,047.24	39,047.24	0.00	29,495.68	15/10/2009 15/04/2019	0.00
Social and Economic Recovery Project - loan no. 72830 - HR FSL (15)									
02/05/2005	9/2005 and 11/2005	30/09/2005 31/12/2010	000 EUR	34,894.90	34,894.90	0.00	27,968.11	15/05/2010 15/11/2019	-105.10
Social Welfare Development Project - loan no. 73070 - HR FSL (16)									
06/07/2005	11/2005	30/01/2006 31/03/2011	000 EUR	30,887.85	30,887.85	0.00	26,244.08	15/11/2010 15/05/2020	-112.14

Signing Date	The Act published in Official Gazette No.:	Effective/ /Closing Date	Currency	Loan Amount 000 USD/ /000 EUR	Disbursed 000 USD/ /000 EUR	Undisbursed 000 USD/ /000 EUR	Out- standing 000 USD/ /000 EUR	Principal Repayment, First and Last	Disbursed in 2011 000 USD/ /000 EUR
Science and Technology Project - loan no. 73200 - HR FSL (17)									
16/09/2005	12/2005 and 5/2006	11/05/2006 31/05/2011	000 EUR	29,814.08	29,814.08	0.00	25,937.35	15/11/2010 15/05/2020	5,885.51
Programmatic Adjustment Loan (PAL) - loan no. 73300 - HR FSL PAL									
20/09/2005	12/2005 and 3/2006	19/12/2005 30/06/2006	000 EUR	150,000.00	150,000.00	0.00	150,000.00	15/09/2015	0.00
Education Sector Development Project - loan no. 73320 - HR FSL									
17/10/2005	12/2005 and 3/2006	15/03/2006 30/09/2011	000 EUR	67,800.00	67,800.00	0.00	59,480.60	15/11/2010 15/05/2020	8,300.00
Agricultural Acquis Cohesion Project - loan no. 73600 - HR FSL (18)									
08/05/2006	10/2006 and 1/2007	21/11/2006 28/02/2012	000 EUR	25,500.00	22,505.61	2,994.39	20,897.97	15/04/2011 15/10/2020	10,693.93
Second Programmatic Adjustment Loan - loan no. 74500 - HR FSL PAL 2 (19)									
11/06/2007	7/2007 and 3/2008	28/04/2008 31/10/2008	000 EUR	100,000.00	100,000.00	0.00	100,000.00	15/10/2012 15/04/2022	0.00
Inland Waters Project - loan no. 74530 - HR FSL									
12/06/2007	8/2007	29/01/2008 31/12/2012	000 EUR	100,000.00	54,680.87	45,319.13	54,680.87	15/04/2012 15/10/2022	28,909.76
Revenue Administration Modernization Project - loan no. 74710 - HR FSL (20)									
03/07/2007	8/2007	21/12/2007 30/06/2013	000 EUR	25,000.00	7,197.92	17,802.08	7,197.92	01/11/2012 01/05/2022	1,391.08
Development of Emergency Medical Services and Investment Planning Project - loan no. 75980 - HR IFL FS									
21/10/2008	12/2008	15/01/2009 30/12/2013	000 EUR	18,100.00	6,566.21	11,533.79	6,566.21	15/10/2013 15/04/2038	6,020.96
Coastal Cities Pollution Control Project 2 - loan no. 76400 - HR IFL FS									
06/02/2009	4/2009	04/06/2009 30/09/2014	000 EUR	60,000.00	10,831.71	49,168.29	10,831.71	15/04/2014 15/10/2023	8,831.71
Fiscal, Social and Financial Sector Development Policy Loan - loan no. 78460 - HR IFL FS DPL									
13/01/2010	1/2010	17/02/2010 30/04/2010	000 EUR	200,000.00	200,000.00	0.00	200,000.00	15/05/2025	0.00
Justice Sector Support Project - loan no. 78880 - HR IFL FS (21)									
13/04/2010	4/2010	12/07/2010 30/06/2015	000 EUR	26,000.00	3,066.38	22,933.62	3,066.38	15/10/2027	2,537.82
European Union Natura 2000 Integration Project - loan no. 80210 - HR IFL FS (22)									
22/02/2011	7/2011	19/05/2011 30/04/2016	000 EUR	20,800.00	1,496.56	19,303.44	1,496.56	15/05/2016 15/11/2030	1,496.56
Economic Recovery Development Policy Loan - loan no. 80630 - HR IFL FS ERDPL									
10/05/2011	8/2011	14/06/2011 31/12/2011	000 EUR	150,000.00	150,000.00	0.00	150,000.00	15/04/2026	150,000.00
Integrated Land Administration System Project - loan no. 80860 - HR IFL FS (23)									
17/08/2011	13/2011	15/11/2011 31/10/2015	000 EUR	16,500.00	963.28	15,536.72	963.28	15/11/2015 15/05/2031	963.28
				000 USD	565,918.05	565,918.05	0.00	136,672.79	0.00
TOTAL DIRECT LOANS					100.00%	100.00%	0.00%		
				000 EUR	1,419,993.84	1,235,402.38	184,591.46	933,281.61	224,813.37
					100.00%	87.00%	13.00%		

SOVEREIGN GUARANTEE LOANS

Signing Date	The Act published in Official Gazette No.:	Effective/ / Closing Date	Currency	Loan Amount 000 USD/ /000 EUR	Disbursed 000 USD/ /000 EUR	Undisbursed 000 USD/ /000 EUR	Out- standing 000 USD/ /000 EUR	Principal Repayment, First and Last	Disbursed in 2011 000 USD/ /000 EUR
Istria Water Supply and Sewerage Project - loan no. 30690 - HR CPL (24)									
01/02/1990 (undertaken 25/02/1993)	7/1994	31/05/1990 30/06/2000	000 USD	26,016.29	26,016.29	0.00	0.00	15/10/1994 15/04/2004	0.00
Investment Rehabilitation Project (4 loans) - loans no. 42460 - HR VSL (Varaždinska banka - Zagrebačka banka d.d), 42470 - HR VSL (Dalmatinska banka d.d. - OTP banka), 42480 - HR VSL (Slavonska banka d.d. - Hypo Alpe-Adria Bank d.d.) and 42490 - HR VSL (Alpe Jadran banka d.d. - bankrupt) (25)									
04/12/1997	3/1998	17/03/1998 31/12/2002	000 EUR	21,589.50	21,589.50	0.00	2,153.12	15/03/2003 15/09/2012	0.00
Municipal Enviromental Infrastructure Project - loan no. 43520 - HR VSL (Croatian Bank for Reconstruction and Development)									
25/09/1998	2/1999	28/06/1999 31/12/2007	000 EUR	33,233.97	33,233.97	0.00	4,985.10	15/11/2003 15/05/2013	0.00
Rijeka Gateway Project - loan no. 47140 - HR VSL (Croatian Motorways) (26)									
12/07/2003	16/2003 and 18/2003	10/10/2003 31/12/2010	000 EUR	8,061.29	8,061.29	0.00	5,144.51	15/12/2008 15/06/2018	1,112.17
Rijeka Gateway Project - loan no. 47150 - HR VSL (Port of Rijeka Authority) (27)									
12/07/2003	16/2003 and 18/2003	10/10/2003 31/08/2011	000 USD	55,100.00	55,100.00	0.00	35,815.00	15/12/2008 15/06/2018	10,999.71
Rijeka Gateway Project - loan no. 47160 - HR VSL (Croatian Roads)									
12/07/2003	16/2003 and 18/2003	10/10/2003 30/09/2009	000 EUR	76,200.00	76,200.00	0.00	49,530.00	15/12/2008 15/06/2018	0.00
Energy Efficiency Project - loan no. 71980 - HR FSL (HEP d.d.)									
10/11/2003	3/2004	08/04/2004 30/06/2010	000 EUR	4,400.00	4,400.00	0.00	4,259.28	15/04/2009 15/10/2019	0.00
District Heating Project - loan no. 48280 - HR VSL (HEP - Toplinarstvo d.o.o.)									
11/09/2006	1/2007	09/03/2007 30/06/2010	000 EUR	24,000.00	24,000.00	0.00	24,000.00	15/03/2012 15/09/2021	0.00
Trade and Transport Integration Project - loan no. 74100 - HR FSL (Port of Ploče Authority) (28)									
20/11/2006	3/2007 and 1/2008	20/03/2007 30/06/2014	000 EUR	58,800.00	35,768.37	23,031.63	35,768.37	01/04/2012 01/10/2021	4,098.50
Additional Loan for the Rijeka Gateway Project - loan no. 47151 - HR VSL (Port of Rijeka Authority)									
11/06/2007	9/2007 and 1/2008	21/11/2007 30/09/2012	000 EUR	35,300.00	2,609.22	32,690.78	979.22	15/10/2011 15/04/2020	465.24
Rijeka Gateway II Project - loan no. 76380 - HR IFL VS (Port of Rijeka Authority)									
17/04/2009	6/2009 and 8/2009	14/07/2009 15/12/2014	000 EUR	84,000.00	215.59	83,784.41	215.59	15/03/2019 15/09/2031	2.93
Export Finance Intermediation Loan Project - loan no. 77740 - HR IFL FS (Croatian Bank for Reconstruction and Development)									
02/09/2009	11/2009	25/11/2009 31/08/2013	000 EUR	100,000.00	85,009.40	14,990.60	85,009.40	15/10/2016 15/10/2037	17,337.03
Additional Financing for Trade and Transport Integration Project - loan no. 80770 - HR IFL VS (Port of Ploče Authority)									
14/09/2011	15/2011	08/12/2011 30/06/2014	000 EUR	50,000.00	125.00	49,875.00	125.00	15/11/2023 15/05/2034	125.00
				000 USD	81,116.29	81,116.29	0.00	35,815.00	10,999.71
TOTAL SOVEREIGN GUARANTEE LOANS					100.00%	100.00%	0.00%		
				000 EUR	495,584.76	291,212.34	204,372.42	212,169.59	23,140.87
					100.00%	58.76%	41.24%		
TOTAL DIRECT				000 USD	647,034.34	647,034.34	0,00	172,487.79	10,999.71
+ SOVEREIGN GUARANTEE LOANS					100.00%	100.00%	0.00%		
				000 EUR	1,915,578.60	1,526,614.72	388,963.88	1,145,451.20	247,954.24
					100.00%	79.69%	20.31%		

Source: Ministry of Finance

Notes:

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

1 - a loan of USD 40 million contracted ; cancelled: USD 1,1 million

2 - a loan of USD 80 million contracted; cancelled: USD 121,5 thousand

3 - a loan of USD 17 million contracted; cancelled: USD 2,7 million

4 - cancelled: EUR 2,4 million

- 5 - a loan of USD 42 million contracted; cancelled: USD 3,4 million
- 6 - cancelled: EUR 1,2 million
- 7 - a loan of EUR 85,4 million contracted; cancelled: EUR 1,5 thousand
- 8 - a loan of USD 7,3 million contracted; cancelled: USD 46,6 thousand
- 9 - a loan of USD 29 million contracted; cancelled: USD 2,8 million
- 10 - a loan of EUR 14,8 million contracted; cancelled: EUR 986,8 thousand
- 11 - a loan of EUR 5 million contracted; cancelled: EUR 363,7 thousand
- 12 - Pension System Investment Project was prepared from pre-loan in the amount of USD 1,8 million, yet only USD 657,2 thousand was disbursed. That amount is included within the disbursed funds of the loan no. 46720 - HR. A loan of USD 27,3 million contracted; cancelled: USD 6,1 million
- 13 - a loan of EUR 26 million contracted; cancelled: EUR 26,7 thousand
- 14 - a loan of EUR 40 million contracted; cancelled: EUR 820,9 thousand; return of funds: 131,9 thousand
- 15 - a loan of EUR 35 million contracted; cancelled: EUR 105,1 thousand
- 16 - a loan of EUR 31 million contracted; cancelled: EUR 112,2 thousand
- 17 - a loan of EUR 31 million contracted; cancelled: EUR 1,2 million
- 18 - Agricultural Acquis Cohesion Project was prepared from the pre-loan in the amount of USD 1.9 million, however, only USD 788.74 thousand was disbursed. That amount is included within the funds withdrawn from the loan no. 73600-HR
- 19 - a loan of EUR 150 million contracted; cancelled: EUR 50 million
- 20 - a loan of EUR 50 million contracted; cancelled: EUR 25 million
- 21 - Justice Sector Support Project was prepared from the pre-loan in the amount of USD 653 thousand, however, only USD 432 thousand was disbursed. That amount is included within the funds withdrawn from the loan no. 78880-HR
- 22 - European Union Natura 2000 Integration Project was prepared from the pre-loan in the amount of USD 500 thousand, however, only USD 491,1 thousand was disbursed. That amount is included within the funds withdrawn from the loan no. 80210-HR
- 23 - Integrated Land Administration System Project was prepared from the pre-loan in the amount of USD 1,5 million, however, only USD 1,2 million was disbursed. That amount is included within the funds withdrawn from the loan no. 80860-HR
- 24 - loan undertaken od 25/2/1993, contracted in the amount of USD 28 million; cancelled: USD 1,9 million
- 25 - For the implementation of the Project, four loans were contracted (users are the banks cited in the table)
- 26 - a loan of EUR 15,7 million contracted; cancelled: EUR 7,6 million
- 27 - Rijeka Getaway Project was prepared from pre-loan in the amount of USD 1,5 million, however, only USD 684,3 thousand was disbursed. That amount is included within the disbursed funds of the Loan no. 47150 - HR
- 28 - Trade and Transport Integration Project was prepared from pre-loan in the amount of USD 1.8 million, however, only USD 534,3 thousand was disbursed. That amount is included within the disbursed funds of the Loan no. 74100 - HR.

Projects in Preparation during 2011

In 2011, preparations for the Second Science and Technology Project (the amount of the potential loan is EUR 20 million) continued.

General Capital Increase of the IBRD

Pursuant to the Decision of the Government of the Republic of Croatia of 17 March 2011⁹, the Republic of Croatia participated in the general capital increase of IBRD in 2011. As part of the general capital increase of IBRD, the Republic of Croatia has the right to subscribe for a total of 613 shares. The total liabilities of the Republic of Croatia as part of the general capital increase of the IBRD amount to USD 73.9 million, USD 4.4 million of which represent paid-in capital, and USD 69.5 million¹⁰ represent callable capital. In 2011, the first of five instalments of the liabilities of the Republic of Croatia as part of the capital increase was paid. After the purchase of all 613 shares, the Republic of Croatia will own 0.13 percent of the total shares of the IBRD, and the total subscribed capital of the Republic of Croatia in the IBRD will amount to USD 350.5 million, of which paid-in capital will amount to USD 21.7 million and callable capital USD 328.8 million.

⁹ Official Gazette, number 34/2011

¹⁰ Callable capital represents a contingent liability of IBRD member countries in case of a serious financial risk of the IBRD, that is its inability to meet its obligations

6.2.1.2. European Bank for Reconstruction and Development (EBRD¹¹)

The value of the granted loans/investments of the EBRD in the Republic of Croatia from 1994 to the end of 2011 amounted to EUR 2.6 billion for 138 projects, whose total value reaches EUR 6.9 billion. With a total of EUR 29.3 million, the EBRD also financed 439 technical assistance projects. Investments in the private sector make up about 73 percent of the overall investments of the EBRD in the Republic of Croatia, whereas public sector projects make up about 27 percent. In the sector funding structure, infrastructure (30 percent), entrepreneurship (26 percent), financial institutions (24 percent) and energy (20 percent) dominate. In accordance with the EBRD Strategy for Croatia for the 2010 to 2013 period, priority sectors for EBRD investments in the Croatian economy are: 1. entrepreneurship, 2. infrastructure, environment and energy and 3. financial services.

EBRD Investments in the Republic of Croatia in 2011

During 2011, the EBRD approved a total of EUR 158 million for the funding of eight new projects in the Republic of Croatia, EUR 31 million of which was approved for six projects in the private sector, and EUR 127 million for the funding of two public-sector projects:

- a) Modernising Air Navigation System in the Republic of Croatia (loan no. 42754 with sovereign guarantee in the amount of EUR 47 million given to the Croatian Air Traffic Control for the modernisation of the air traffic control system in Croatia with the goal of improving the safety and increasing the capacity of air transport);
- b) Construction of the Ombla Hydroelectric Power Plant Ombla Project (loan in the amount of EUR 80 million, granted directly to "Hrvatska elektroprivreda d.o.o." (Croatian National Power Distribution Operator), without sovereign guarantee).

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

In the period from 1994 to the end of 2011, the EBRD granted a total of 21 loans for the funding of public projects in the Republic of Croatia (in the total amount of USD 66.2 million and EUR 627.3 million), 3 of which are direct loans and 18 sovereign guarantee loans (Table 6.10.). Interests for loans contracted or converted into EUR are paid in semi-annual rates ranging from 1.86 percent to 7.44 percent, and interests for loans obtained in USD are paid in semi-annual rates ranging from 1.41 percent to 1.44 percent. Front-end fees were calculated and charged at a contract rate of 1 percent of the loan amount, and commitment charges were calculated and charged at a rate of 0.5 percent annually.

¹¹ The Republic of Croatia is a full member of the European Bank for Reconstruction and Development (EBRD) from 15 April 1993 and owns 0.37 percent of its shares and has 0.37 percent voting power. In the EBRD Board of Directors, the Republic of Croatia, together with three other states, is represented by the executive director from the Czech Republic.

Table 6.10. Overview of EBRD Loans Concluded in the Period 1994 to 2011 with a Review of Outstanding Debt and Funds Disbursement Overview, as of 31 December 2011 and Disbursed Funds During 2011

DIRECT LOANS									
Signing date	The Act published in Official Gazette No.:	Closing date	Currency	Loan amount 000 USD/ /000 EUR	Disbursed in 000 USD/ /000 EUR	Undisbursed in 000 USD/ /000 EUR	Out- standing in 000 USD/ /000 EUR	Principal maturity date: first and last	Disbursed in 2011, in 000 USD/ /000 EUR
Air Navigation System Project - Loan No. 231 (1)									
21/09/1994	13/1994	31/12/2001	USD	19,735.52	19,735.52	0.00	0.00	21/09/1996 21/03/2004	0.00
Croatian Highway Reconstruction Project (HC) - Loan No. 286 (2)									
17/01/1995	6/1995	28/02/1999	EUR	36,195.88	36,195.88	0.00	0.00	10/04/1998 10/10/2009	0.00
Croatia Wholesale Markets Project - Loan No. 627 (3)									
08/12/1997	7/1998	25/03/2002	EUR	3,203.56	3,203.56	0.00	0.00	24/05/2002 24/11/2011	0.00
TOTAL DIRECT LOANS				USD	19,735.52	19,735.52	0.00	0.00	0.00
				EUR	39,399.44	39,399.44	0.00	0.00	0.00

SOVEREIGN GUARANTEE LOANS

Signing date	The Act published in Official Gazette No.:	Closing date	Currency	Loan amount 000 USD/ /000 EUR	Disbursed in 000 USD/ /000 EUR	Undisbursed in 000 USD/ /000 EUR	Out- standing in 000 USD/ /000 EUR	Principal maturity date: first and last	Disbursed in 2011, in 000 USD/ /000 EUR
Croatia Electricity Network Reconstruction Project (HEP) - Loan No. 283									
02/02/1995	6/1995	30/06/2000	EUR	32,211.39	32,211.39	0.00	0.00	10/03/1998 10/03/2005	0.00
Croatian Tourism Credit Line (Croatian Bank for Reconstruction and Development) - Loan No. 443									
26/06/1996	1/1996 and 10/1996	01/05/1998	EUR	25,564.59	25,564.59	0.00	0.00	23/12/1998 23/12/2002	0.00
Municipal Environmental Infrastructure Investment Programme (Croatian Bank for Reconstruction and Development) - Loan No. 494 (4)									
09/12/1996	4/1997	31/01/2004	EUR	31,575.22	31,575.22	0.00	0.00	10/04/2001 10/10/2011	0.00
Croatian Railways Locomotive Rehabilitation Project (CR - Infrastructure) - Loan No. 733									
08/12/1998	4/1999	05/02/2004	USD	35,000.00	35,000.00	0.00	5,833.32	20/05/2002 20/11/2013	0.00
The Small and Medium Entrepreneurship Project (Croatian Bank for Reconstruction and Development) - Loan No. 923 (5)									
20/03/2001	9/2001 and 5/2002	19/09/2004	EUR	4,685.36	4,685.36	0.00	0.00	Principal prepayment as of 05/08/2005	0.00
Zagreb-Rijeka Motorway Project (Rijeka - Zagreb Motorway) - Loan No. 975 (6)									
22/10/2001	8/2002	08/01/2008	EUR	60,000.00	60,000.00	0.00	32,000.00	12/05/2005 12/11/2019	0.00
EBRD-Refund Guarantee Facility ((Uljanik Shipyard-construction of the tanker No. 450) - Loan No. 18149									
26/02/2002	7/2002 and 11/2002	4 guarantees issued until 07/12/2004	USD	11,490.00	11,490.00	0.00	0.00	guarantees returned on 03/03/2005	0.00
Zagreb Area Control Centre Project - Loan No. 25800 (7)									
05/09/2002	14/2002	31/12/2006	EUR	24,944.05	24,944.05	0.00	4,674.59	20/11/2005 20/05/2013	0.00
Croatia-Motorway Rehabilitation Project (Corridor X: Zabok-Zagreb-Brodski Stupnik) (Croatian Motorways) - Loan No. 27171 (8)									
13/12/2002	10/2003	01/09/2006	EUR	45,254.45	45,254.45	0.00	22,600.15	20/05/2006 20/11/2017	0.00
Croatia Corridor X Motorway Completion Project (Županja-Lipovac) (Croatian Motorways) - Loan No. 31848 (9)									
12/11/2003	6/2004	09/12/2007	EUR	44,983.88	44,983.88	0.00	30,047.16	20/05/2007 20/11/2021	0.00
Port of Dubrovnik Infrastructure Modernization Project (Port of Dubrovnik Authority) - Loan No. 13451									
01/02/2005	7 and 11/2005 and 9/2010	31/12/2012	EUR	34,500.00	31,272.92	3,227.08	22,434.79	10/04/2008 10/10/2017	6,206.86
Autocesta Rijeka-Zagreb Phase IIB (Kikovica-Susica) (Rijeka - Zagreb Motorway) - Loan No. 35790									
26/07/2006	11/2006	01/10/2010	EUR	50,000.00	50,000.00	0.00	46,428.57	17/12/2010 17/06/2031	0.00
Rijeka Bypass Project (Croatian Roads) - Loan No. 31849 (10)									
12/12/2006	4/2007 and 1/2008	31/12/2012	EUR	33,347.05	33,347.05	0.00	31,292.84	23/09/2010 23/09/2031	2,416.19
Port of Ploče Bulk Terminal/Trade and Transport Integration Project (Port of Ploče Authority) - Loan No. 36127									
09/11/2007	2/2008	01/09/2011	EUR	11,200.00	338.58	10,861.42	338.58	20/03/2012 20/09/2022	61.69
Plinacro Gas Storage Project (Plinacro d.o.o.) - Loan No. 40223									
13/05/2009	6/2009	30/04/2010	EUR	70,000.00	70,000.00	0.00	42,000.00	15/05/2010 15/11/2014	0.00
Port of Šibenik Infrastructure Modernization Project (Port of Šibenik Authority) - Loan No. 39749									
15/05/2010	8/2010 and 10/2010	15/05/2014	EUR	12,000.00	1,623.10	10,376.90	1,623.10	20/05/2014 20/05/2025	1,503.10
Corridor Vc completion Project (Croatian Motorways) - Loan No. 41325									
24/11/2010	4/2011	24/11/2013	EUR	60,630.00	4,724.03	55,905.97	4,724.03	15/03/2014 15/03/2026	4,724.03
Modernising Air Navigation System in the Republic of Croatia (Croatia Control) - Loan No. 42754									
29/09/2011	15/2011	29/03/2015	EUR	47,000.00	2,033.82	44,966.18	2,033.82	20/05/2015 20/03/2025	2,033.82
TOTAL SOVEREIGN GUARANTEE LOANS				USD	46,490.00	46,490.00	0.00	5,833.32	0,00
				EUR	587,895.99	462,558.44	125,337.55	240,197.63	16,945.69
TOTAL DIRECT				USD	66,225.52	66,225.52	0.00	5,833.32	0,00
+ SOVEREIGN GUARANTEE LOANS				EUR	627,295.43	501,957.88	125,337.55	240,197.63	16,945.69

Source: Ministry of Finance

Notes:

- 1 - loan contracted in the amount of USD 22 million; cancelled: USD 2,3 million
- 2 - loan contracted in the amount of DEM 70,9 million; cancelled: DEM 107 thousand. Loan converted into EUR
- 3 - loan contracted in the amount of DEM 33,5 million; cancelled: total DEM 27,2 million and EUR 11,4 thousand. Loan converted into EUR
- 4 - loan contracted in the amount of DEM 105 million; cancelled: total DEM 24,6 million and EUR 9,6 million. Loan converted into EUR
- 5 - loan contracted in the amount of EUR 12 million; cancelled: EUR 7,3 million
- 6 - loan contracted in the amount of EUR 90 million; EBRD has reduced loan for the amount of EUR 30 million
- 7 - loan contracted in the amount of EUR 25 million; cancelled: EUR 55,9 thousand
- 8 - loan contracted in the amount of EUR 46,5 million; cancelled: EUR 1,2 million
- 9 - loan contracted in the amount of EUR 45 million; cancelled: EUR 16,1 thousand
- 10 - loan contracted in the amount of EUR 40 million; cancelled: EUR 6,7 million.

6.2.1.3. Council of Europe Development Bank (CEB¹²)

During 2011, the CEB approved direct loans to the Republic of Croatia in the total amount of EUR 125 million for the co-financing of the following projects:

- a) Municipal Water Financing Facility (loan no. FP 1751 (2011) in the amount of EUR 75 million); the project comprises investments in water supply systems, the collection and treatment of wastewater and drainage of rainwater in municipalities located in all Croatian counties with the exception of the City of Zagreb; beneficiary: Hrvatske vode (Croatian national public water utility company);
- b) Construction of a Penitentiary - Prison Complex in Šibenik (loan no. FP 1759 (2011) in the amount of EUR 50 million); a new complex located in the proximity of the Podi business zone, which would have the capacity of 1,270 prisoners, part of which could be periodically employed in this zone; beneficiary: Ministry of Justice.

CEB also expanded its investments in the Republic of Croatia by approving a EUR 30 million loan to Privredna banka Zagreb d.d. (loan no. FP 1757 (2011)) in November of 2011, which represents the first loan approved by the CEB directly to a commercial bank established in the Republic of Croatia. In accordance with the CEB Articles of Agreement, the loan application was lodged via the Ministry of Finance of the Republic of Croatia, and the loan will be used to co-finance subprojects aimed at the improvement of the standard of living in rural and urban areas of the Republic of Croatia.

In November of 2011, the Republic of Croatia and the CEB contracted loan no. FP 1725 (2010) in the amount of EUR 6.5 million for the financing of the Extension and Rehabilitation of the Zagreb Prison, approved by the CEB at the end of 2010. The Republic of Croatia and the CEB also cooperated in the implementation of loans/projects that were approved earlier in the educational, health and culture sectors and projects aimed at the modernisation of rural areas through the construction of public-utility and social infrastructure on the Croatian islands.

HBOR and the CEB continued their cooperation in the implementation of the Partial Financing of Productive Investment Projects in Micro, Small and Medium-sized Enterprises (SMEs) throughout Croatia (loan contract no. FP 1690 (2009) with sovereign guarantee). At the end of 2011, HBOR began with the preparations of a new credit line for micro, small and medium-sized enterprises as well as for the financing of public-utility infrastructure in urban and rural areas. The potential loan of the CEB for the co-financing of this credit line would amount to EUR 50 million.

¹² The Republic of Croatia became a full member of the Council of Europe Development Bank (CEB) on 24 June 1997 and owns 0.432 of its stock (on the basis of which it has 0.432 percent voting power). Considering that a general capital increase of the CEB is under, it is expected that once all members have participated in it, the share of the Republic of Croatia will amount to 0.39 percent, which is what it amounted to before the capital increase. The Republic of Croatia is represented by one representative in the Governing Board of the CEB and one representative in its Administrative Council.

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

In the period between 1998 and the end of 2011, the Republic of Croatia directly contracted 12 framework loans with the CEB for the co-financing of projects, and provided guarantees for three CEB framework loans to HBOR (Table 6.11.). All direct framework loans and sovereign guarantee loans were disbursed on the basis of supplemental/disbursement agreements, in instalments, each of which is considered a separate loan. The instalments of direct loans were contracted in EUR and USD, with a repayment period between 5 and 15 years, with a maximum 5-year grace period. They are paid off at a fixed interest rate (semi-annual payment of interest), which, in the period between 1998 and the end of 2011, ranged from 2.89 percent to 5.56 percent for instalments disbursed in EUR, while the instalments disbursed in USD were contracted at a 5.71 percent interest rate. In 2011, no direct framework loans were disbursed. The instalments of the CEB framework loans to HBOR were contracted in EUR, with a repayment period of 8 to 10 years, and a 2 to 3-year grace period. They are repaid at a floating interest rate based on EURIBOR increased by 0.24 percent to 0,4 percent, whereas four instalments¹³ were contracted at a fixed interest rate ranging from 3.1 percent to 4.37 percent. In 2011, only one HBOR framework loan was active and from it one instalment was disbursed in the amount of EUR 10 million (at a fixed interest rate of 3.56 percent).

Table 6.11. Overview of the CEB Loans Concluded in the Period 1998 to 2011 with a Review of Outstanding Debt and Funds Disbursement Overview, as of 31 December 2011 and Disbursed Funds During 2011

DIRECT LOANS							
Signing date	The Act published in Official Gazette No.:	Framework Loan amount in 000 HRK	Disbursed in 000 HRK	Undisbursed in 000 HRK	Outstanding in currency (000 EUR)	Outstanding in currency (000 USD)	Disbursed in 2011, in 000 HRK
Reconstruction of Health Facilities in Eastern Slavonia - Loan No. F/P 1278/1998							
16/07/1998	13/1998 and 15/1998	172,744.13	172,744.13	0.00	1,160.00	0.00	0.00
Rehabilitation of School Facilities in Eastern Slavonia - Loan No. F/P 1279/1998 (1)							
16/07/1998	13/1998 and 15/1998	66,380.80	66,380.80	0,00 Cancelled: 987,21	196.00	0.00	0.00
Reconstruction / Repair of 41 School Facilities in Croatia - Loan No. F/P 1352/1999 (2)							
19/01/2001 26/01/2001	7/2001	96,935.64	96,935.64	0,00 Cancelled: 1,746,36	3,237.60	0.00	0.00
Reconstruction and Housing Project for the Return of Displaced Persons and Refugees in the Republic of Croatia - Loan No. F/P 1378/2000							
02/02/2001 07/02/2001	7/2001	232,000.00	232,000.00	0.00	6,720.00	0.00	0.00
Cultural Heritage Restoration Project of the Franciscan Monastery "Male braće" in Dubrovnik - Loan No. F/P 1379/2000 (3)							
19/06/2001	14/2001 and 2/2002	10,324.79	10,324.79	0,00 Cancelled: 0,67	577.42	0.00	0.00
Project for the Renovation and Modernization of the "Andrija Štampar" School of Public Health in Zg and of the International Centre for Health Service Management "Andrija Štampar" in Du - Loan No. F/P 1419/2001							
29/03/2002	10/2002 and 12/2002	21,395.00	21,395.00	0.00	1,467.19	0.00	0.00
Investments in Health Facilities throughout Croatia - Loan No. F/P 1351/1999 (4)							
23/10/2001 30/10/2001	9/2002 and 12/2002	186,054.94	186,054.94	0,00 Cancelled: 782,09	16,031.20	0.00	0.00
Sustainable Return of Displaced Persons and Refugees - Loan No. F/P 1435/2002 (5)							
03/01/2004 30/01/2004	6/2004	292,304.13	292,304.13	0,00 Cancelled: 46,87	28,355.80	0.00	0.00
Construction and Reconstruction of School Facilities in the Republic of Croatia - Loan No. F/P 1456/2003 ADD 1 (6)							
15/12/2004	5/2005 and 8/2005	399,786.37	399,786.37	0,00 Cancelled: 2,669,63	50,258.40	0.00	0.00
Construction of Municipal and Social Infrastructure Facilities on Croatian Islands - Loan No. F/P 1498/2004							
15/12/2004	5/2005, 8/2005, 5/2010 and 8/2011	193,364.37	163,327.78	30,036.59	21,455.10	0.00	0.00

¹³ Funding of production investment projects of small and medium enterprises (SMEs) throughout Croatia - loan no. F/P 1646/2008 and Partial funding of production investment projects of micro, small and medium enterprises in the Republic of Croatia - loan no. F/P 1690/2009.

Signing date	The Act published in Official Gazette No.:	Framework Loan amount in 000 HRK	Disbursed in 000 HRK	Undisbursed in 000 HRK	Outstanding in currency (000 EUR)	Outstanding in currency (000 USD)	Disbursed in 2011, in 000 HRK
Project "Research, Reconstruction and Revitalization of Cultural Heritage Ilok-Vukovar-Vučedol" - Loan No. F/P 1511/2005							
23/05/2005	8/2005, 9/2005, 3/2010 and 7/2011	169,716.27	94,586.57	75,129.70	12,850.00	0.00	0.00
Financing of Health Facilities throughout the Republic of Croatia - Loan No. F/P 1576/2006 W (7)							
01/06/2007	9/2007 and 1/2008	327,679.34	219,718.93	107,960.41	30,100.00	0.00	0.00
TOTAL DIRECT LOANS		2,168,685.78	1,955,559.08	213,126.70	172,408.71	0.00	0.00
		100%	90.17%	9.83%			

DIRECT LOANS SIGNED IN EUR

Signing date	The Act published in Official Gazette No.:	Framework Loan amount in 000 EUR	Disbursed in 000 EUR	Undisbursed in 000 EUR	Outstanding in currency 000 EUR	Disbursed in 2011, in 000 EUR
Extension and rehabilitation of the Zagreb Prison - Loan No. F/P 1725/2010 (8)						
26/10/2011	Law on ratification in preparation	6,480.00	0.00	6,480.00	0.00	0.00
04/11/2011						
TOTAL DIRECT LOANS SIGNED IN EUR		6,480.00	0.00	6,480.00	0.00	0.00
		100%	0.00%	100.00%		

SOVEREIGN GUARANTEE LOANS

Signing date	The Act published in Official Gazette No.:	Framework Loan amount in 000 EUR	Disbursed in 000 EUR	Undisbursed in 000 EUR	Outstanding in currency 000 EUR	Disbursed in 2011, in 000 EUR
Small and Medium-sized Enterprises Credit Programme Financing - Loan No. F/P 1392/2000 ADD 1 (Croatian Bank for Reconstruction and Development)						
13. 20 and 27/04/2006	9/2006 and 1/2007	8,000.00	8,000.00	0.00	3,000.00	0.00
Financing of Productive Investment Projects in Small and Medium-sized Enterprises (SMEs) throughout Croatia - Loan No. F/P 1646/2008 (Croatian Bank for Reconstruction and Development) (9)						
17/12/2008	-	50,000.00	50,000.00	0.00	46,875.00	0.00
Partial financing of productive investment projects in micro, small and medium-sized enterprises (SMEs) throughout Croatia - Loan No. F/P 1690/2009 (Croatian Bank for Reconstruction and Development) (10)						
08/02/2010	-	50,000.00	24,681.27	25,318.73	24,681.27	10,000.00
TOTAL SOVEREIGN GUARANTEE LOANS		108,000.00	82,681.27	25,318.73	74,556.27	10,000.00
		100%	76.56%	23.44%		
TOTAL DIRECT LOANS		000 EUR		246,964.98		
+ SOVEREIGN GUARANTEE LOANS		000 USD		0.00		

Source: Ministry of Finance

Notes:

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

Subscribed Capital Increase of the CEB

Pursuant to the Decision of the Government of the Republic of Croatia of 27 October 2011¹⁴, the Republic of Croatia participated in the sixth subscribed capital increase of the CEB in 2011. The Republic of Croatia participated in the capital increase of the CEB with EUR 8.5 million, EUR 956 thousand of which represents paid-in capital and EUR 7.6 million uncalled capital¹⁵. In accordance with the CEB Governing Board decision, the capital increase (that is, the payment of the capital) will be carried out to the charge of the CEB reserves without the need for actual payments from the CEB member states. By participating in the subscribed capital increase of the CEB, the Republic of Croatia contributes to the financial stability of this institution and will retain its share in the total subscribed capital of the CEB and its voting power. After the subscribed capital increase of the CEB enters into force, the total subscribed capital of the Republic of Croatia in the CEB will amount to EUR 21.4 million, EUR 2.4 million of which will be paid-in capital, and EUR 19 million uncalled capital.

6.2.1.4. European Investment Bank (EIB¹⁶)

The EIB has been financing projects in the Republic of Croatia with long-term loans since 2001. By the end of 2011, the EIB approved loans for the financing of 39 projects in the Republic of Croatia in the total amount of EUR 2.7 billion. In 2011, the EIB approved a total of EUR 305 million for the financing of eight new projects in the Republic of Croatia, EUR 185 million of which was approved for four public sector projects. The remaining EUR 120 million was approved by the EIB for four private sector projects¹⁷, bringing the amount of the EIB investments in the private sector since 2001 to EUR 425.2 million.

New Loans Contracted in 2011

During 2011, the following loan agreements were signed with the EIB for the financing of public sector projects:

- a) loan no. FINo. 31.146 (EUR 25 million) granted directly to the Republic of Croatia, for the Island and Coastal Infrastructure Facility Project (the project includes the upgrade of public-utility infrastructure of local self-government units and public facilities in seven Croatian coastal and island counties); beneficiary: Ministry of Regional Development and EU Funds;
- b) loan no. FINo. 31.176 (EUR 75 million), granted directly to the Republic of Croatia, for the "Municipal Water Financing Facility" Project (the project is co-financed with a loan granted by CEB; see under 6.2.1.4.); beneficiary: Hrvatske vode;
- c) loan no. FINo. 31.806 (EUR 25 million), granted directly to the Republic of Croatia, for the "Mainland Infrastructure Facility (Integral Development of Local Community)" Project (the project supports programmes of multi-sector investments in municipalities in 13 counties located in the inland area of the Republic of Croatia, and consists of approximately 130 relatively minor programmes in the fields of transport, reconstruction of urban areas, energy, education, health care and environmental protection); beneficiary: Ministry of Regional Development and EU Funds;
- d) loan no. FINo. 31.205 (EUR 60 million) with a sovereign guarantee, for the "Corridor Vc" Project; beneficiary: Hrvatske autoceste d.o.o.

¹⁴ Official Gazette, number 132/2011

¹⁵ Uncalled capital represents a contingent liability of CEB member states in case of a serious financial risk of CEB, that is its inability to meet its obligations.

¹⁶ Activities of the European Investment Bank (EIB) in the Republic of Croatia are regulated by the Framework Agreement between the Republic of Croatia and the European Investment Bank from 13 December 2000. Based on the Framework Agreement, the EIB Board of Governors approved, on 6 February 2001, lending for investment projects in the Republic of Croatia, which enabled the signing of the first loan contracts. With EU accession, the Republic of Croatia will become an EIB member

¹⁷ Global loans to commercial banks without state guarantees for the financing of small and medium-sized enterprises.

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

In the period between 2001 and the end of 2011, the EIB granted 26 loans for the financing of public sector projects in the total amount of EUR 2.3 billion. Of these, 7 are direct loans in the total amount of EUR 563.1 million, and 19 are sovereign guarantee loans in the total amount of EUR 1.7 billion (Table 6.12.).

Table 6.12. Overview of EIB Loans Concluded in the Period 2001 to 2011, with a Review of Outstanding Debt and Funds Disbursement Overview, as of 31 December 2011 and Disbursed Funds During 2011

DIRECT LOANS							
Signing Date	The Act published in Official Gazette No.:	Loan Amount in 000 EUR	Disbursed in 000 EUR	Undisbursed in 000 EUR	Outstanding in 000 EUR	Closing Date	Disbursed in 2011, in 000 EUR
Project "Croatian Railway, Corridor Vc" - loan no. FINo. 21.051 (CR - Infrastructure) (1)							
24 and 31/05/2001	2/2002	39,000.00	39,000.00	0.00	28,316.95	31/12/2007 CLOSED	0.00
Project "Municipal Infrastructure Framework Loan" - loan no. FINo. 22.165 (ex MRDFWM / MMATI) (2)							
30/07/2003	16/2003	49,082.01	49,082.01	0.00	46,470.52	30/09/2008 CLOSED	0.00
Project "Municipal Infrastructure Multi-Sector Framework Loan" - loan no. FINo. 22.881 (MRDEUF)							
20 and 24/12/2004	7/2005	150,000.00	106,800.00	43,200.00	106,800.00	31/12/2010	9,000.00
Co-financing EU IPA ISPA 2007-2011 - loan no. FINo. 25.749 (MoF)							
30/09/2010	10/2010	200,000.00	60,000.00	140,000.00	60,000.00	30/09/2015	60,000.00
Island & Costal Infrastructure Facility - loan no. FINo. 31.146 (MRDEUF)							
15/09/2011	16/2011	25,000.00	0.00	25,000.00	0.00	30/07/2015	0.00
Project "Municipal Water Financing Facility" - loan no. FINo. 31.176 (Croatian Waters)							
18/10/2011	15/2011	75,000.00	0.00	75,000.00	0.00	15/10/2015	0.00
Project "Mainland Infrastructure Facility (Integral Development of Local Community)" - loan no. FINo. 31.806 (MRDEUF)							
18/10/2011	15/2011	25,000.00	0.00	25,000.00	0.00	30/07/2015	0.00
TOTAL DIRECT LOANS		563,082.01	254,882.01	308,200.00	241,587.47		69,000.00

SOVEREIGN GUARANTEE LOANS

Signing Date	The Act published in Official Gazette No.:	Loan Amount in 000 EUR	Disbursed in 000 EUR	Undisbursed in 000 EUR	Outstanding in 000 EUR	Closing Date	Disbursed in 2011, in 000 EUR
Project Rehabilitation of national roads (Croatian Roads) - loan no. FINo. 21.262							
29/10/2001	4/2002	60,000.00	60,000.00	0.00	56,009.15	30/06/2007 CLOSED	0.00
HBOR Global Loan (Croatian Bank for Reconstruction and Development) - loan no. FINo. 21.316							
26/11/2001	4/2002	10,000.00	10,000.00	0.00	2,352.94	26/11/2004 CLOSED	0.00
"Rijeka - Zagreb Motorway Project" (Rijeka - Zagreb Motorway) - loan no. FINo. 21.609							
24/06/2002	10/2002	60,000.00	60,000.00	0.00	48,397.09	30/12/2007 CLOSED	0.00
"Zagreb Air Traffic Control Project" (Croatia Control) - loan no. FINo. 21.677							
11 and 12/09/2002	14/2002	20,000.00	20,000.00	0.00	10,625.00	30/06/2007 CLOSED	0.00
Project "Rehabilitation of Motorways" (Croatian Motorways) - loan no. FINo. 21.850							
13/12/2002	10/2003	50,000.00	50,000.00	0.00	41,689.68	13/12/2006 CLOSED	0.00
"Plinacro Gas Pipelines Project" (Plinacro) - loan no. FINo. 22.374							
16/12/2003	3/2004	90,000.00	90,000.00	0.00	85,166.67	01/12/2007 CLOSED	0.00
Project "Zupanja - Lipovac Motorway Section" (Croatian Motorways) - loan no. FINo. 22.639							
22 and 29/07/2004	1/2005	45,000.00	45,000.00	0.00	42,897.62	01/04/2007 CLOSED	0.00
Project "Croatian Roads - Split By-pass" (Croatian Roads) - loan no. FINo. 23.135 (3)							
20/07/2005	2/2006	42,900.00	10,000.00	32,900.00	10,000.00	31/12/2013	0.00
Project "Rijeka-Zagreb Motorway Completion" (Rijeka - Zagreb Motorway) - loan no. FINo. 23.419							
09/03/2006	8/2006	210,000.00	210,000.00	0.00	208,461.54	08/03/2009 CLOSED	0.00
Project "Croatian Rodas Rehabilitation II" (Croatian Roads) - loan no. FINo. 23.780							
12/12/2006	5/2007	60,000.00	60,000.00	0.00	60,000.00	11/12/2010 CLOSED	0.00
Project "Plinacro Gas Pipelines II" (Plinacro) - loan no. FINo. 24.067							
31/07/2007	11/2007	190,000.00	190,000.00	0.00	190,000.00	31/07/2012	19,000.00
Project "Zadar New Port" (Port of Zadar Authority) - loan no. FINo. 24.093							
07/09/2007	10/2007	100,000.00	21,000.00	79,000.00	21,000.00	31/12/2012	8,000.00
HBOR Global Loan IIA (Croatian Bank for Reconstruction and Development) - loan no. FINo. 24.125							
16/10/2007	-	40,000.00	40,000.00	0.00	30,588.24	16/04/2009 CLOSED	0.00
HBOR Global Loan IIB (Croatian Bank for Reconstruction and Development) - loan no. FINo. 24.500							
20/06/2008	-	60,000.00	60,000.00	0.00	60,000.00	20/12/2009 CLOSED	0.00
"HBOR Loan for SME's and Mid-Cap" (Croatian Bank for Reconstruction and Development) - loan no. FINo. 24.891							
24/03/2009	-	250,000.00	250,000.00	0.00	250,000.00	31/03/2011 CLOSED	0.00
Project "Croatian roads rehabilitation II/B" (Croatian Roads) - loan no. FINo. 25.417							
28 and 30/12/2009	4/2010	60,000.00	20,000.00	40,000.00	20,000.00	30/11/2012	10,000.00
Project "DINA VCM-PVC Plant Construction" (Croatian Bank for Reconstruction and Development) - loan no. FINo. 25.533							
15/04/2010	-	34,000.00	0.00	34,000.00	0.00	15/04/2012	0.00
"HBOR Loan for SME's and Mid-Cap II" (Croatian Bank for Reconstruction and Development) - loan no. FINo. 25.534							
15/04/2010	-	250,000.00	121,406.10	128,593.90	121,406.10	15/04/2012	121,406.10
Corridor VC (Croatian Motorways) - loan no. FINo. 31.205							
15/09/2011	15/2011	60,000.00	0.00	60,000.00	0.00	31/12/2014	0.00
TOTAL LOANS WITH THE GUARANTEE OF THE REPUBLIC OF CROATIA		1,691,900.00	1,317,406.10	374,493.90	1,258,594.03		158,406.10
GRAND TOTAL DIRECT + GUARANTEED		2,254,982.01	1,572,288.11	682,693.90	1,500,181.50		227,406.10

Source: Ministry of Finance

Notes:

- 1 - The contracted amount was EUR 40 million; cancelled: EUR 1 million
- 2 - The contracted amount was EUR 50 million; cancelled: EUR 918 thousand
- 3 - The contracted amount was EUR 60 million; cancelled: EUR 17,1 million.

EIB loans are disbursed in instalments. All instalments, except those disbursed for the implementation of the “Rijeka - Zagreb Motorway Project” project and the “Rijeka - Zagreb Motorway Completion” project were disbursed at a fixed interest rate (semi-annual payment of interests), which in the period between 2001 and the end of 2011 ranged from 2.724 percent to 5.26 percent. During 2011, 11 instalments were disbursed in the total amount of EUR 227.4 million. In 2011, fixed interest rates ranged from 2.854 percent to 4.091 percent, and no instalments were disbursed at floating interest rates.

Projects in preparation during 2011

During 2011, activities were carried out for the preparation of a new credit line in the amount of EUR 250 million, approved by the EIB to HBOR at the end of 2011. The funds are intended for the financing of financing of small and medium-sized enterprises and mid-cap enterprises. HBOR will use the amount through two separate loans with the EIB, which will be contracted in 2012.

6.2.1.5. Inter-American Development Bank (IDB¹⁸)

The decision of the Government of the Republic of Croatia on the participation of the Republic of Croatia in the general capital increase of the IDB and the replenishment of IDB Fund for Special Operations (FSO) was passed on 27 January 2011¹⁹.

As part of the IDB general capital increase, the Republic of Croatia has the right to subscribe a total of 2,877 shares, with which it retains its share of voting power in the IDB. The total amount of the share of the Republic of Croatia in the capital increase of the IDB amounts to USD 34.7 million, USD 844.4 thousand of which is paid-in capital and USD 33.9 million of which is callable capital. After the subscription of all the shares based on this capital increase, the Republic of Croatia will own a total of USD 83.2 million of capital (USD 3 million of paid-in capital and USD 80.2 million of callable capital).

As part of the FSO replenishment, the Republic of Croatia has the right to a contribution proportional to its share of 0.06 percent of the total funds of the FSO. The amount of the share of the Republic of Croatia in the FSO replenishment is USD 313 thousand. In 2011, the Republic of Croatia paid the first of five instalments of its share in the IDB FSO replenishment. After the remaining instalments are paid, the total contribution of the Republic of Croatia in the FSO will amount to USD 6.2 million.

6.2.1.6. Overview of Grants

In the period from 1995 to the end of 2011, 61 grant agreements were signed for the implementation of projects in the Republic of Croatia in the fields of infrastructure, environmental protection, private sector development and structural adjustment in health care and social protection, agriculture, education, public finance and judicial system sectors (Table 6.13.). In 2011, a grant was contracted for the financing of the costs of consulting services regarding phase III of the “Water Supply and Wastewater Disposal in the Republic of Croatia” Project in the amount of EUR 980 thousand.

¹⁸ The IDB is the oldest regional development bank in the world, established in 1959 with the purpose of contributing to the process of the economic and social development in the regions of Latin America and the Caribbean. The Republic of Croatia is a full member of the IDB since 16 December 1993. Based on a total of USD 48.5 million in the capital of the IDB (USD 2.1 million of paid-in capital and USD 46.4 million of callable capital), the Republic of Croatia owns 4,018 shares of the IDB and has 0.05 percent of voting power. In the IDB Board of Executive Directors, the Republic of Croatia is, together with five other countries, represented by the Executive Director from Japan. Based on the membership in the IDB, the Republic of Croatia has the right to participate in projects financed by the IDB and has co-decision-making rights, granted based on shares in the IDB capital. The Republic of Croatia is part of the group of countries that are not beneficiaries of IDB loans.

¹⁹ Official Gazette, number 16/2011

Table 6.13. Overview of Grants Contracted with the IBRD, Grants given by the Kingdom of the Netherlands and Federal Republic of Germany, and EBRD Grants on 31 December 2011

No.	Year of Granting	Grant Reference	Grant Name	Curr	Contracted Amount of Grant in the Payment Currency (000)	Cancelled Amount in the Payment Currency (000)	Undisbursed Amount in the Payment Currency (000)
A. Grants Contracted with the IBRD							
1	1995	28851 (closed)	Preparation of Procurement Legislation	USD	148.00	101.47	0.00
2	1995	29116 (closed)	Private Farmer Support Services Project	JPY	56,600.00	13,888.31	0.00
3	1995	29117 (closed)	Costal Forrest Reconstruction and Protection Project	JPY	21,200.00	146.62	0.00
4	1995	29314 (closed)	Public Sector Adjustment - PSAL	JPY	75,600.00	5,504.82	0.00
5	1995	29315 (closed)	Agriculture Structural Adjustment Project	JPY	29,400.00	24,096.29	0.00
6	1995	29316 (closed)	Railway Project	JPY	58,800.00	5,457.69	0.00
7	1996	29486 (closed)	Municipal Environmental Infrastructure Investment Project	USD	500.00	0.44	0.00
8	1996	29674 (closed)	Zagreb Urban Transport Project	USD	800.00	0.00	0.00
9	1997	28360 (closed)	Biodiversity Strategy and Action Plan	USD	102.00	0.00	0.00
10	1997	27098 (closed)	Private Sector Development Project	USD	398.00	216.25	0.00
11	1997	25539 (closed)	Public Finance Management Project	USD	314.00	130.49	0.00
12	1997	25229 (closed)	Enterprise and Financial Sector Adjustment Project	JPY	28,900.00	21,561.55	0.00
13	1998	27099 (closed)	Eastern Slavonija Emergency Reconstruction Project	USD	200.00	3.05	0.00
14	1998	25139 (closed)	Health Project II	USD	418.26	2.16	0.00
15	1998	25597 (closed)	Sava River Flood Protection Project	USD	476.15	0.00	0.00
16	1999	20574 (closed)	Informaton Development Program	USD	80.00	0.00	0.00
17	1999	27259 (closed)	Environmental Policy Development and Regulatory Capacity Building	USD	276.49	7.67	0.00
18	1999	22644 (closed)	Kopački rit Wetlands	USD	750.00	0.44	0.00
19	1999	25799 (closed)	Municipal Environmental Infrastructure Project	USD	216.84	0.05	0.00
20	1999	26113 (closed)	Bankruptcy Tehnical Assistance Project	USD	253.70	110.26	0.00
21	1999	23163 (closed)	Karst Ecosystem Conservation Project	USD	230.00	0.11	0.00
22	1999	26112 (closed)	Rijeka Port Project	USD	337.50	0.01	0.00
23	2000	27386 (closed)	Capacity Building for Social and Economic Communications	USD	400.00	8.51	0.00
24	2001	26262 (closed)	Social Protection Project	USD	200.00	0.00	0.00
25	2001	26441 (closed)	Adriatic Municipal Water Pollution Control Project	USD	325.00	0.00	0.00
26	2001	29810 (closed)	Social Protection Project	GBP	352.80	2.83	0.00
27	2003	52381 (closed)	Zagreb Municipal Nutrient Reduction Project	USD	350.00	350.00	0.00
28	2002	50539 (closed)	Karst Ecosystem Conservation Project	USD	5,070.00	104.48	0.00
29	2002	50513 (closed)	Social and Economic Recovery Project	USD	425.36	27.84	0.00
30	2003	51107 (closed)	Renewable Energy Sources Project	USD	350.00	15.93	0.00
31	2003	52014 (closed)	Institutional Capacity Building for Monitoring Judicial Efficiency	USD	350.00	47.82	0.00
32	2003	52062 (closed)	Strengthening Budget Management	USD	368.00	9.46	0.00
33	2003	51781 (closed)	Real Property Registration and Cadastre Project	EUR	5,018.13	0.51	0.00
34	2003	52141 (closed)	Energy Efficiency Project	USD	7,000.00	116.66	0.00
35	2003	52844 (closed)	Regional Integrated Ecosystem Management of the Neretva-Trebišnjica River Basin	USD	145.00	6.20	0.00

No.	Year of Granting	Grant Reference	Grant Name	Curr	Contracted Amount of Grant in the Payment Currency (000)	Cancelled Amount in the Payment Currency (000)	Undisbursed Amount in the Payment Currency (000)
36	2004	52657 (closed)	Real Property Registration and Cadastre Project: Maritime Domain Support	EUR	1,960.00	0.00	0.00
37	2004	53149 (closed)	Preparation of the Education Sector Support Project	USD	766.15	396.55	0.00
38	2005	53150 (closed)	Preparation of the Sustainable Health System Project	USD	425.00	1.46	0.00
39	2005	53242 (closed)	Co-financing of the Karst Ecosystem Conservation Project	USD	200.00	13.97	0.00
40	2005	54973 (closed)	Renewable Energy Resources Project	USD	5,500.00	1,463.86	0.00
41	2005	55104 (closed)	Real Property Registration and Cadastre Project, Phase II Support	EUR	4,410.00	0.00	0.00
42	2005	55789 (closed)	Statistical Capacity Building	USD	89.75	5.66	0.00
43	2006	54882 (closed)	Technical Assistance to Support the Implementation of the Coastal Cities Pollution Control Project	USD	2,461.67	0.03	0.00
44	2006	56237 (closed)	Co-financing the Social Welfare Development Project	SEK	14,700.00	90.69	0.00
45	2006	56572 (closed)	Preparation of the Inland Waters Project	USD	500.00	15.61	0.00
46	2006	56514 (closed)	Public Administration Reform Support	SEK	8,550.00	0.00	0.00
47	2006	56498	Technical Assistance to Support the Implementation of the Agricultural Acquis Cohesion Project	USD	4,750.06	0.00	513.32
48	2007	90642 (closed)	Enhancing Corporate Financial Reporting in Croatia	USD	260.00	60.00	0.00
49	2008	90845	Agricultural Pollution Control Project	USD	5,000.00	0.00	2,091.85
50	2008	91967	Neretva and Trebišnjica Management Project	USD	2,000.00	0.00	1,224.57
51	2009	92704	Coastal Cities Pollution Control Project 2	USD	6,400.00	0.00	5,971.46
TOTAL (1 - 51):				USD	48,836.93	3,216.42	9,801.20
				JPY	270,500.00	70,655.27	0.00
				GBP	352.80	2.83	0.00
				EUR	11,388.13	0.51	0.00
				SEK	23,250.00	90.69	0.00
TOTAL (1 - 51) expressed in:				EUR	54,862.20		

B. Grants given by the Kingdom of the Netherlands

1	2004	5105 CF (closed)	Development of Financial Management Information System (FMIS) Strategy Study	EUR	30.00	0.00	0.00
2	2004	5105 CF (closed)	Financial Management Information System Rationalization (FMIS) Study	EUR	30.00	0.00	0.00
3	2007	5105 CF (closed)	Project of Development of the HRM for Ministry of Finance Croatia	EUR	44.82	0.00	0.00
4	2008	NOK07/HR/3/1	Development of HRM and Adaptation of the Conference Halls and Rearrangement of the Archive with Library	EUR	523.50	0.00	104.70
5	2008	NOK07/HR/3/2 (closed)	Ministry of Finance - Business Intelligence System	EUR	300.00	0.00	5.96
TOTAL (1 - 5):				EUR	928.32	0.00	110.66

No.	Year of Granting	Grant Reference	Grant Name	Curr	Contracted Amount of Grant in the Payment Currency (000)	Cancelled Amount in the Payment Currency (000)	Undisbursed Amount in the Payment Currency (000)
C. Grants given by the Federal Republic of Germany							
1	2005	–	Financing Consultants' services for the refinancing of sub-loans extended for the purpose of extending water supply and wastewater facilities in the territory of the Republic of Croatia	EUR	802.29	0.00	554.75
2	2009	–	Financial Contribution for the Promotion of Energy Efficiency and Renewable Energies in Croatia	EUR	1,500.00	0.00	529.58
3	2010	–	Financial Contribution to the Project Loan Funding Facility for Water Supply and Waste Water Projects in the Republic of Croatia, Phase II	EUR	1,000.00	0.00	935.66
4	2011	–	Grant for financing Consultant Services for the phase III of the project "Water Supply and wastewater disposal in the Republic of Croatia"	EUR	980.00	0.00	980.00
TOTAL (1 - 4):				EUR	4,282.29	0.00	2,999.99
D. Grants given by the European Bank for Reconstruction and Development							
1	2010	–	A Refurbishment of Heating and Hot water System of the Home for Children and Young People Tuškanac Project	EUR	120.00	0.00	0.00
TOTAL				EUR	120.00	0.00	0.00
TOTAL (A. + B. + C. + D.):				USD	48,836.93	3,216.42	9,801.20
				JPY	270,500.00	70,655.27	0.00
				GBP	352.80	2.83	0.00
				EUR	16,718.74	0.51	3,110.65
				SEK	23,250.00	90.69	0.00
TOTAL (A. + B. + C. + D.) expressed in:				EUR	60,192.81		

Source: Ministry of Finance





7

RELATIONS
WITH THE
EUROPEAN
UNION IN 2011

7.1. FINANCIAL MANAGEMENT OF FUNDS FROM THE CARDS, PHARE, ISPA, SAPARD AND IPA PRE-ACCESSION PROGRAMMES

In 2011, the implementation of the first generation of pre-accession programmes (CARDS, PHARE, ISPA, SAPARD) was completed and efficient management of the IPA programme pre-accession instruments continued in decentralised implementation system, that is, the system with *ex-ante* controls by the Delegation of the European Union through Component I – Transition Assistance and Institution Building, Component II – Cross-border Cooperation, Component III – Regional Development and Component IV – Human Resources Development, and in administrative system without *ex-ante* controls by the Delegation of the European Union through Component V – Rural Development (IPARD).

During 2011, the Ministry of Finance requested funds from the European Commission in the amount of EUR 88.34 million, of which EUR 87.70 million were received. In the same period EUR 90.68 million were paid to implementing bodies.

Table 7.1. Allocated, contracted, requested, received and paid funds up to 31 December 2011

PROGRAMME	ALLOCATED FUNDS	CONTRACTED FUNDS	CONTRACTED/ /ALLOCATED	REQUESTED FUNDS	RECEIVED FUNDS	PAID FUNDS	PAID/ /CONTRACTED
CARDS 2003	29,366,415	28,685,856	97.7%	28,537,956	26,687,313	27,224,233	94.9%
CARDS 2004	46,573,630	44,065,285	94.6%	43,730,289	43,610,008	41,480,710	94.1%
PHARE 2005	73,141,000	63,899,887	87.4%	64,457,531	62,810,495	58,478,285	91.5%
PHARE 2006	64,148,500	54,879,741	85.6%	56,689,700	53,991,645	51,600,495	94.0%
ISPA	59,000,000	57,489,065	97.4%	41,533,905	41,670,928	50,437,538	87.7%
SAPARD	25,000,000	15,425,682	61.7%	13,960,234	13,960,233	11,635,802	75.4%
IPA Component I 2007	44,554,000	41,426,850	93.0%	41,402,400	39,354,663	30,475,335	73.6%
IPA Component I 2008	41,374,000	35,183,082	85.0%	28,641,920	28,532,971	17,620,597	50.1%
IPA Component I 2009	42,101,430	14,885,955	35.4%	16,145,435	16,145,435	8,000,614	53.7%
IPA Component I 2010	38,623,458	10,442,685	27.0%	10,520,512	10,520,512	9,802,433	93.9%
IPA 2008 Nuclear Safety	952,000	0	0.0%	95,200	95,200	0	0.0%
IPA Component II 2007	2,653,020	2,586,715	97.5%	2,495,584	2,457,379	1,597,841	61.8%
IPA Component II 2008	2,706,080	2,410,832	89.1%	2,174,947	2,150,117	1,506,162	62.5%
IPA Component II 2009	2,760,202	472,357	17.1%	708,061	708,061	282,033	59.7%
IPA Component IIIa - Transport	96,700,500	15,337,034	15.9%	25,693,675	23,761,097	7,171,615	46.8%
IPA Component IIIb - Environmental Protection	96,699,750	54,986,210	56.9%	29,779,655	22,012,030	11,258,328	20.5%
IPA Component IIIc - Regional Competitiveness	63,949,750	20,474,176	32.0%	22,553,572	17,450,537	12,025,886	58.7%
IPA Component IV - Human Resources Development	69,977,000	34,564,733	49.4%	26,167,669	22,235,367	24,950,907	72.2%
IPARD	129,400,000	19,886,400	15.4%	25,776,145	24,965,534	2,286,145	11.5%
TOTAL	929,680,735	517,102,544	55.6%	481,064,389	453,119,523	367,834,959	71.1%

Source: Ministry of Finance

During 2011, the Ministry of Finance was subject to a total of five audit missions by the auditors of the European Commission. The purpose of the audits was to verify the compliance of the established financial management system with accreditation criteria and of the work with the prescribed procedures.

7.2. PREPARATORY ACTIVITIES FOR OBTAINING CONFERRAL OF MANAGEMENT IN A SYSTEM WITHOUT *EX-ANTE* CONTROLS BY THE EU DELEGATION

On the basis of the provisions of Financing Agreements signed between the Government of the Republic of Croatia and the European Commission, during 2011, the Ministry of Finance, in cooperation with other accredited institutions, submitted quarterly reports to the European Commission on the performance of activities according to the defined Roadmap to waive *ex-ante* controls by the Delegation of the European Union.

On 17 March 2011, the Government of the Republic of Croatia, at the proposal of the Ministry of Finance, adopted the Decision on the activities that the ministries and other institutions involved in the implementation of IPA programme should undertake in 2011 in order to obtain conferral of management of the EU pre-accession programme management system without *ex-ante* controls by the Delegation of the European Union, as well as conferral of management for the implementation of structural instruments of the European Union in the Republic of Croatia. The ministries and other institutions involved in the implementation of the IPA programme have engaged additional employees (by new employment or reassignment) and provided additional education, especially with regard to the preparation of tender documents, implementation of the tender, contracting and implementation monitoring. The appropriate quality of documents to be delivered to the Delegation of the European Union has been ensured, the observation of deadlines from the procurement plans has been monitored more closely, and the internal control and audit system has been continuously improved. Additional education on irregularities was conducted and the irregularities reporting system has been improved.

7.3. IMPLEMENTATION MONITORING SYSTEM FOR THE IPA PRE-ACCESSION PROGRAMME AND FUTURE EUROPEAN UNION FUNDS

All competent institutions involved in the implementation of the IPA programme have used the IPA programme Management Information System (MIS). This system enables the effective monitoring of all projects financed through the IPA Components I through IV, from contracting to payment, as well as the monitoring of requests for funds addressed to the European Commission. The system also includes performance indicators of individual projects and greatly facilitates the overview and control of all significant information. During 2011, the system was upgraded by additional reports in the part of IPA programme implementation monitoring and performance indicators at the level of operational programmes. Also, tender documents were prepared and public procurement procedure initiated for the project of establishment of the Cohesion Policy Funds Management Information System financed from the IPA I 2008 pre-accession programme.

7.4. PREPARATORY ACTIVITIES FOR USING FUTURE EU FUNDS (STRUCTURAL FUNDS AND THE COHESION FUND)

Preparations for the use of EU funds included preparations of Croatian institutions for obtaining conferral of management without *ex-ante* control by the Delegation of the European Union, consultations with the European Commission on the contents of operational programmes for the second half of 2013, project preparation and strengthening of administrative capacities.

For every IPA component, the Republic of Croatia agreed with the European Commission the course of procedure and criteria for obtaining conferral of management without *ex-ante* control by the Delegation of the European Union. The criteria include administrative strengthening of institutions (through additional employment and continued education), satisfactory implementation of the IPA programme, timely negotiations according to the procurement plans and quality preparation of tender documentation. During 2011, the Ministry of Finance submitted quarterly reports to the European Commission on fulfilment of specified criteria for particular IPA components.

In 2011, the Ministry of Finance actively participated in consultations with the European Commission regarding implementation of structural instruments following the accession of the Republic of Croatia to the European Union, and worked together with the Central State Office for Development Strategy and Co-ordination of EU Funds on preparation of project applications for financing from the structural funds and the cohesion fund.

7.5. ACCESSION NEGOTIATIONS AND PROJECTS FROM EU ASSISTANCE PROGRAMMES

During 2011, intense activities were performed on fulfilment of obligations assumed during the negotiation process for seventeen negotiation chapters, in which the Ministry of Finance was the implementing or co-implementing authority. The Ministry of Finance was the implementing authority in the following chapters: 9. Financial services, 16. Taxation, 29. Customs union, 32. Financial control and 33. Financial and budgetary provisions.

Chapter 9 - Financial services - was provisionally closed on 27 November 2009 at the session of the Intergovernmental Conference on the Accession of the Republic of Croatia to the European Union, when it was established that the Republic of Croatia fulfilled the conditions for provisional closure of the mentioned chapter. During 2011, two Ordinances were adopted as a result of the application of the Enforcement Act¹: the Ordinance on Proceeding with Remunerations and Reimbursements Exempt from Distraint and the Ordinance on the Amendments to the Ordinance on Proceeding with Remunerations and Reimbursements Exempt from Distraint.

Chapter 16 - Taxation - was provisionally closed on 30 June 2010 at the session of the Intergovernmental Conference on the Accession of the Republic of Croatia to the European Union, after fulfilment of three closing benchmarks from the EU Common Position for this chapter. The Republic of Croatia accepted the *acquis* and committed to its full implementation before the accession to the European Union, with the exception of the *acquis* regulations for which transitional periods were approved. During 2011, legislation harmonisation continued and the new Act on Special Tax on Coffee² was adopted, as well as the Ordinance on the Amendments to the Ordinance on Special Tax on Coffee and management of coffee labels and the Ordinance on Amendments to the Ordinance on Profit Tax.

¹ Official Gazette, number 139/2010

² Official Gazette, number 31/2011

Chapter 29 - Customs Union - was provisionally closed on 2 October 2009 at the session of the Intergovernmental Conference on the Accession of the Republic of Croatia to the European Union, confirming the fulfilment of all conditions which the European Union required from the Republic of Croatia in connection to this chapter. In the context of further adjustment of national legislation, during 2011 the Ordinance on the Particularities for Implementation Procedures in Transit and Export by Using System of Electronic Exchange of Data, the Ordinance on the Particularities for Implementation of Customs Procedures in Input and Output Submission of Limited Safety Declarations and the Ordinance on Terms and Method in Utilisation of Reserved Procedure in Transit and Export were adopted.

Chapter 32 - Financial control - was provisionally closed on 27 July 2010 at the Intergovernmental Conference on the Accession of the Republic of Croatia to the European Union, after fulfilment of the criteria for closing of this chapter. The Republic of Croatia did not request permanent exemptions or transitional provisions for this chapter. The Republic of Croatia adopted the *acquis* and committed to its full implementation before the accession to the European Union. During 2011, activities on fulfilment of the remaining obligations continued and the new Act on State Audit Office³ was adopted.

Chapter 33 - Financial and budgetary provisions - was closed on 30 June 2011, after fulfilment of the closing benchmark which required intense work in the previous years. In the second half of 2011, implementation of the activities on fulfilment of the assumed obligations continued. In the field of coordination and management of the system of European Union Own Resources in Croatia, activities continued on defining administrative procedures and rules for EU Own Resources in Croatia, as well as on preparation of projections of Croatian payments of own resources to the EU budget. A considerable progress was accomplished in the field of traditional own resources from customs duties through the implementation of the information system and TOR IT application for keeping A and B accounts, which simulates A and B accounts on the national level. As regards traditional own resources from sugar levies, strengthening of administrative capacities through education was continued and national laws on improvement of sugar market rules (ordinances, guidelines) were updated according to the adopted legal framework. In the field of VAT-based own resources, activities were performed on harmonisation of Croatian legislation with the EU legislation and on preparation of the 2010 Annual Statement on VAT own resources base. Communication continued with Eurostat for the purpose of methodological harmonisation of GDP and GNP data, regarding own resources based on gross national income.

Following closure of all negotiation chapters by June 2011, the Republic of Croatia signed the Treaty on the Accession to the European Union⁴ on 9 December 2011. The Accession Treaty established that the Republic of Croatia, after entering of the Treaty into force, will become the party to the primary EU treaties. It also identified conditions for admission of the Republic of Croatia to the EU membership, as well as harmonisation of the primary and secondary EU regulations required for the admission.

The second half of 2011 was marked by the entry of the Republic of Croatia into the final phase of the accession characterised by the European Commission monitoring of all obligations which Croatia assumed in the accession negotiations, including those to be fulfilled before the accession date.

Accordingly, even after the negotiations and in relation to the chapters for which it acted as the implementing or co-implementing authority, the Ministry of Finance continued regular fulfilment of its obligations resulting from the monitoring procedure, and prepared reports on self-assessment of its progress within the accession process.

Below is an overview of all primary and secondary acts through which Croatian legislation was harmonised with EU regulations from the scope of work of the Ministry of Finance in 2011.

³ Official Gazette, number 80/2011

⁴ Official Gazette – International Agreements, number 2/2012

Table 7.2. Overview of the Legislation from the Jurisdiction of the MFRC that Harmonised Croatian Legislation with European Union Regulations in 2011

ACTS WITHIN THE JURISDICTION OF THE MFRC ALIGNING CROATIAN LEGISLATION WITH EUROPEAN UNION REGULATIONS IN 2011			
No.	LEGISLATIVE MEASURE	COMPETENT AUTHORITY	OFFICIAL GAZZETE
1.	Act on special tax on coffee	Ministry of Finance	31/2011
2.	Act on Amendments to State Aid Act	Ministry of Finance	49/2011
3.	Act on State Audit Office	Ministry of Finance	80/2011
SECONDARY LEGISLATION WITHIN THE JURISDICTION OF THE MFRC ALIGNING CROATIAN LEGISLATION WITH EUROPEAN UNION LEGISLATION IN 2011			
No.	SECONDARY LEGISLATION	COMPETENT AUTHORITY	OFFICIAL GAZZETE
1.	Ordinance on proceeding with remunerations and reimbursements exempt from distraint	Ministry of Finance	148/2010
2.	Ordinance on the amendments to the Ordinance on proceeding with remunerations and reimbursements exempt from distraint	Ministry of Finance	31/2011
3.	Ordinance on the particularities for implementation of customs procedures in input and output submission of limited safety declarations	Ministry of Finance	62/2011
4.	Ordinance on the particularities for implementation procedures in transit and export by using system of electronic exchange of data	Ministry of Finance	79/2011
5.	Ordinance on terms and method in utilisation of reserved procedure in transit and export	Ministry of Finance	79/2011
6.	Decision on Amendments to the Decision on publishing rules for training aid	Ministry of Finance	68/2011
7.	Decision on publishing state aid rules in relation to rapid deployment of broadband networks	Ministry of Finance	64/2011
8.	Ordinance on Amendments to the Ordinance on special tax on coffee and management of coffee labels	Ministry of Finance	36/2011
9.	Ordinance on Amendments to the Ordinance on Profit Tax	Ministry of Finance	137/2011
10.	Decision on Amendments to the Decision on publishing rules on state aid for rescue and restructuring	Ministry of Finance	119/2011
11.	Decision on Amendments to the Decision on publishing state aid rules for cinematographic and other audiovisual works	Ministry of Finance	144/2011

Source: Ministry of Finance

Considering that the Republic of Croatia, as a candidate country for membership in the European Union, is a beneficiary of the IPA pre-accession programme, during 2011 the Ministry of Finance continued drawing funds from Component I (Transition Assistance and Institution Building) of the mentioned programme through successful preparation and implementation of projects for strengthening operational and administrative capacities of the Ministry.

During 2011, the Ministry of Finance implemented ten projects from IPA 2007, IPA 2008 and IPA 2009, in the value of EUR 12 million. Tender documents were prepared for seven projects from IPA 2008 and IPA 2010, in the total value of EUR 9.7 million. During 2011, tender procedure was finalised for two projects from IPA 2009 and IPA 2010, in the total value of EUR 1.8 million. Three projects from IPA 2011, IPA 2012 and IPA 2013 were in the programming phase, in the total value of EUR 4 million.

Below is a detailed overview of the Ministry of Finance projects under IPA Component I in 2011.

Table 7.3. Ministry of Finance IPA Component I projects in 2011

Project title	Project purpose	Budget and type of contract in 000 EUR	Project Status in 2011
Ministry of Finance - Headquarters			
IPA 2007 TAF Strengthening Croatian AFCOS System with the Aim of Protection of EU Financial Interests	AFCOS development system in Croatia which would allow the coordination of all legislative, administrative and operational activities conducted to protect the financial interests of the EU and cooperation with OLAF.	Twinning Light 250	End of project activities' implementation
IPA 2007 TAF Strengthening the administrative capacity regarding the implementation of the new concession and public-private partnership legislation	The implementation of a coherent and transparent system for concessions and public-private partnership in the Republic of Croatia, which will be based on the new law for concessions and public-private partnership, a new institutional framework and EU practice.	Twinning Light 250	End of project activities' implementation
IPA 2007 TAF Support to NDO/NF in implementation of SAPARD and IPA 5th component-rural development	Support to the National Fund to establish an effective system of management and supervision of IPARD programme to guarantee the legality and regularity of transactions.	Framework contract 105.4	End of project activities' implementation
IPA 2008 Support to the management, monitoring and evaluation of the structural instruments in Croatia - Component 3 - Enhancement of the capacity for effective management of EU Cohesion policy funds	Increasing the capacity for overall coordination of structural funds and the Cohesion fund implementation in Croatia; technically correct and efficient management of EU funding as well as systematical monitoring of EU structural instruments.	Twinning 2,000	Implementation of project activities
IPA 2008 Support to the management, monitoring and evaluation of the structural instruments in Croatia - Component 1 - Establishment of an integrated management information system (MIS)	To develop further Croatian AFCOS system and assure the efficient and appropriate protection of EU financial interests in the Republic of Croatia by widening of competences and roles of the AFCOS system bodies within the EU Structural Instruments environment.	Service contract 948.9	Preparing tendering procedure
IPA 2008 FPP RAC Enhancing the functioning of Croatian AFCOS system with the aim of efficient protection of EU financial interests	Strengthening the importance of financial management, control and internal audit with the aim of standardization and raising awareness of importance of PIFC as an integral part of the public administration reform.	Twinning Light 230	Preparing tendering documentation
IPA 2008 FPP RAC Raising public awareness on the importance of the Public Internal Financial Control system in the Republic of Croatia	Strengthen institutional capacities of the Financial Police concerning the implementation of relevant methods and procedures on preventing and combating corruption in line with the EU standards.	Framework contract 200	Preparing tendering documentation
IPA 2010 FF RAC Strengthening of the Financial Police in the fight against corruption in regular financial supervisions	Strengthen institutional capacities of the Financial Police concerning the implementation of relevant methods and procedures on preventing and combating corruption in line with the EU standards.	Twinning Light 222.2	Preparing tendering documentation

Project title	Project purpose	Budget and type of contract in 000 EUR	Project Status in 2011
Tax Administration			
IPA 2008 FPP RAC Strengthening of the Tax Administration in the fight against corruption	Enhancing the transparency of the Tax Administration in the detection and prosecution of corruption offences.	Twinning Light 230	Implementation of project activities
IPA 2008 FPP RAC Development of IT solution for exchange of information related to the Savings Directive	Designing and development of IT solution for efficient exchange of information related to the Savings Directive with the aim of suppressing tax evasion.	Framework contract 200	Preparing tendering procedure
IPA 2008 FPP RAC Strengthening the capacity of Croatian Tax Administration in the field of exchange of information related to Interest on Savings Directive	Exchange of information and development of information systems related to income from savings to combat tax fraud.	Twinning Light 230	End of project activities' implementation
IPA 2009 Enhancement of the administrative capacity of Tax Administration in the field of audit	Strengthening the Tax Administration in the field of audit and fight against tax fraud in accordance the EU best practice.	Twinning 1.000	End of tendering procedure
IPA 2010 Enhancement of the CTA administrative and institutional capacity in the field of application of VAT EU common system	Strengthening the administrative and institutional capacity of the Tax Administration for the purpose of successfully implementing EU common market VAT regulations.	Twinning 800	End of tendering procedure
IPA 2010 FF RAC Strengthening the administrative capacity of Croatian Tax Administration on mutual cooperation in the field of taxation	Strengthening the administrative capacity of Tax Administration by training the Central Liaison Office Staff for the implementation of administrative cooperation and mutual assistance tasks.	Twinning Light 244,4	Preparing tendering procedure
IPA 2013 Strengthening of the Croatian Tax Administration's Government to Business (G2B) capacities through consolidation of IT systems	Overall consolidation of IT systems into single system providing access in one-stop-shop manner, creation of new functionalities, automation and ease of access to users, which will lead to increased usage of e-services, in order to achieve higher efficiency in tax payer data management, increased tax compliance, improved tax collection and more efficient fight against tax fraud.	Technical assistance 1.550	Programming
Customs Administration			
IPA 2007 Development of the customs laboratories in Croatia	Further development of the Customs Laboratory to achieve operational capacity in line with EU requirements.	Twinning and Supply 2,900	Implementation of project activities
IPA 2007 Supply of equipment for the Croatian Customs Administration Anti-smuggling Mobile Units	Strengthening of customs control and supervision in the customs territory of Croatia.	Supply 5,600	Implementation of project activities

Project title	Project purpose	Budget and type of contract in 000 EUR	Project Status in 2011
IPA 2008 FPP RAC Strengthening anti-corruption activities of the Customs Administration	Assistance to the Customs Administration in the implementation of anti-corruption programs through adjustments of the corruption prevention and enforcement of EU standards, using the most effective methods of combating corruption.	Twinning Light 230	End of project activities' implementation
IPA 2009 FPP RAC Harmonisation of the Customs Administration risk management system with the EU standards and best practice	Assistance to the Customs Administration in setting up a full-scale risk management system that will ensure improved compliance with laws and regulations, better human resource allocation, improved revenue collection and improved collaboration between traders and customs.	Twinning Light 250	Implementation of project activities
IPA 2010 Integrated Border Management	Further development of operational border management and control effectiveness at the border crossing points that would ensure the public security.	Twinning and Supply 7,645	Preparing tendering procedure
IPA 2011 Harmonisation of the Croatian Customs Administration with the standards, organisation and operational methodology of EU post-clearance control	To set up an effective system of post-clearance control and audit service that allows the Customs Administration to improve implementation of its tasks (customs clearance and control of goods, revenue collection) and to facilitate balancing of increasingly free trade with an efficient customs control system in line with all relevant EU regulations.	Twinning 500	Programming
IPA 2012 Supply of IT equipment for the Customs Administration	Efficient and effective implementation of customs systems required to connect with the EU IT systems aiming to enable the exchange of information between European Commission and EU Member States with special focus on implementing and managing all the elements of safety and security of ICT.	Supply 2,000	Programming

Source: Ministry of Finance

In 2011, the Ministry of Finance implemented the following projects:

- IPA 2007:
 - Development of the customs laboratories system in Croatia
 - Supply of equipment for the Croatian Customs Administration anti-smuggling mobile units;
- IPA 2007 TAF (Technical Assistance Facility):
 - Strengthening Croatian AFCOS system with the aim of protection of EU financial interests,
 - Strengthening the Administrative Capacity Regarding the Implementation of the New Concession and Public-Private Partnership Legislation
 - Support to NAO/NF in implementation of SAPARD and IPA Component V - Rural Development;

- IPA 2008:
 - Support to management, monitoring and evaluation of the structural instruments in Croatia – Component 3 - Strengthening of the capacity for effective management of EU funds;
- IPA 2008 FPP RAC (Facility for Project Preparation and Reinforcement of Administrative Capacity):
 - Strengthening of the Tax Administration in the fight against corruption,
 - Strengthening of the Tax Administration in the field of exchange of information related to the Savings Directive,
 - Strengthening anti-corruption activities of the Customs Administration;
- IPA 2009 FPP RAC:
 - Harmonization of the customs risk management system with the EU standards and best practice.

During 2011, contracted activities for five projects of the Ministry of Finance in the total value of EUR 1 million were successfully completed. The projects were:

- IPA 2007 TAF - Strengthening Croatian AFCOS System with the Aim of Protection of EU Financial Interests
 - Implementation of the project activities finished on 7 July 2011 with the accomplishment of the project goal. Trainings were organised for AFCOS system employees in the fields of prevention, detection, reporting and handling of irregularities. An exchange visit to the relevant Twinning partner institutions was organised. Support was provided to the Independent Department for the Prevention of Irregularities and Frauds within the Ministry of Finance in testing the knowledge of AFCOS system participants, strengthening the visibility of prevention of irregularities and frauds, and improvement of procedures related to prevention, detection, reporting and handling of irregularities.
- IPA 2007 TAF - Strengthening the Administrative Capacity Regarding the Implementation of the New Concession and Public-Private Partnership Legislation
 - Implementation of the project activities ended on 3 October 2011 with realisation of all planned results and the project goal. A comprehensive analysis of relevant legislation was performed. Trainings were organised for employees of the Economy Directorate of the Ministry of Finance, in-house guidelines were prepared and tender documentation standardised. Also, an exchange visit to the relevant Twinning partner institutions was organised.
- IPA 2007 TAF - Support to the National Authorising Officer and the National Fund in implementation of SAPARD and IPA Component V - Rural Development
 - All planned results have been accomplished. Analysis was performed of the existing procedures for supervision within SAPARD/IPA Component V with recommendations for improvement. The most frequent irregularities in implementation of agricultural projects were presented, as well as the most common mistakes in on-the-spot checks. Trainings on the subject of on-the-spot-checks and joint field checks were organised.
- IPA 2008 FPP RAC - Croatian Tax Administration capacity building in the field of exchange of information regarding the Savings Directive
 - Implementation of project activities was finalised on 2 June 2011 and all planned results were accomplished. Analysis was performed of the existing administrative capacities of the Tax Administration in the field of information exchange. Guidelines were prepared regarding the methods and techniques in the field of information exchange, as well as procedures manual and relevant secondary legislation. Trainings for Tax Administration employees were organised.
- IPA 2008 FPP RAC - Strengthening the anti-corruption activities of the Customs Administration
 - Implementation of project activities was finalised on 22 June 2011 and all planned results were accomplished. Analysis was performed of the existing corruption prevention system

in the Customs Administration and proposals were made for the improvement as a basis for the project continuation. In-house anti-corruption programme and implementation plan were adopted. Guidelines on anti-corruption methodology were prepared. Trainings were organised on the subject of corruption prevention methods in conformity with EU standards.

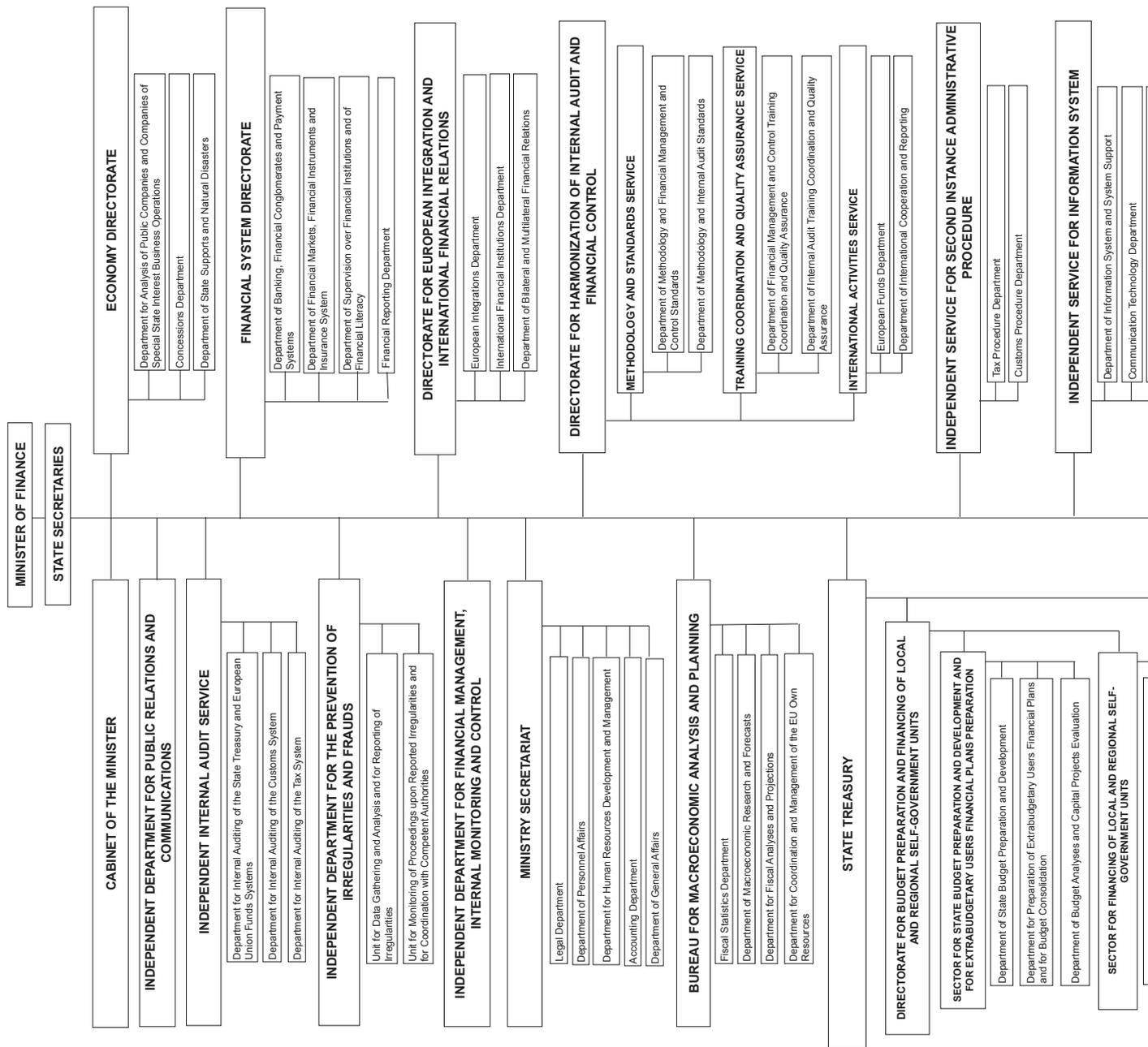
For the purpose of further strengthening of operational and administrative capacities, during 2011 activities continued regarding programming, tender documentation preparation and tender procedure implementation for project proposals to be financed as part of the IPA Component I.

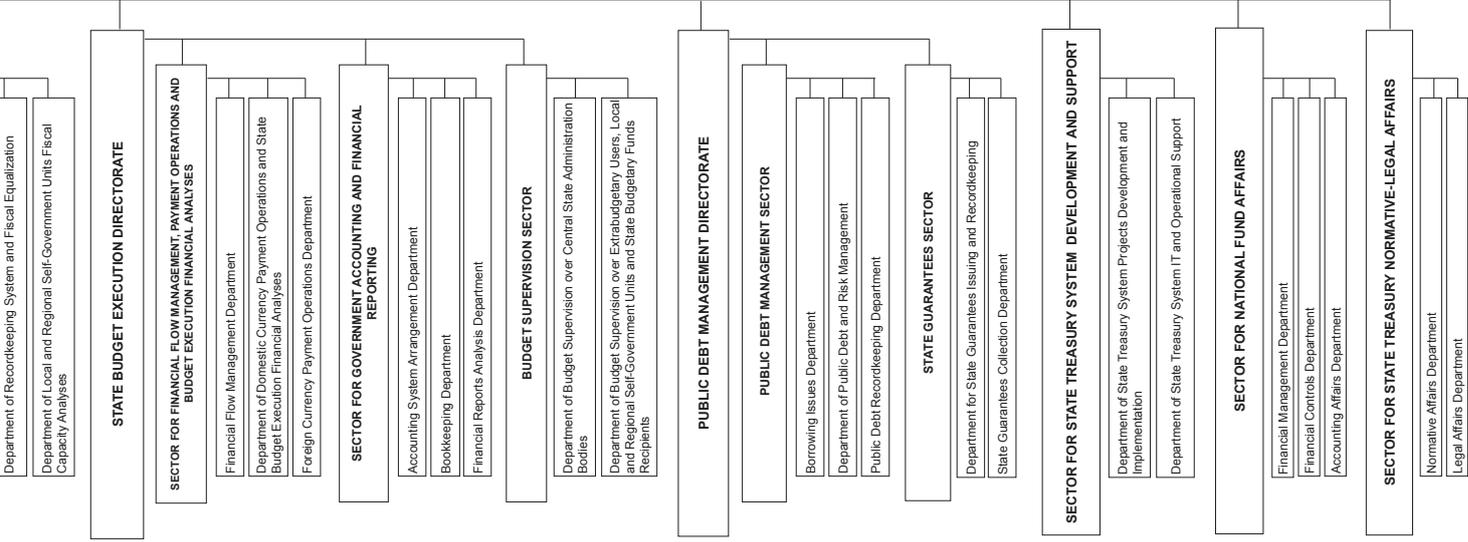
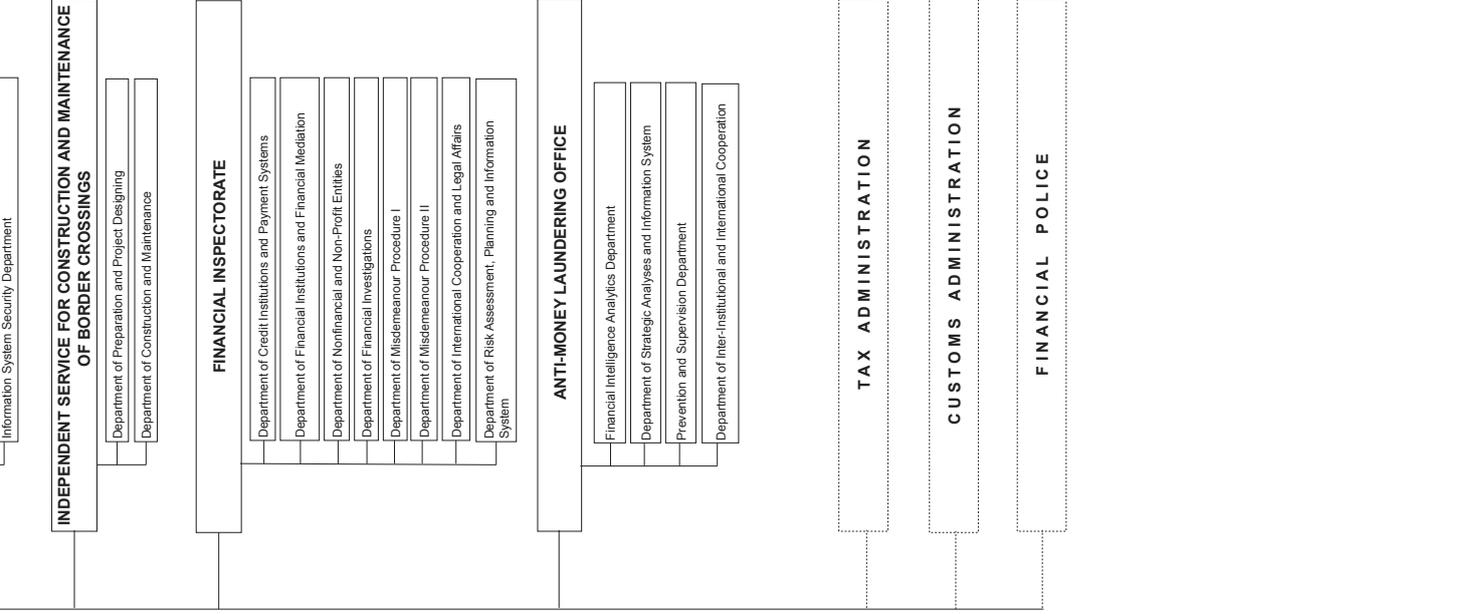
- preparation of tender documentation based on CFCA and EU Delegation comments:
 - IPA 2008 FPP RAC - Further strengthening of the AFCOS system for the purpose of protection of EU financial interests in the Republic of Croatia,
 - IPA 2008 FPP RAC - Promotion of PIFC (Public Internal Financial Controls) System importance as the integral part in the public sector reform in the Republic of Croatia,
 - IPA 2008 FPP RAC - Development of IT solution for information exchange related to the Savings Directive,
 - IPA 2010 FF RAC - Strengthening of the Financial Police in corruption prevention in regular financial supervision,
 - IPA 2010 FF RAC - Strengthening the Tax Administration administrative capacity in tax cooperation,
 - IPA 2010 - Integrated border management;
- preparation of tender procedure (appointment of members of the committee for evaluation of bids):
 - IPA 2008 - Support to management, monitoring and evaluation of structural instruments in Croatia – Component 1 – Establishment of integrated information system for management of structural funds and the Cohesion Fund;
- completion of tender procedure (the most favourable tenderer has been selected, but the contract has not been signed):
 - IPA 2009 - Strengthening the CTA administrative capacity in the field of audit,
 - IPA 2010 - Strengthening the CTA administrative and institutional capacity with regard to application of the common EU VAT system;
- programming:
 - IPA 2011 - Harmonisation of the CCA post-clearance control with the EU standards, organisation and operational methodology,
 - IPA 2012 - Procurement of IT equipment for the Customs Administration,
 - IPA 2013 - Strengthening of the Tax Administration of the Government to Business (G2B) capacities through consolidation of IT systems.

The Republic of Croatia participates in Community Programmes which aim at promoting cooperation between Member States in different fields of EU policies. Based on a special paragraph in the EU General Budget, EU Programmes are intended only for Member States. Because the Republic of Croatia participates in those programmes as a candidate country and does not yet contribute to the EU Budget, it is obliged to pay a participation fee. The Ministry of Finance is competent for the Customs 2013 and Fiscalis 2013 programmes. The Customs 2013 programme includes coordination of Member State customs authorities operation. The Fiscalis 2013 programme is intended for improvement of the tax system on internal market by stimulating cooperation in the field of taxation policy.

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APPENDICES

Appendix 1: Basic Macroeconomic Indicators of Croatian Economy

(000 HRK)	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
GDP, current prices (HRK million)	208,796	228,932	247,428	266,652	291,044	318,308	343,412	328,672	326,980	333,956
GDP, real growth (%)	4.9	5.4	4.1	4.3	4.9	5.1	2.1	-6.9	-1.4	0.0
GDP, current prices (EUR million)	28,189	30,265	33,009	36,034	39,745	43,390	47,543	44,781	44,876	44,922
GDP per capita (EUR)	6,349	6,816	7,436	8,112	8,951	9,781	10,722	10,111	10,158	10,205
Consumer price index, average (%)	1.7	1.8	2.1	3.3	3.2	2.9	6.1	2.4	1.1	2.3
Industrial producer price index, average, (%)	-0.4	1.9	3.5	3.0	2.7	3.4	8.3	-0.4	4.3	6.3
Number of registered unemployed persons, average	389,740	329,799	309,875	308,739	291,616	264,446	236,741	263,174	302,425	305,333
Registered unemployment rate, average (%)	22.3	19.1	18.0	17.9	16.6	14.8	13.2	14.9	17.4	17.8
Labour force survey unemployment rate, average (%)	14.8	14.3	13.8	12.7	11.1	9.6	8.4	9.1	11.8	13.5
Average monthly gross wage, HRK	5,366	5,623	5,985	6,248	6,634	7,047	7,544	7,711	7,679	7,796
Average monthly net wage, HRK	3,720	3,940	4,173	4,376	4,603	4,841	5,178	5,311	5,343	5,441
Industrial production volume index (gross indices), growth rate (%)	5.0	3.3	3.2	4.6	4.1	4.9	1.2	-9.2	-1.4	-1.2
Retail trade turnover, real growth rate (%)	12.5	3.7	2.6	2.8	2.1	5.3	-0.5	-15.3	-1.8	1.0
Number of tourist nights, growth rate (%)	3.0	4.3	2.5	7.6	3.1	5.7	2.0	-1.4	2.6	7.0
Construction work index (basic indices), growth rate (%)	12.8	22.8	2.0	-0.8	9.3	2.4	11.8	-6.5	-15.9	-9.1
Exchange rate HRK/EUR, average	7.41	7.56	7.50	7.40	7.32	7.34	7.22	7.34	7.29	7.43
Exchange rate HRK/USD, average	7.87	6.70	6.03	5.95	5.84	5.37	4.93	5.28	5.50	5.34
Foreign trade balance (HRK million)	-45,459	-53,538	-51,654	-58,237	-64,812	-72,116	-81,149	-56,479	-45,405	-49,802
Exports (HRK million)	38,421	41,355	48,354	52,283	60,437	66,043	69,205	55,272	64,892	71,234
Imports (HRK million)	83,880	94,893	100,008	110,520	125,249	138,159	150,354	111,751	110,297	121,036
Current account balance (EUR million)	-2,032	-1,821	-1,361	-1,899	-2,653	-3,151	-4,256	-2,279	-450	-394
Current account balance (% of GDP)	-7.2	-6.0	-4.1	-5.3	-6.7	-7.3	-9.0	-5.1	-1.0	-0.9
External debt, end of period (EUR million)	15,144	19,884	22,933	25,990	29,725	33,721	40,590	45,244	46,483	45,734
External debt, end of period (% of GDP)	53.7	65.7	69.5	72.1	74.8	77.7	85.4	101.0	103.6	101.8
International reserves of CNB, end of period (EUR million)	5,651	6,554	6,436	7,438	8,725	9,307	9,121	10,376	10,660	11,195
Interest rate on treasury bills of 91 days maturity, end of period (%)	2.00	4.00	3.80	3.70	3.00	3.60	6.00	4.70	2.30	4.55
ZIBOR (3 m), average (%)	4.60	5.50	7.35	6.19	4.46	5.63	7.20	8.96	2.43	3.15

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

Appendix 2: Budgetary Central Government Revenue in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1	REVENUE	108,320,595	115,772,655	110,257,947	107,466,351	97.5	107,069,670	99.6
11	Taxes	64,234,530	69,572,699	63,678,926	62,856,582	98.7	61,422,186	97.7
111	Taxes on income, profits, and capital gains	10,589,083	12,252,205	10,839,269	7,608,630	70.2	8,595,516	113.0
1111	Payable by individuals	1,772,708	1,687,502	1,399,411	1,201,546	85.9	1,307,486	108.8
1112	Payable by corporations and other enterprises	8,816,375	10,564,703	9,439,858	6,407,084	67.9	7,288,030	113.7
113	Taxes on property	578,621	635,930	532,297	443,983	83.4	448,489	101.0
1134	Taxes on financial and capital transactions	578,621	635,930	532,297	443,983	83.4	448,489	101.0
114	Taxes on goods and services	51,099,930	54,482,172	49,238,277	50,980,460	103.5	50,244,065	98.6
1141	General taxes on goods and services	37,916,509	41,474,566	37,173,833	37,812,425	101.7	37,847,826	100.1
11411	Value-added taxes	37,747,987	41,308,036	37,050,354	37,688,520	101.7	37,718,154	100.1
11412	Sales taxes	168,522	166,531	123,479	123,905	100.3	129,672	104.7
1142	Excises	12,168,666	11,875,126	10,998,910	11,972,326	108.9	11,215,054	93.7
1144	Taxes on specific services	24,500	27,000	14,964	10,486	70.1	30,995	295.6
1145	Taxes on use of goods and on permission to use goods or perform activities	480,619	561,612	517,870	661,146	127.7	635,373	96.1
11452	Other	480,619	561,612	517,870	661,146	127.7	635,373	96.1
1146	Other taxes on goods and services	509,636	543,868	532,700	524,078	98.4	514,817	98.2
115	Taxes on international trade and transactions	1,641,478	1,900,865	1,721,164	1,644,448	95.5	1,766,356	107.4
1151	Customs and other import duties	1,641,478	1,900,865	1,721,164	1,644,448	95.5	1,766,356	107.4
116	Other taxes	325,418	301,527	1,347,920	2,179,061	161.7	367,761	16.9
12	Social contributions	37,203,486	40,703,484	39,994,739	38,712,382	96.8	38,605,067	99.7
121	Social security contributions	37,203,486	40,703,484	39,994,739	38,712,382	96.8	38,605,067	99.7
1211	Employee contributions	16,531,305	18,100,364	17,925,299	17,290,552	96.5	17,302,315	100.1
1212	Employer contributions	19,845,488	21,758,077	21,373,979	20,783,571	97.2	20,686,181	99.5
1213	Self-employed or nonemployed contributions	826,692	845,043	695,462	638,260	91.8	616,570	96.6
1214	Unallocable contributions	0	0	0	0	-	0	-
13	Grants	428,038	468,634	616,307	637,087	103.4	868,988	136.4
131	From foreign governments	8,580	8,583	5,450	13,236	242.9	39,130	295.6
1311	Current	5,044	6,452	3,992	12,811	-	3,756	29.3
1312	Capital	3,536	2,132	1,457	424	29.1	35,375	-
132	From international organizations	395,827	453,912	604,122	615,102	101.8	827,432	134.5
1321	Current	262,101	283,673	446,523	382,815	85.7	503,585	131.5
1322	Capital	133,726	170,240	157,599	232,287	147.4	323,847	139.4

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
133	From other general government units	23,632	6,138	6,735	8,749	129.9	2,426	27.7
14	Other revenue	6,454,541	5,027,838	5,967,975	5,260,300	88.1	6,173,430	117.4
141	Property income	3,526,540	1,612,229	2,367,214	1,298,345	54.8	1,869,510	144.0
1411	Interest	164,558	147,911	123,488	125,088	101.3	115,034	92.0
1412	Dividends	1,194,582	212,387	106,625	111,303	104.4	286,579	257.5
1413	Withdrawals from income of quasi-corporations	117,730	504,074	1,342,502	318,939	23.8	637,969	200.0
1414	Property income attrib. to insurance policyholders	0	0	0	0	-	0	-
1415	Rent	2,049,670	747,856	794,600	743,015	93.5	829,928	111.7
142	Sales of goods and services	1,526,646	1,450,683	1,682,037	1,856,422	110.4	1,381,724	74.4
1421	Sales of market establishments	0	0	0	0	-	0	-
1422	Administrative fees	1,318,050	1,274,882	981,712	1,190,921	121.3	1,152,971	96.8
1423	Incidental sales by nonmarket establishments	208,596	175,800	700,325	665,501	95.0	228,752	34.4
1424	Imputed sales of goods and services	0	0	0	0	-	0	-
143	Fines, penalties, and forfeits	429,034	490,600	515,461	524,795	101.8	534,434	101.8
144	Voluntary transfers other than grants	11,241	9,384	15,865	15,940	100.5	29,068	182.4
1441	Current	8,620	3,957	11,551	12,656	109.6	25,337	200.2
1442	Capital	2,622	5,427	4,314	3,284	76.1	3,730	113.6
145	Miscellaneous and unidentified revenue	961,080	1,464,942	1,387,397	1,564,799	112.8	2,358,694	150.7

Source: Ministry of Finance

Appendix 3: Budgetary Central Government Expense in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
2	EXPENSE	108,007,605	115,292,426	117,923,992	120,323,332	102.0	119,939,511	99.7
21	Compensation of employees	27,545,141	29,948,535	31,289,325	31,096,464	99.4	31,737,350	102.1
211	Wages and salaries	23,237,088	25,453,436	26,555,399	26,391,104	99.4	26,932,391	102.1
212	Social contributions	4,308,053	4,495,099	4,733,926	4,705,360	99.4	4,804,959	102.1
2121	Actual social contributions	4,308,053	4,495,099	4,733,926	4,705,360	99.4	4,804,959	102.1
2122	Imputed social contributions	0	0	0	0	-	0	-
22	Use of goods and services	7,162,402	8,113,694	7,363,814	7,655,745	104.0	7,943,604	103.8
23	Consumption of fixed capital	0	0	0	0	-	0	-
24	Interest	4,535,008	4,683,219	5,225,174	6,236,482	119.4	7,097,592	113.8
241	To nonresidents	1,672,563	1,542,146	1,391,408	1,723,831	123.9	2,491,668	144.5
242	To residents other than general government	2,862,444	3,141,074	3,833,767	4,512,651	117.7	4,605,924	102.1
243	To other general government units	0	0	0	0	-	0	-
25	Subsidies	6,492,010	6,859,512	6,710,033	6,582,192	98.1	6,555,277	99.6
251	To public corporations	3,007,099	3,199,114	3,134,258	3,186,622	101.7	3,063,739	96.1
252	To private enterprises	3,484,912	3,660,398	3,575,775	3,395,569	95.0	3,491,538	102.8
26	Grants	8,363,202	5,783,063	5,559,586	5,778,575	103.9	5,083,665	88.0
261	To foreign governments	103,410	89,446	78,184	58,594	74.9	39,806	67.9
2611	Current	75,261	60,246	68,150	49,412	72.5	34,346	69.5
2612	Capital	28,149	29,200	10,034	9,181	91.5	5,459	59.5
262	To international organizations	73,941	96,503	134,031	175,808	131.2	212,234	120.7
2621	Current	73,941	96,503	133,061	175,808	132.1	212,234	120.7
2622	Capital	0	0	970	0	-	0	-
263	To other general government units	8,185,852	5,597,115	5,347,372	5,544,174	103.7	4,831,625	87.1
2631	Current	2,305,125	2,291,490	2,598,678	2,663,291	102.5	2,468,917	92.7
2632	Capital	5,880,726	3,305,625	2,748,694	2,880,883	104.8	2,362,708	82.0
27	Social benefits	48,175,989	52,593,214	56,148,498	56,906,555	101.4	56,482,968	99.3
271	Social security benefits	34,167,894	37,600,722	40,605,352	43,008,291	105.9	42,752,824	99.4
272	Social assistance benefits	13,815,777	14,745,264	15,258,436	13,728,987	90.0	13,602,326	99.1
273	Employer social benefits	192,318	247,228	284,709	169,277	59.5	127,817	75.5
28	Other expense	5,733,853	7,311,189	5,627,561	6,067,319	107.8	5,039,054	83.1
281	Property expenditures other than interest	1,132	16,015	7,730	88	1.1	12	13.9
282	Miscellaneous Other Expenditures	5,732,721	7,295,174	5,619,832	6,067,231	108.0	5,039,042	83.1
2821	Current	2,837,557	2,626,644	2,174,864	2,280,627	104.9	2,018,297	88.5
2822	Kapitalni	2,895,164	4,668,530	3,444,968	3,786,604	109.9	3,020,745	79.8

Source: Ministry of Finance

Appendix 4: Transactions in Nonfinancial Assets of the Budgetary Central Government in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
31	NET ACQUISITION OF NONFINANCIAL ASSETS	2,545,220	2,988,129	1,963,401	1,232,366	62.8	1,138,970	92.4
311	Fixed assets	2,625,692	2,719,479	1,839,720	1,200,398	65.2	1,118,710	93.2
311,1	Acquisitions: fixed assets	2,906,863	2,973,830	2,097,601	1,466,817	69.9	1,420,148	96.8
311,2	Disposals: fixed assets	281,171	254,352	257,881	266,419	103.3	301,438	113.1
3111	Buildings and structures	1,154,132	1,109,578	824,283	608,822	73.9	484,370	79.6
3111,1	Acquisitions: buildings and structures	1,423,340	1,357,524	1,076,215	872,737	81.1	783,289	89.8
3111,2	Disposals: buildings and structures	269,208	247,947	251,932	263,915	104.8	298,919	113.3
3112	Machinery and equipment	1,338,275	1,505,694	931,108	529,521	56.9	594,015	112.2
3112,1	Acquisitions: machinery and equipment	1,350,238	1,512,098	937,057	532,022	56.8	596,534	112.1
3112,2	Disposals: machinery and equipment	11,963	6,404	5,949	2,502	42.0	2,519	100.7
3113	Other fixed assets	133,285	104,208	84,330	62,056	73.6	40,325	65.0
3113,1	Acquisitions: other fixed assets	133,285	104,209	84,330	62,058	73.6	40,325	65.0
3113,2	Disposals: other fixed assets	0	1	0	2	-	0	-
312	Inventories	-161,383	79,444	35,412	10,955	30.9	2,473	22.6
312,1	Acquisitions: inventories	36,574	86,829	43,144	16,910	39.2	3,237	19.1
312,2	Disposals: inventories	197,957	7,385	7,732	5,954	77.0	764	12.8
313	Valuables	9,620	10,126	8,929	6,136	68.7	3,741	61.0
313,1	Acquisitions: valuables	9,620	10,126	8,929	6,136	68.7	3,741	61.0
314	Nonproduced assets	71,291	179,081	79,340	14,877	18.8	14,046	94.4
314,1	Acquisitions: nonproduced assets	90,848	220,764	117,733	60,809	51.7	58,852	96.8
314,2	Disposals: nonproduced assets	19,557	41,683	38,392	45,933	119.6	44,806	97.5
3141	Land	-19,492	-41,626	-38,175	-45,536	-	-42,728	-
3141,1	Acquisitions: land	58	56	125	396	-	1,988	-
3141,2	Disposals: land	19,549	41,683	38,300	45,933	119.9	44,716	97.4
3142	Subsoil assets	0	0	-93	0	-	-90	-
3142,2	Disposals: subsoil assets	0	0	93	0	-	90	-
3143	Other naturally occurring assets	0	0	0	0	-	0	-
3144	Intangible nonproduced assets	90,782	220,707	117,608	60,413	51.4	56,864	94.1
3144,1	Acquisitions: intangible nonproduced assets	90,790	220,707	117,608	60,413	51.4	56,864	94.1
3144,2	Disposals: intangible nonproduced assets	8	0	0	0	-	0	-

Source: Ministry of Finance

Appendix 5: Transactions in Financial Assets of the Budgetary Central Government in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	2011
32	NET ACQUISITION OF FINANCIAL ASSETS	-3,734,781	1,702,947	6,825,544	2,022,682	-618,448
321	Domestic	-3,752,817	1,690,502	6,823,196	2,022,294	-623,788
3212	Currency and deposits	-1,721,591	1,440,588	4,127,800	569,502	-2,198,870
3213	Securities other than shares	0	0	0	0	0
3214	Loans	674,350	384,361	2,316,757	657,093	1,024,421
3214,1	Acquisitions: Loans	837,699	852,673	2,458,939	1,366,444	1,841,105
3214,2	Disposals: Loans	163,350	468,312	142,181	709,351	816,684
3215	Shares and other equity	-2,705,576	-134,447	378,639	795,699	550,660
3215,1	Acquisitions: Shares and other equity	226,005	552,156	387,017	803,044	550,660
3215,2	Disposals: Shares and other equity	2,931,581	686,603	8,378	7,345	0
3216	Insurance technical reserves	0	0	0	0	0
3217	Financial derivatives	0	0	0	0	0
3218	Other accounts receivable	0	0	0	0	0
322	Foreign	18,036	12,445	2,348	388	5,341
3222	Currency and deposits	0	0	0	0	0
3223	Securities other than shares	0	0	0	0	0
3224	Loans	0	0	1,447	388	0
3224,1	Acquisitions: Loans	0	0	1,447	2,365	1,793
3224,2	Disposals: Loans	0	0	0	1,977	1,793
3225	Shares and other equity	18,036	12,445	901	0	5,341
3225,1	Acquisitions: Shares and other equity	18,036	12,445	901	0	5,341
3225,2	Disposals: Shares and other equity	0	0	0	0	0
3226	Insurance technical reserves	0	0	0	0	0
3227	Financial derivatives	0	0	0	0	0
3228	Other accounts receivable	0	0	0	0	0
323	Monetary gold and SDRs	0	0	0	0	0

Source: Ministry of Finance

Appendix 6: Transactions in Liabilities of the Budgetary Central Government in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	2011
33	NET INCURRENCE OF LIABILITIES	-1,502,551	4,210,848	16,454,990	16,112,029	13,390,363
33,1	Total repayments	8,333,537	6,922,174	9,700,319	17,999,196	11,320,894
33,2	Total incurrence	6,830,986	11,133,022	26,155,309	34,111,225	24,711,257
331	Domestic	1,477,615	5,656,636	9,576,610	11,835,071	4,793,136
331,1	Repayments	4,604,573	3,871,657	2,704,283	12,815,011	3,124,139
331,2	Incurrence	6,082,188	9,528,293	12,280,893	24,650,082	7,917,275
3312	Currency and deposits	0	0	0	0	0
3313	Securities other than shares	3,520,136	1,089,917	4,855,440	12,222,784	3,023,835
3313,1	Repayments: Securities other than shares	3,513,172	2,897,430	273,892	3,289,266	2,689,441
3313,2	Incurrences: Securities other than shares	7,033,308	3,987,347	5,129,332	15,512,050	5,713,276
3314	Loans	-2,042,521	4,566,719	4,721,170	-387,713	1,769,302
3314,1	Repayments: Loans	1,091,402	974,227	2,430,391	9,525,745	434,698
3314,2	Incurrences: Loans	-951,119	5,540,946	7,151,562	9,138,032	2,203,999
3316	Insurance technical reserves	0	0	0	0	0
3317	Financial derivatives	0	0	0	0	0
3318	Other accounts payable	0	0	0	0	0
332	Foreign	-2,980,166	-1,445,788	6,878,380	4,276,958	8,597,227
332,1	Repayments	3,728,963	3,050,517	6,996,036	5,184,185	8,196,755
332,2	Incurrence	748,798	1,604,729	13,874,416	9,461,143	16,793,982
3322	Currency and deposits	0	0	0	0	0
3323	Securities other than shares	-1,757,723	-1,112,673	7,801,073	3,517,533	7,786,583
3323,1	Repayments: Securities other than shares	1,757,723	1,112,673	5,054,565	3,655,005	5,541,105
3323,2	Incurrences: Securities other than shares	0	0	12,855,638	7,172,538	13,327,688
3324	Loans	-1,222,442	-333,116	-922,693	759,425	810,644
3324,1	Repayments: Loans	1,971,240	1,937,845	1,941,471	1,529,180	2,655,650
3324,2	Incurrences: Loans	748,798	1,604,729	1,018,778	2,288,606	3,466,295
3326	Insurance technical reserves	0	0	0	0	0
3327	Financial derivatives	0	0	0	0	0
3328	Other accounts payable	0	0	0	0	0

Source: Ministry of Finance

Appendix 7: Transactions of Extrabudgetary Users in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1	REVENUE	10,561,624	6,253,096	5,504,483	5,385,019	97.8	5,054,264	93.9
11	Taxes	0	0	0	0	-	0	-
1142	Excises	0	0	0	0	-	0	-
12	Social contributions	0	0	0	0	-	0	-
13	Grants	5,549,188	2,057,887	1,711,086	2,037,959	119.1	1,751,716	86.0
131	From foreign governments	0	19,044	0	0	-	0	-
132	From international organizations	18,197	0	3,397	1,772	52.2	2,740	154.6
133	From other general government units	5,530,991	2,038,843	1,707,689	2,036,187	119.2	1,748,976	85.9
1331	Current	3,643	34,848	15,364	4,381	28.5	1,138	26.0
1332	Capital	5,527,348	2,003,995	1,692,325	2,031,806	120.1	1,747,838	86.0
14	Other revenue	5,012,436	4,195,209	3,793,397	3,347,060	88.2	3,302,548	98.7
2	EXPENSE	6,563,438	5,382,651	4,305,463	4,280,491	99.4	4,206,006	98.3
21	Compensation of employees	609,484	281,788	285,596	275,140	96.3	266,748	96.9
211	Wages and salaries	524,596	242,569	245,800	237,166	96.5	229,371	96.7
212	Social contributions	84,888	39,219	39,796	37,974	95.4	37,377	98.4
22	Use of goods and services	3,354,913	3,354,711	2,480,509	2,650,887	106.9	2,420,195	91.3
24	Interest	926,232	217,619	284,640	315,291	110.8	347,031	110.1
241	To nonresidents	561,616	37,064	57,659	32,158	55.8	50,455	156.9
242	To residents other than general government	364,616	180,555	226,981	283,133	124.7	296,576	104.7
25	Subsidies	18,553	39,318	89,673	44,923	50.1	7,154	15.9
251	To public corporations	0	0	26,770	4,642	17.3	0	-
252	To private enterprises	18,553	39,318	62,903	40,281	64.0	7,154	17.8
26	Grants	672,734	273,622	233,938	178,673	76.4	126,493	70.8
263	To other general government units	672,734	273,622	233,938	178,673	76.4	126,493	70.8
2631	Current	1,500	4,238	4,800	6,100	127.1	0	-
2632	Capital	671,234	269,384	229,138	172,573	75.3	126,493	73.3
27	Social benefits	523	704	218	112	51.4	0	-
271	Social security benefits	523	704	218	112	51.4	0	-
272	Social assistance benefits	0	0	0	0	-	0	-
28	Other expense	980,999	1,214,889	930,889	815,465	87.6	1,038,385	127.3
31	NET ACQUISITION OF NONFINANCIAL ASSETS	5,265,736	1,240,070	1,637,738	1,446,955	88.4	2,233,531	154.4
31.1	Acquisition of nonfinancial assets	5,334,740	1,421,680	1,659,443	1,455,114	87.7	2,265,942	155.7
31.2	Disposal of nonfinancial assets	69,004	181,610	21,705	8,159	37.6	32,411	-
32	NET ACQUISITION OF FINANCIAL ASSETS	795,625	1,073,617	538,324	873,486		458,803	
321	Domestic	795,625	1,073,617	538,324	873,486		458,803	
322	Foreign	0	0	0	0		0	
33	NET INCURRENCE OF LIABILITIES	2,063,175	1,443,242	977,042	1,215,913		1,844,076	
331	Domestic	539,480	1,139,111	553,629	1,136,957		1,849,477	
332	Foreign	1,523,695	304,131	423,413	78,956		-5,401	

Source: Ministry of Finance

Appendix 8: Transactions of the Croatian Waters in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1	REVENUE	2,507,327	2,618,977	2,253,976	1,998,161	88.7	1,919,586	96.1
11	Taxes	0	0	0	0	-	0	-
12	Social contributions	0	0	0	0	-	0	-
13	Grants	542,884	588,928	342,007	334,354	97.8	339,390	101.5
131	From foreign governments	0	19,044	0	0	-	0	-
132	From international organizations	18,197	0	3,397	1,772	52.2	2,740	154.6
133	From other general government units	524,687	569,884	338,610	332,582	98.2	336,650	101.2
1331	Current	3,643	34,848	15,364	4,381	28.5	700	16.0
1332	Capital	521,044	535,036	323,246	328,201	101.5	335,950	102.4
14	Other revenue	1,964,443	2,030,049	1,911,969	1,663,807	87.0	1,580,196	95.0
2	EXPENSE	2,108,778	2,339,024	1,748,448	1,779,441	101.8	1,459,634	82.0
21	Compensation of employees	121,767	135,222	129,458	125,800	97.2	118,327	94.1
211	Wages and salaries	104,720	116,482	111,542	108,907	97.6	101,870	93.5
212	Social contributions	17,047	18,740	17,916	16,893	94.3	16,457	97.4
22	Use of goods and services	1,208,936	1,331,786	1,060,458	1,109,460	104.6	930,804	83.9
24	Interest	34,639	35,525	29,863	17,828	59.7	30,438	170.7
241	To nonresidents	5,852	4,803	2,793	1,764	63.2	1,282	72.7
242	To residents other than general government	28,787	30,722	27,070	16,064	59.3	29,156	181.5
25	Subsidies	0	0	0	0	-	0	-
251	To public corporations	0	0	0	0	-	0	-
252	To private enterprises	0	0	0	0	-	0	-
26	Grants	82,301	120,094	76,101	53,797	70.7	28,447	52.9
261	To foreign governments	0	0	0	0	-	0	-
262	To international organisations	0	0	0	0	-	0	-
263	To other general government units	82,301	120,094	76,101	53,797	70.7	28,447	52.9
2631	Current	1,500	3,600	4,800	6,100	127.1	0	-
2632	Capital	80,801	116,494	71,301	47,697	66.9	28,447	59.6
27	Social benefits	0	0	0	0	-	0	-
271	Social security benefits	0	0	0	0	-	0	-
272	Social assistance benefits	0	0	0	0	-	0	-
28	Other expense	661,135	716,397	452,568	472,556	104.4	351,618	74.4
31	NET ACQUISITION OF NONFINANCIAL ASSETS	315,004	245,968	274,314	378,952	138.1	1,185,008	-
31,1	Acquisition of nonfinancial assets	318,780	246,965	275,598	379,044	137.5	1,185,123	-
31,2	Disposal of nonfinancial assets	3,776	997	1,284	92	7.2	115	125.0
32	NET ACQUISITION OF FINANCIAL ASSETS	116,100	32,151	222,116	-72,616		38,016	
321	Domestic	116,100	32,151	222,116	-72,616		38,016	
322	Foreign	0	0	0	0		0	
33	NET INCURRENCE OF LIABILITIES	32,555	-1,834	-9,098	87,616		763,072	
331	Domestic	-2,259	-49,781	-115,831	105,053		777,014	
332	Foreign	34,814	47,947	106,733	-17,437		-13,942	

Source: Ministry of Finance

Appendix 9: Transactions of the Fund for Environmental Protection and Energy Efficiency in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1 REVENUE		1,102,946	1,221,187	1,168,578	1,040,675	89.1	1,091,289	104.9
11 Taxes		0	0	0	0	-	0	-
12 Social contributions		0	0	0	0	-	0	-
13 Grants		0	0	0	0	-	22,246	-
131 From foreign governments		0	0	0	0	-	0	-
132 From international organizations		0	0	0	0	-	0	-
133 From other general government units		0	0	0	0	-	22,246	-
1331 Current		0	0	0	0	-	438	-
1332 Capital		0	0	0	0	-	21,808	-
14 Other revenue		1,102,946	1,221,187	1,168,578	1,040,675	89.1	1,069,043	102.7
2 EXPENSE		1,092,568	1,109,258	1,159,521	1,004,188	86.6	915,778	91.2
21 Compensation of employees		12,939	18,600	21,331	20,240	94.9	23,411	115.7
211 Wages and salaries		11,071	15,942	18,310	17,327	94.6	20,077	115.9
212 Social contributions		1,868	2,658	3,021	2,913	96.4	3,334	114.5
22 Use of goods and services		945,697	883,628	874,856	784,653	89.7	763,362	97.3
24 Interest		0	0	32	501	-	139	27.7
241 To nonresidents		0	0	0	0	-	0	-
242 To residents other than general government		0	0	32	501	-	139	27.7
25 Subsidies		18,553	39,318	89,673	44,923	50.1	7,154	15.9
251 To public corporations		0	0	26,770	4,642	17.3	0	-
252 To private enterprises		18,553	39,318	62,903	40,281	64.0	7,154	17.8
26 Grants		108,582	149,644	157,329	124,876	79.4	98,046	78.5
261 To foreign governments		0	0	0	0	-	0	-
262 To international organisations		0	0	0	0	-	0	-
263 To other general government units		108,582	149,644	157,329	124,876	79.4	98,046	78.5
2631 Current		0	638	0	0	-	0	-
2632 Capital		108,582	149,006	157,329	124,876	79.4	98,046	78.5
27 Social benefits		0	0	0	0	-	0	-
271 Social security benefits		0	0	0	0	-	0	-
272 Social assistance benefits		0	0	0	0	-	0	-
28 Other expense		6,797	18,068	16,300	28,995	177.9	23,666	81.6
31 NET ACQUISITION OF NONFINANCIAL ASSETS		20,189	3,926	6,656	1,582	23.8	62,344	-
31,1 Acquisition of nonfinancial assets		20,256	3,926	6,656	1,608	24.2	62,344	-
31,2 Disposal of nonfinancial assets		67	0	0	26	-	0	-
32 NET ACQUISITION OF FINANCIAL ASSETS		-9,811	108,003	2,401	34,905		113,167	
321 Domestic		-9,811	108,003	2,401	34,905		113,167	
322 Foreign		0	0	0	0		0	
33 NET INCURRENCE OF LIABILITIES		0	0	0	0		0	
331 Domestic		0	0	0	0		0	
332 Foreign		0	0	0	0		0	

Source: Ministry of Finance

Appendix 10: Transactions of the Croatian Roads in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1 REVENUE		2,110,381	1,549,929	1,481,919	1,789,839	120.8	1,447,462	80.9
11 Taxes		0	0	0	0	-	0	-
12 Social contributions		0	0	0	0	-	0	-
13 Grants		1,990,435	1,468,959	1,369,079	1,703,605	124.4	1,390,000	81.6
131 From foreign governments		0	0	0	0	-	0	-
132 From international organizations		0	0	0	0	-	0	-
133 From other general government units		1,990,435	1,468,959	1,369,079	1,703,605	124.4	1,390,000	81.6
1331 Current		0	0	0	0	-	0	-
1332 Capital		1,990,435	1,468,959	1,369,079	1,703,605	124.4	1,390,000	81.6
14 Other revenue		119,946	80,970	112,840	86,234	76.4	57,462	66.6
2 EXPENSE		1,243,399	1,592,627	1,048,486	1,405,891	134.1	1,320,918	94.0
21 Compensation of employees		78,005	86,547	93,383	88,674	95.0	86,815	97.9
211 Wages and salaries		67,035	74,359	80,372	76,234	94.9	74,613	97.9
212 Social contributions		10,970	12,188	13,011	12,440	95.6	12,202	98.1
22 Use of goods and services		819,311	1,107,252	524,661	739,205	140.9	686,539	92.9
24 Interest		85,641	142,396	221,474	268,159	121.1	283,868	105.9
241 To nonresidents		17,185	22,804	47,942	24,988	52.1	44,021	176.2
242 To residents other than general government		68,456	119,592	173,532	243,171	140.1	239,847	98.6
25 Subsidies		0	0	0	0	-	0	-
251 To public corporations		0	0	0	0	-	0	-
252 To private enterprises		0	0	0	0	-	0	-
26 Grants		7,607	3,884	508	0	-	0	-
261 To foreign governments		0	0	0	0	-	0	-
262 To international organisations		0	0	0	0	-	0	-
263 To other general government units		7,607	3,884	508	0	-	0	-
2631 Current		0	0	0	0	-	0	-
2632 Capital		7,607	3,884	508	0	-	0	-
27 Social benefits		0	0	0	0	-	0	-
271 Social security benefits		0	0	0	0	-	0	-
272 Social assistance benefits		0	0	0	0	-	0	-
28 Other expense		252,835	252,548	208,460	309,853	148.6	263,696	85.1
31 NET ACQUISITION OF NONFINANCIAL ASSETS		1,603,747	1,142,207	1,371,041	1,069,699	78.0	1,013,340	94.7
31,1 Acquisition of nonfinancial assets		1,604,733	1,143,098	1,376,092	1,070,880	77.8	1,017,552	95.0
31,2 Disposal of nonfinancial assets		986	891	5,051	1,181	23.4	4,212	-
32 NET ACQUISITION OF FINANCIAL ASSETS		-45,061	217,802	41,652	356,936		48,973	
321 Domestic		-45,061	217,802	41,652	356,936		48,973	
322 Foreign		0	0	0	0		0	
33 NET INCURRENCE OF LIABILITIES		691,704	1,402,707	979,260	1,042,687		935,769	
331 Domestic		523,681	1,128,764	696,394	926,845		895,422	
332 Foreign		168,023	273,943	282,866	115,842		40,347	

Source: Ministry of Finance

Appendix 11: Transactions of the State Agency for Deposit Insurance and Bank Rehabilitation in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1 REVENUE		391,441	808,342	566,470	529,642	93.5	552,819	104.4
11 Taxes		0	0	0	0	-	0	-
12 Social contributions		0	0	0	0	-	0	-
13 Grants		0	0	0	0	-	0	-
131 From foreign governments		0	0	0	0	-	0	-
132 From international organizations		0	0	0	0	-	0	-
133 From other general government units		0	0	0	0	-	0	-
1331 Current		0	0	0	0	-	0	-
1332 Capital		0	0	0	0	-	0	-
14 Other revenue		391,441	808,342	566,470	529,642	93.5	552,819	104.4
2 EXPENSE		47,820	254,706	267,167	16,967	6.4	408,867	-
21 Compensation of employees		6,076	6,966	7,159	7,215	100.8	7,454	103.3
211 Wages and salaries		5,208	5,972	6,134	6,184	100.8	6,389	103.3
212 Social contributions		868	994	1,025	1,031	100.6	1,065	103.3
22 Use of goods and services		20,359	10,274	5,493	5,307	96.6	10,917	205.7
24 Interest		345	8,886	736	272	37.0	191	70.2
241 To nonresidents		0	0	0	0	-	0	-
242 To residents other than general government		345	8,886	736	272	37.0	191	70.2
25 Subsidies		0	0	0	0	-	0	-
251 To public corporations		0	0	0	0	-	0	-
252 To private enterprises		0	0	0	0	-	0	-
26 Grants		0	0	0	0	-	0	-
261 To foreign governments		0	0	0	0	-	0	-
262 To international organisations		0	0	0	0	-	0	-
263 To other general government units		0	0	0	0	-	0	-
2631 Current		0	0	0	0	-	0	-
2632 Capital		0	0	0	0	-	0	-
27 Social benefits		523	704	218	112	51.4	0	-
271 Social security benefits		523	704	218	112	51.4	0	-
272 Social assistance benefits		0	0	0	0	-	0	-
28 Other expense		20,517	227,876	253,561	4,061	1.6	390,305	-
31 NET ACQUISITION OF NONFINANCIAL ASSETS		-18,959	-10,262	258	2,657	-	312	11.7
31,1 Acquisition of nonfinancial assets		1,202	25,070	258	2,657	-	312	11.7
31,2 Disposal of nonfinancial assets		20,161	35,332	0	0	-	0	-
32 NET ACQUISITION OF FINANCIAL ASSETS		362,580	563,898	299,045	510,018		143,640	
321 Domestic		362,580	563,898	299,045	510,018		143,640	
322 Foreign		0	0	0	0		0	
33 NET INCURRENCE OF LIABILITIES		0	0	0	0		0	
331 Domestic		0	0	0	0		0	
332 Foreign		0	0	0	0		0	

Source: Ministry of Finance

Appendix 12: Transactions of the Croatian Privatization Fund in the 2007 - 2011 Period¹

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011.	Index 2011/ /2010
1 REVENUE		58,324	54,661	33,540	26,702	79.6	1,892	7.1
11 Taxes		0	0	0	0	-	0	-
12 Social contributions		0	0	0	0	-	0	-
13 Grants		0	0	0	0	-	0	-
131 From foreign governments		0	0	0	0	-	0	-
132 From international organizations		0	0	0	0	-	0	-
133 From other general government units		0	0	0	0	-	0	-
1331 Current		0	0	0	0	-	0	-
1332 Capital		0	0	0	0	-	0	-
14 Other revenue		58,324	54,661	33,540	26,702	79.6	1,892	7.1
2 EXPENSE		88,241	87,036	81,841	74,004	90.4	16,161	21.8
21 Compensation of employees		36,285	34,453	34,265	33,211	96.9	5,700	17.2
211 Wages and salaries		31,233	29,814	29,442	28,514	96.8	4,885	17.1
212 Social contributions		5,052	4,639	4,823	4,697	97.4	815	17.4
22 Use of goods and services		34,173	21,771	15,041	12,262	81.5	4,199	34.2
24 Interest		17,783	30,812	32,535	28,531	87.7	6,262	21.9
241 To nonresidents		10,116	9,457	6,924	5,406	78.1	1,305	24.1
242 To residents other than general government		7,667	21,355	25,611	23,125	90.3	4,957	21.4
25 Subsidies		0	0	0	0	-	0	-
251 To public corporations		0	0	0	0	-	0	-
252 To private enterprises		0	0	0	0	-	0	-
26 Grants		0	0	0	0	-	0	-
261 To foreign governments		0	0	0	0	-	0	-
262 To international organisations		0	0	0	0	-	0	-
263 To other general government units		0	0	0	0	-	0	-
2631 Current		0	0	0	0	-	0	-
2632 Capital		0	0	0	0	-	0	-
27 Social benefits		0	0	0	0	-	0	-
271 Social security benefits		0	0	0	0	-	0	-
272 Social assistance benefits		0	0	0	0	-	0	-
28 Other expense		0	0	0	0	-	0	-
31 NET ACQUISITION OF NONFINANCIAL ASSETS		-23,514	-141,769	-14,531	-5,935	-	-929	-
31,1 Acquisition of nonfinancial assets		3,553	2,621	839	925	110.3	0	-
31,2 Disposal of nonfinancial assets		27,067	144,390	15,370	6,860	44.6	929	13.5
32 NET ACQUISITION OF FINANCIAL ASSETS		82,691	151,763	-26,890	44,243		62,991	
321 Domestic		82,691	151,763	-26,890	44,243		62,991	
322 Foreign		0	0	0	0		0	
33 NET INCURRENCE OF LIABILITIES		89,094	42,369	6,880	85,610		76,331	
331 Domestic		106,055	60,128	-26,934	105,059		88,461	
332 Foreign		-16,961	-17,759	33,814	-19,449		-12,130	

Source: Ministry of Finance

¹ Croatian Privatization Fund (HFP) operated until 31st of March 2011. Since 1st April 2011, Government Asset Management Agency (AUDIO) operates, which has included HFP and a former Budgetary Central Government user - Central State Administrative Office for State Property Management.

Appendix 13: Transactions of the Government Asset Management Agency in 2011²

		(000 HRK)	2011
1	REVENUE		41,216
11	Taxes		0
12	Social contributions		0
13	Grants		80
131	From foreign governments		0
132	From international organizations		0
133	From other general government units		80
1331	Current		0
1332	Capital		80
14	Other revenue		41,136
2	EXPENSE		84,648
21	Compensation of employees		25,041
211	Wages and salaries		21,537
212	Social contributions		3,504
22	Use of goods and services		24,374
24	Interest		26,133
241	To nonresidents		3,847
242	To residents other than general government		22,286
25	Subsidies		0
251	To public corporations		0
252	To private enterprises		0
26	Grants		0
261	To foreign governments		0
262	To international organisations		0
263	To other general government units		0
2631	Current		0
2632	Capital		0
27	Social benefits		0
271	Social security benefits		0
272	Social assistance benefits		0
28	Other expense		9,100
31	NET ACQUISITION OF NONFINANCIAL ASSETS		-26,544
31,1	Acquisition of nonfinancial assets		611
31,2	Disposal of nonfinancial assets		27,155
32	NET ACQUISITION OF FINANCIAL ASSETS		52,016
321	Domestic		52,016
322	Foreign		0
33	NET INCURRENCE OF LIABILITIES		68,904
331	Domestic		88,580
332	Foreign		-19,676

Source: Ministry of Finance

² Government Asset Management Agency (AUDIO) operates since 1st April 2011. It has included HFP and a former Budgetary Central Government user - Central State Administrative Office for State Property Management.

Appendix 14: Consolidated Central Government in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1	REVENUE	113,386,165	120,036,688	114,086,889	110,831,567	97.1	110,406,122	99.6
11	Taxes	64,234,530	69,572,699	63,678,926	62,856,582	98.7	61,422,186	97.7
111	Taxes on income, profits, and capital gains	10,589,083	12,252,205	10,839,269	7,608,630	70.2	8,595,516	113.0
1111	Payable by individuals	1,772,708	1,687,502	1,399,411	1,201,546	85.9	1,307,486	108.8
1112	Payable by corporations and other enterprises	8,816,375	10,564,703	9,439,858	6,407,084	67.9	7,288,030	113.7
113	Taxes on property	578,621	635,930	532,297	443,983	83.4	448,489	101.0
114	Taxes on goods and services	51,099,930	54,482,172	49,238,277	50,980,460	103.5	50,244,065	98.6
1141	General taxes on goods and services	37,916,509	41,474,566	37,173,833	37,812,425	101.7	37,847,826	100.1
11411	Value-added taxes	37,747,987	41,308,036	37,050,354	37,688,520	101.7	37,718,154	100.1
11412	Sales taxes	168,522	166,531	123,479	123,905	100.3	129,672	104.7
1142	Excises	12,168,666	11,875,126	10,998,910	11,972,326	108.9	11,215,054	93.7
115	Taxes on international trade and transactions	1,641,478	1,900,865	1,721,164	1,644,448	95.5	1,766,356	107.4
116	Other taxes	325,418	301,527	1,347,920	2,179,061	161.7	367,761	16.9
12	Social contributions	37,203,486	40,703,484	39,994,739	38,712,382	96.8	38,605,067	99.7
13	Grants	481,173	537,458	651,853	655,243	100.5	902,892	137.8
14	Other revenue	11,466,977	9,223,047	9,761,372	8,607,360	88.2	9,475,978	110.1
2	EXPENSE	109,074,989	118,686,014	120,553,914	122,584,020	101.7	122,427,705	99.9
21	Compensation of employees	28,154,625	30,230,323	31,574,921	31,371,604	99.4	32,004,098	102.0
211	Wages and salaries	23,761,684	25,696,005	26,801,199	26,628,270	99.4	27,161,762	102.0
212	Social contributions	4,392,941	4,534,318	4,773,722	4,743,334	99.4	4,842,336	102.1
22	Use of goods and services	10,517,315	11,468,405	9,844,323	10,306,632	104.7	10,363,799	100.6
24	Interest	5,461,240	4,900,838	5,509,814	6,551,773	118.9	7,444,623	113.6
241	To nonresidents	2,234,179	1,579,210	1,449,067	1,755,989	121.2	2,542,123	144.8
242	To residents other than general government	3,227,060	3,321,629	4,060,748	4,795,784	118.1	4,902,500	102.2
25	Subsidies	6,510,563	6,898,830	6,799,706	6,627,115	97.5	6,562,431	99.0
251	To public corporations	3,007,099	3,199,114	3,161,028	3,191,264	101.0	3,063,739	96.0
252	To private enterprises	3,503,465	3,699,716	3,638,678	3,435,850	94.4	3,498,692	101.8
26	Grants	3,539,882	4,067,622	4,117,984	3,937,445	95.6	3,492,346	88.7
261	To foreign governments	103,410	89,446	78,184	58,594	74.9	39,806	67.9
262	To international organizations	73,941	96,503	134,031	175,808	131.2	212,234	120.7
263	To other general government units	3,362,532	3,881,673	3,905,769	3,703,043	94.8	3,240,307	87.5
27	Social benefits	48,176,512	52,593,918	56,148,716	56,906,667	101.3	56,482,968	99.3
271	Social security benefits	34,168,417	37,601,426	40,605,570	43,008,403	105.9	42,752,824	99.4
272	Social assistance benefits	13,815,777	14,745,264	15,258,436	13,728,987	90.0	13,602,326	99.1
273	Employer social benefits	192,318	247,228	284,709	169,277	59.5	127,817	75.5

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
28	Other expense	6,714,852	8,526,078	6,558,450	6,882,784	104.9	6,077,439	88.3
281	Property expense other than interest	1,132	16,015	7,730	88	1.1	12	13.9
282	Miscellaneous other expense	6,713,720	8,510,063	6,550,721	6,882,696	105.1	6,077,427	88.3
2821	Current	2,890,115	2,919,089	2,462,124	2,325,290	94.4	2,475,222	106.4
2822	Capital	3,823,605	5,590,974	4,088,597	4,557,406	111.5	3,602,205	79.0
31	NET ACQUISITION OF NONFINANCIAL ASSETS	7,810,956	4,228,199	3,601,139	2,679,321	74.4	3,372,501	125.9
311	Fixed assets	7,526,800	3,883,625	3,230,665	2,487,200	77.0	3,213,053	129.2
312	Inventories	-161,383	79,444	35,412	10,955	30.9	2,473	22.6
313	Valuables	9,620	10,126	8,929	6,136	68.7	3,741	61.0
314	Nonproduced assets	435,919	255,005	326,133	175,030	53.7	153,234	87.5
32	NET ACQUISITION OF FINANCIAL ASSETS	-2,939,156	2,776,564	7,363,868	2,816,593		-353,868	
321	Domestic	-2,957,192	2,764,119	7,361,520	2,816,205		-359,208	
322	Foreign	18,036	12,445	2,348	388		5,341	
33	NET INCURRENCE OF LIABILITIES	560,624	5,654,090	17,432,032	17,248,367		15,040,216	
331	Domestic	2,017,095	6,795,747	10,130,239	12,892,453		6,448,390	
332	Foreign	-1,456,471	-1,141,657	7,301,793	4,355,914		8,591,826	

Source: Ministry of Finance

Appendix 15: Consolidated Central Government by Government Level in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1 REVENUE	113,386,165	120,036,688	114,086,889	110,831,567	97.1	110,406,122	99.6	
Budgetary Central Government	108,296,963	115,766,517	110,251,211	107,457,602	97.5	107,067,244	99.6	
Extrabudgetary Users	5,089,202	4,270,171	3,835,678	3,373,965	88.0	3,338,878	99.0	
Croatian Waters	2,041,209	2,105,011	1,954,250	1,690,712	86.5	1,594,280	94.3	
Fund for Environmental Protection and Energy Efficiency	1,102,946	1,221,187	1,168,578	1,040,675	89.1	1,091,289	104.9	
Croatian Motorways Ltd.	1,375,336	-	-	-	-	-	-	
Croatian Roads Ltd.	119,946	80,970	112,840	86,234	76.4	57,462	66.6	
State Agency for Deposit Insurance and Bank Rehabilitation	391,441	808,342	566,470	529,642	93.5	552,819	104.4	
Croatian Privatization Fund	58,324	54,661	33,540	26,702	79.6	1,892	7.1	
Government Asset Management Agency	-	-	-	-	-	41,136	-	
2 EXPENSE	109,074,989	118,686,014	120,553,914	122,584,020	101.7	122,427,705	99.9	
Budgetary Central Government	103,004,916	113,309,501	116,255,187	118,312,278	101.8	118,224,125	99.9	
Extrabudgetary Users	6,070,073	5,376,513	4,298,728	4,271,742	99.4	4,203,581	98.4	
Croatian Waters	2,099,001	2,335,424	1,742,098	1,771,232	101.7	1,458,210	82.3	
Fund for Environmental Protection and Energy Efficiency	1,083,268	1,106,720	1,159,136	1,003,648	86.6	914,777	91.1	
Croatian Motorways Ltd.	1,509,844	-	-	-	-	-	-	
Croatian Roads Ltd.	1,241,899	1,592,627	1,048,486	1,405,891	134.1	1,320,918	94.0	
State Agency for Deposit Insurance and Bank Rehabilitation	47,820	254,706	267,167	16,967	6.4	408,867	-	
Croatian Privatization Fund	88,241	87,036	81,841	74,004	90.4	16,161	21.8	
Government Asset Management Agency	-	-	-	-	-	84,648	-	
31 NET ACQUISITION OF NONFINANCIAL ASSETS	7,810,956	4,228,199	3,601,139	2,679,321	74.4	3,372,501	125.9	
Acquisition	8,378,646	4,713,229	3,926,849	3,005,786	76.5	3,751,920	124.8	
Budgetary Central Government	3,043,906	3,291,549	2,267,406	1,550,672	68.4	1,485,978	95.8	
Extrabudgetary Users	5,334,740	1,421,680	1,659,443	1,455,114	87.7	2,265,942	155.7	
Disposals	567,689	485,029	325,710	326,465	100.2	379,419	116.2	
Budgetary Central Government	498,685	303,419	304,005	318,306	104.7	347,008	109.0	
Extrabudgetary Users	69,004	181,610	21,705	8,159	37.6	32,411	-	
32 NET ACQUISITION OF FINANCIAL ASSETS	-2,939,156	2,776,564	7,363,868	2,816,593		-353,868		
321 Domestic	-2,957,192	2,764,119	7,361,520	2,816,205		-359,208		
Budgetary Central Government	-3,752,817	1,690,502	6,823,196	1,942,719		-818,011		
Extrabudgetary Users	795,625	1,073,617	538,324	873,486		458,803		
322 Foreign	18,036	12,445	2,348	388		5,341		
Budgetary Central Government	18,036	12,445	2,348	388		5,341		
Extrabudgetary Users	0	0	0	0		0		

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
33 NET INCURRENCE OF LIABILITIES		560,624	5,654,090	17,432,032	17,248,367		15,040,216	
331 Domestic		2,017,095	6,795,747	10,130,239	12,892,453		6,448,390	
Budgetary Central Government		1,477,615	5,656,636	9,576,610	11,835,071		4,793,136	
Extrabudgetary Users		539,480	1,139,111	553,629	1,057,382		1,655,254	
332 Foreign		-1,456,471	-1,141,657	7,301,793	4,355,914		8,591,826	
Budgetary Central Government		-2,980,166	-1,445,788	6,878,380	4,276,958		8,597,227	
Extrabudgetary Users		1,523,695	304,131	423,413	78,956		-5,401	

Source: Ministry of Finance

Appendix 16: Local Government (53 Units, 32 Cities, Counties and the City of Zagreb) in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1 REVENUE		15,502,588	16,825,641	16,062,945	15,041,812	93.6	14,763,088	98.1
11 Taxes		9,157,897	10,097,177	9,891,927	8,872,440	89.7	8,805,856	99.2
111 Taxes on income, profits, and capital gains		8,173,413	9,074,234	8,961,506	8,021,829	89.5	7,965,284	99.3
1111 Payable by individuals		8,165,275	9,074,234	8,961,506	8,021,829	89.5	7,965,284	99.3
1112 Payable by corporations and other enterprises		8,138	0	0	0	-	0	-
113 Taxes on property		576,591	595,032	512,708	439,983	85.8	437,557	99.4
114 Taxes on goods and services		391,511	413,202	406,662	398,714	98.0	392,941	98.6
1141 General taxes on goods and services		55,553	58,225	52,947	49,883	94.2	51,405	103.1
11411 Value-added taxes		0	0	0	0	-	0	-
11412 Sales taxes		55,553	58,225	52,947	49,883	94.2	51,405	103.1
1142 Excises		0	0	0	0	-	0	-
115 Taxes on international trade and transactions		0	0	0	0	-	0	-
116 Other taxes		16,382	14,709	11,052	11,913	107.8	10,075	84.6
12 Social contributions		0	0	0	0	-	0	-
13 Grants		2,137,646	2,085,584	2,034,478	2,147,948	105.6	2,122,230	98.8
131 From foreign governments		9,631	6,079	1,248	3,776	-	549	14.5
132 From international organizations		4,447	1,342	1,946	2,367	121.6	8,814	-
133 From other general government units		2,123,569	2,078,163	2,031,284	2,141,806	105.4	2,112,867	98.6
14 Other revenue		4,207,045	4,642,880	4,136,540	4,021,424	97.2	3,835,003	95.4
2 EXPENSE		11,868,231	13,697,135	13,958,975	13,066,277	93.6	12,661,547	96.9
21 Compensation of employees		2,957,745	3,390,267	3,665,254	3,622,102	98.8	3,604,127	99.5
211 Wages and salaries		2,572,575	2,946,424	3,175,226	3,133,718	98.7	3,088,997	98.6
212 Social contributions		385,169	443,843	490,028	488,383	99.7	515,130	105.5
22 Use of goods and services		4,678,873	5,079,050	5,167,299	4,995,571	96.7	4,998,530	100.1
24 Interest		93,250	133,675	115,495	102,517	88.8	126,181	123.1
241 To nonresidents		4,391	3,597	1,511	352	23.3	583	165.4
242 To residents other than general government		88,781	130,032	113,976	102,147	89.6	125,597	123.0
25 Subsidies		993,791	1,231,477	1,275,536	1,253,408	98.3	1,043,625	83.3
251 To public corporations		777,982	1,004,965	1,078,024	1,066,185	98.9	882,406	82.8
252 To private enterprises		215,809	226,513	197,512	187,223	94.8	161,219	86.1
26 Grants		334,732	362,220	328,602	299,226	91.1	291,279	97.3
261 To foreign governments		0	0	0	0	-	510	-
262 To international organizations		7,249	0	0	0	-	605	-
263 To other general government units		327,484	362,220	328,602	299,226	91.1	290,163	97.0
2631 Current		125,322	145,359	182,045	167,229	91.9	153,746	91.9
2632 Capital		202,162	216,861	146,557	131,997	90.1	136,417	103.3
27 Social benefits		554,175	688,166	779,170	647,916	83.2	652,601	100.7
271 Social security benefits		0	0	0	0	-	0	-
272 Social assistance benefits		534,276	664,798	755,214	616,744	81.7	623,596	101.1
273 Employer social benefits		19,899	23,368	23,956	31,172	130.1	29,005	93.0

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
28	Other expense	2,255,665	2,812,280	2,627,619	2,145,538	81.7	1,945,205	90.7
281	Property expense other than interest	0	0	0	0	-	0	-
282	Miscellaneous other expense	2,255,665	2,812,280	2,627,619	2,145,538	81.7	1,945,205	90.7
2821	Current	1,424,157	1,726,978	1,609,480	1,483,437	92.2	1,372,127	92.5
2822	Capital	831,509	1,085,302	1,018,139	662,101	65.0	573,078	86.6
31	NET ACQUISITION OF NONFINANCIAL ASSETS	3,204,000	3,115,950	2,756,124	2,168,528	78.7	1,671,392	77.1
311	Fixed assets	3,381,738	3,231,840	2,773,332	2,223,776	80.2	1,642,846	73.9
312	Inventories	0	0	0	0	-	0	-
313	Valuables	197	183	203	69	34.3	146	211.0
314	Nonproduced assets	-177,935	-116,073	-17,411	-55,318	-	28,400	-
32	NET ACQUISITION OF FINANCIAL ASSETS	536,090	141,447	-634,558	-226,342		440,757	
321	Domestic	536,090	141,447	-634,558	-226,342		440,757	
322	Foreign	0	0	0	0		0	
33	NET INCURRENCE OF LIABILITIES	105,732	128,891	17,596	-33,349		10,608	
331	Domestic	130,416	153,766	39,441	-20,901		17,113	
332	Foreign	-24,684	-24,876	-21,844	-12,448		-6,505	

Source: Ministry of Finance

Appendix 17: Consolidated General Government in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1	REVENUE	126,716,000	134,737,775	128,087,106	123,709,173	96.6	123,024,529	99.4
11	Taxes	73,392,426	79,669,875	73,570,853	71,729,021	97.5	70,228,042	97.9
111	Taxes on income, profits, and capital gains	18,762,496	21,326,439	19,800,774	15,630,459	78.9	16,560,799	106.0
1111	Payable by individuals	9,937,983	10,761,736	10,360,916	9,223,376	89.0	9,272,770	100.5
1112	Payable by corporations and other enterprises	8,824,513	10,564,703	9,439,858	6,407,084	67.9	7,288,030	113.7
113	Taxes on property	1,155,212	1,230,962	1,045,005	883,966	84.6	886,046	100.2
114	Taxes on goods and services	51,491,441	54,895,374	49,644,939	51,379,174	103.5	50,637,006	98.6
1141	General taxes on goods and services	37,972,061	41,532,791	37,226,780	37,862,308	101.7	37,899,231	100.1
11411	Value-added taxes	37,747,987	41,308,036	37,050,354	37,688,520	101.7	37,718,154	100.1
11412	Sales taxes	224,074	224,756	176,427	173,788	98.5	181,077	104.2
1142	Excises	12,168,666	11,875,126	10,998,910	11,972,326	108.9	11,215,054	93.7
115	Taxes on international trade and transactions	1,641,478	1,900,865	1,721,164	1,644,448	95.5	1,766,356	107.4
116	Other taxes	341,800	316,235	1,358,971	2,190,974	161.2	377,836	17.2
12	Social contributions	37,203,486	40,703,484	39,994,739	38,712,382	96.8	38,605,067	99.7
121	Social security contributions	37,203,486	40,703,484	39,994,739	38,712,382	96.8	38,605,067	99.7
13	Grants	446,066	498,489	623,603	638,985	102.5	880,441	137.8
14	Other revenue	15,674,022	13,865,927	13,897,911	12,628,784	90.9	13,310,980	105.4
2	EXPENSE	118,770,467	130,258,596	132,450,162	133,486,090	100.8	132,944,571	99.6
21	Compensation of employees	31,112,370	33,620,589	35,240,175	34,993,705	99.3	35,608,225	101.8
211	Wages and salaries	26,334,260	28,642,429	29,976,425	29,761,988	99.3	30,250,759	101.6
212	Social contributions	4,778,110	4,978,161	5,263,750	5,231,717	99.4	5,357,466	102.4
22	Use of goods and services	15,196,188	16,547,455	15,011,623	15,302,203	101.9	15,362,330	100.4
24	Interest	5,554,489	5,034,513	5,625,309	6,654,290	118.3	7,570,804	113.8
241	To nonresidents	2,238,570	1,582,807	1,450,578	1,756,342	121.1	2,542,706	144.8
242	To residents other than general government	3,315,841	3,451,661	4,174,724	4,897,931	117.3	5,028,097	102.7
25	Subsidies	7,504,354	8,130,307	8,075,242	7,880,522	97.6	7,606,056	96.5
251	To public corporations	3,785,080	4,204,078	4,239,052	4,257,449	100.4	3,946,146	92.7
252	To private enterprises	3,719,274	3,926,229	3,836,190	3,623,073	94.4	3,659,911	101.0
26	Grants	1,701,861	2,305,289	2,383,858	2,072,465	86.9	1,638,943	79.1
261	To foreign governments	103,410	89,446	78,184	58,594	74.9	40,316	68.8
262	To international organizations	81,189	96,503	134,031	175,808	131.2	212,840	121.1
263	To other general government units	1,517,263	2,119,341	2,171,643	1,838,063	84.6	1,385,788	75.4
27	Social benefits	48,730,687	53,282,084	56,927,886	57,554,583	101.1	57,135,569	99.3
271	Social security benefits	34,168,417	37,601,426	40,605,570	43,008,403	105.9	42,752,824	99.4
272	Social assistance benefits	14,350,053	15,410,062	16,013,650	14,345,732	89.6	14,225,922	99.2
273	Employer social benefits	212,217	270,596	308,665	200,449	64.9	156,822	78.2

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
28	Other expense	8,970,517	11,338,358	9,186,070	9,028,322	98.3	8,022,645	88.9
281	Property expense other than interest	1,132	16,015	7,730	88	1.1	12	13.9
282	Miscellaneous other expense	8,969,385	11,322,343	9,178,340	9,028,234	98.4	8,022,632	88.9
2821	Current	4,314,271	4,646,067	4,071,604	3,808,726	93.5	3,847,349	101.0
2822	Capital	4,655,114	6,676,276	5,106,736	5,219,508	102.2	4,175,283	80.0
31	NET ACQUISITION OF NONFINANCIAL ASSETS	11,014,957	7,344,149	6,357,263	4,847,849	76.3	5,043,893	104.0
311	Fixed assets	10,908,538	7,115,465	6,003,997	4,710,976	78.5	4,855,899	103.1
312	Inventories	-161,383	79,444	35,412	10,955	30.9	2,473	22.6
313	Valuables	9,817	10,309	9,132	6,206	68.0	3,888	62.6
314	Nonproduced assets	257,984	138,932	308,723	119,712	38.8	181,634	151.7
32	NET ACQUISITION OF FINANCIAL ASSETS	-2,403,067	2,918,011	6,729,333	2,590,507		87,221	
321	Domestic	-2,421,102	2,905,566	6,726,985	2,590,119		81,880	
322	Foreign	18,036	12,445	2,348	388		5,341	
33	NET INCURRENCE OF LIABILITIES	666,357	5,782,980	17,449,652	17,215,273		15,051,156	
331	Domestic	2,147,511	6,949,513	10,169,704	12,871,808		6,465,835	
332	Foreign	-1,481,155	-1,166,533	7,279,948	4,343,466		8,585,321	

Source: Ministry of Finance

Appendix 18: Consolidated General Government by Government Level in the 2007 - 2011 Period

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	2011	Index 2011/ /2010
1	REVENUES	126,716,000	134,737,775	128,087,106	123,709,173	96.6	123,024,529	99.4
	Budgetary Central Government	108,296,963	115,766,517	110,251,211	107,457,602	97.5	107,067,244	99.6
	Extrabudgetary Users	5,040,018	4,223,781	3,804,235	3,351,565	88.1	3,307,063	98.7
	Croatian Waters	1,992,025	2,058,621	1,922,807	1,668,312	86.8	1,584,711	95.0
	Fund for Environmental Protection and Energy Efficiency	1,102,946	1,221,187	1,168,578	1,040,675	89.1	1,069,043	102.7
	Croatian Motorways Ltd.	1,375,336	-	-	-	-	-	-
	Croatian Roads Ltd.	119,946	80,970	112,840	86,234	76.4	57,462	66.6
	State Agency for Deposit Insurance and Bank Rehabilitation	391,441	808,342	566,470	529,642	93.5	552,819	104.4
	Croatian Privatization Fund	58,324	54,661	33,540	26,702	79.6	1,892	7.1
	Government Asset Management Agency	-	-	-	-	-	41,136	-
	Local Government	13,379,019	14,747,477	14,031,661	12,900,006	91.9	12,650,221	98.1
2	EXPENSE	118,770,467	130,258,596	132,450,162	133,486,090	100.8	132,944,571	99.6
	Budgetary Central Government	100,936,318	111,299,734	114,305,037	116,237,015	101.7	116,163,322	99.9
	Extrabudgetary Users	6,015,102	5,308,117	4,217,593	4,205,199	99.7	4,151,516	98.7
	Croatian Waters	2,086,600	2,313,713	1,709,514	1,754,034	102.6	1,436,668	81.9
	Fund for Environmental Protection and Energy Efficiency	1,047,292	1,063,919	1,111,094	954,303	85.9	884,255	92.7
	Croatian Motorways Ltd.	1,509,357	-	-	-	-	-	-
	Croatian Roads Ltd.	1,235,792	1,588,743	1,047,978	1,405,891	134.2	1,320,918	94.0
	State Agency for Deposit Insurance and Bank Rehabilitation	47,820	254,706	267,167	16,967	6.4	408,867	-
	Croatian Privatization Fund	88,241	87,036	81,841	74,004	90.4	16,161	21.8
	Government Asset Management Agency	-	-	-	-	-	84,648	-
	Local Government	11,819,047	13,650,745	13,927,532	13,043,877	93.7	12,629,732	96.8
31	NET ACQUISITION OF NONFINANCIAL ASSETS	11,014,957	7,344,149	6,357,263	4,847,849	76.3	5,043,893	104.0
	Acquisition	12,319,441	8,876,647	7,132,386	5,626,796	78.9	5,876,148	104.4
	Budgetary Central Government	3,043,906	3,291,549	2,267,406	1,550,672	68.4	1,485,978	95.8
	Extrabudgetary Users	5,334,740	1,421,680	1,659,443	1,455,114	87.7	2,265,942	155.7
	Local Government	3,940,795	4,163,418	3,205,537	2,621,009	81.8	2,124,228	81.0
	Disposals	1,304,484	1,532,498	775,123	778,947	100.5	832,255	106.8
	Budgetary Central Government	498,685	303,419	304,005	318,306	104.7	347,008	109.0
	Extrabudgetary Users	69,004	181,610	21,705	8,159	37.6	32,411	-
	Local Government	736,795	1,047,469	449,413	452,482	100.7	452,836	100.1

	(000 HRK)	2007	2008	2009	2010	Index 2010/ /2009	Index 2011 /2010
32	NET ACQUISITION OF FINANCIAL ASSETS	-2,403,067	2,918,011	6,729,333	2,590,507		87,221
321	Domestic	-2,421,102	2,905,566	6,726,985	2,590,119		81,880
	Budgetary Central Government	-3,752,817	1,690,502	6,823,220	1,942,756		-817,680
	Extrabudgetary Users	795,625	1,073,617	538,324	873,486		458,803
	Local Government	536,090	141,447	-634,558	-226,123		440,757
322	Foreign	18,036	12,445	2,348	388		5,341
	Budgetary Central Government	18,036	12,445	2,348	388		5,341
	Extrabudgetary Users	0	0	0	0		0
	Local Government	0	0	0	0		0
33	NET INCURRENCE OF LIABILITIES	666,357	5,782,980	17,449,652	17,215,273		15,051,156
331	Domestic	2,147,511	6,949,513	10,169,704	12,871,808		6,465,835
	Budgetary Central Government	1,477,615	5,656,636	9,576,610	11,835,071		4,793,136
	Extrabudgetary Users	539,480	1,139,111	553,629	1,057,382		1,655,254
	Local Government	130,416	153,766	39,465	-20,645		17,444
332	Foreign	-1,481,155	-1,166,533	7,279,948	4,343,466		8,585,321
	Budgetary Central Government	-2,980,166	-1,445,788	6,878,380	4,276,958		8,597,227
	Extrabudgetary Users	1,523,695	304,131	423,413	78,956		-5,401
	Local Government	-24,684	-24,876	-21,844	-12,448		-6,505

Source: Ministry of Finance

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