

A Brief Guide to the City of Zagreb 2019 Enacted Budget

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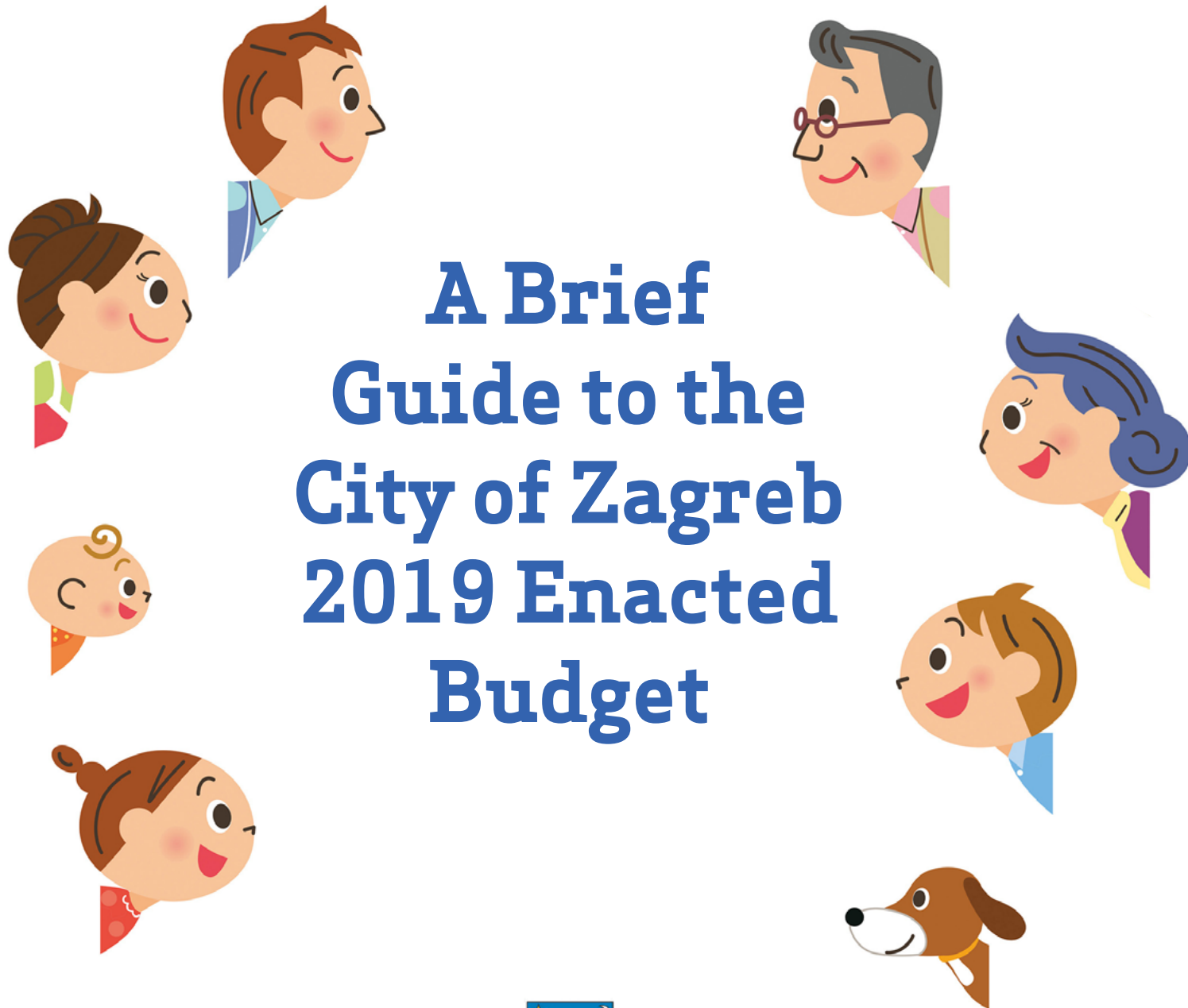
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The cover features several stylized, colorful illustrations of people and a dog. On the left side, there is a woman with brown hair in a bun, a man with brown hair, a woman with a small curl, and another woman with brown hair in a bun. On the right side, there is a man with glasses, a woman with blue hair, a man with brown hair, and a brown dog with a white chest. The central text is in a bold, blue, sans-serif font.

A Brief Guide to the City of Zagreb 2019 Enacted Budget



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The City's Budget is a complex and comprehensive document showing the sources of the City's revenues and the ways they are spent. This brief guide aims to provide, in the simplest and most concise way possible, basic information on the City of Zagreb 2019 enacted budget, thus encouraging citizens to keep track of the budget process during the year and contribute to the quality and efficiency of the City's services.

After the reading debate, the City Assembly on 13 December 2018 enacted the [2019 Budget](#) and the [Projections for 2020–2021](#). The key features of these documents comply with the main strategic goals set forth in [Zagrebplan 2020](#) and include the following:

- competitive economy;
- human resources development;
- environmental protection and sustainable natural resources and energy management;
- improvement of the City's spatial quality and functions;
- improvement of the quality of life; and
- promotion of the development management system.

As indicated in the calendar laid down in the [Budget Act](#) the City's budget is prepared in line with the Government's annual [Economic and Fiscal Policy Guidelines](#) and [The Ministry of Finance's Instructions for Drafting the Budgets of Units of Local and Regional Self-government](#). Among other things, the Guidelines set out the economic policy goals for the three-year period, and the [general government's](#) macroeconomic and fiscal framework. The 2019–2021 Economic and Fiscal Policy Guidelines are based on strategic plans, the 2018 National Reform Programme and the Convergence Programme of the Republic of Croatia for the Period 2018–2021, as well as specific EU Council recommendations. Favourable economic activity trends in the country are expected to continue over the medium term, with a real GDP growth rate of 2.8% in 2018, slowing down gradually to 2.7% in 2019 and 2.5% in 2020 and 2021.

The City's website provides the full [City of Zagreb 2019 Enacted Budget](#) and [Projections for 2020–2021](#) and [Guide to the City of Zagreb Budget](#) (including general information on the City's budget and budget process). Below is a brief presentation of the revenues, expenditures, financing account and debt in the period 2016–2021, including a detailed breakdown of revenues and expenditures in 2019.

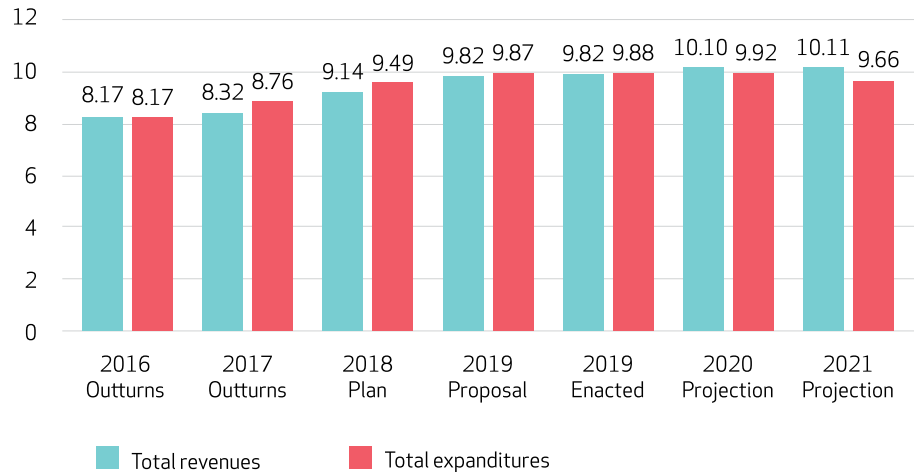
units of local self-government
municipalities and cities.

units of regional self-government
counties.

general government
includes central government (the budget and extra-budgetary users of the national budget), as well as the budget and extra-budgetary users of county, city and municipality budgets.

ENACTED REVENUES AND EXPENDITURES

Total **revenues and expenditures** planned for 2019 will amount to **HRK 9.82bn** and **HRK 9.88bn** respectively (graph 1).



Graph 1: The City of Zagreb budget revenues and expenditures, 2016–2021 (in billion HRK)*

* Including own and **earmarked revenues** of budget users and expenditures financed from these revenues.

earmarked revenues

the revenues used for a predetermined purpose. For example, revenues from utility charges are used for the maintenance of the City's utility infrastructure.

In parallel with the 2019 budget proposal, budget projections are made for 2020 and 2021. As shown in graph 1, budget revenues will rise slightly in 2019 and 2020, in line with the expected GDP growth, whereas budget expenditures will go up a little in 2020, but fall again in 2021 below the levels planned for 2019. In this regard, marked oscillations can be observed in the revenues and expenditures of particular City budget users. For example, a grant from the European Regional Development Fund for the construction and equipment of the Children's Centre for Translational Medicine (Children's Hospital Srebrnjak) is planned in the amount of HRK 77m in 2019 and HRK 355m in 2020. However, once that project is completed, the revenues and expenditures planned for this budget user in 2021 are significantly lower.

The City's budget contains **the revenues and expenditures of all 329 budget users**, i.e. institutions founded and majority-financed by the City, listed in the [Register of Budget and Extra-budgetary Users](#). These include, for example, public health care institutions (health centres, polyclinics, hospitals and institutes), preschool, primary school and secondary school education institutions, social welfare institutions, the Zagreb Fire Department, Office for Physical Planning, Public Institution Maksimir, the Zoological Garden, the Sports Facilities Management Institution, etc.

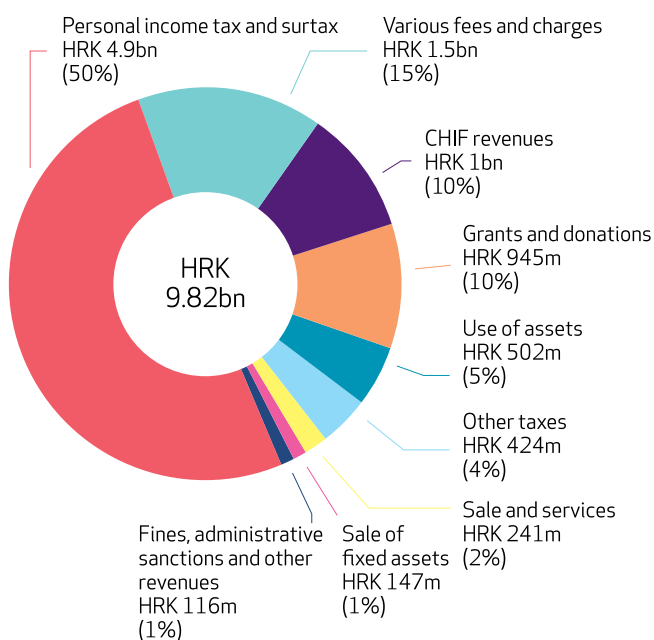
There are also *companies founded by the City* for the provision of public services and the performance of public activities (e.g. Zagreb Holding). However, as such companies are not majority-financed from the City budget (i.e. they are not budget users) their revenues and expenditures are not shown in the budget.



ENACTED REVENUES

The total enacted amount of revenues for 2019 is **HRK 9.82bn** (graph 2), half of which will come from **personal income tax and surtax (HRK 4.9bn)**. The second largest revenue source will be various **fees and charges** amounting to HRK 1.5bn, mainly utility contributions and charges (HRK 890m), followed by **budget users' revenues from the Croatian Health Insurance Fund (CHIF) for health services rendered** (HRK 1bn). Significant amounts are expected to be sourced from **grants and donations** (HRK 945m, mostly from the EU budget), and the **use of assets** (HRK 502m, mainly from the rental and lease of city property and the annual public road user charges payable at vehicle and trailer registration).

Each employed person will pay an average monthly amount of HRK 1,088 in personal income tax and surtax into the budget.



Graph 2: The City of Zagreb budget revenues, 2019*

* Including own and earmarked revenues of budget users.

Total revenues in 2019 are planned to go up by **HRK 680m (7.4%)** in comparison with the revised budget from October 2018. **The largest increase is expected in grants (up HRK 491m or 116%)**. Grants from the national budget are expected to amount to HRK 157m (HRK 60m from the equalisa-

decentralised functions

responsibility for part of specific public services (primary and secondary education, health care, social welfare and fire fighting services), delegated by government to certain counties, cities and municipalities, for which they receive additional funding.

subsidy

a non-repayable sum of money granted for the purpose of stimulating the production of goods or provision of services.



tion fund for **decentralised functions**, HRK 37m for the Remetinec Roundabout, HRK 30m for the Arena sports hall rental fee subsidies, HRK 20m for high school transport **subsidies**, etc.). Roughly HRK 656m is planned to be received from EU funds and international organisations, mostly for the Remetinec Roundabout (HRK 199.4m), the waste management (HRK 110m), Children's Centre for Translational Medicine (Children's Hospital Srebrnjak, HRK 77m), the ZagEE project (HRK 32.2m), conversion of the premises in Vlaška street into a music school (HRK 26.1m), the energy saving renovation of public buildings (HRK 24.1m), the redesigning of the Gradec Gallery into a Visitor Centre Zagreb (HRK 15.2m), the restructuring of pedestrian underpass (HRK 13.7m) and a number of other minor projects.

Budget users' revenues received from the CHIF for health services rendered are planned to **increase by HRK 85m (9%)** in comparison with the revised budget from October 2018. **Revenues from assets are planned to go up by HRK 61.4m (13.9%)**, on account of HRK 63m in revenues from default interest according to a settlement reached between the City of Zagreb and the Ministry of Finance in a dispute over funds for decentralized functions. **Revenues from various fees and charges will increase by HRK 48.6m (3.4%)**, mostly due to a rise in budget users' revenues under special regulations.

By contrast, **revenues from other taxes** are planned to **decrease by HRK 42m (9%)** from 2018, especially revenues from real estate transfer tax (down HRK 48m or 13.4%), due to expected amendments to the [Real Estate Transfer Tax Act](#), according to which the real estate transfer tax rate should be reduced from 4% to 3% as of 1 January 2019.

Compared with the initial 2019 budget proposal, total enacted budget revenues remained unchanged.

ENACTED EXPENDITURES BY TYPE

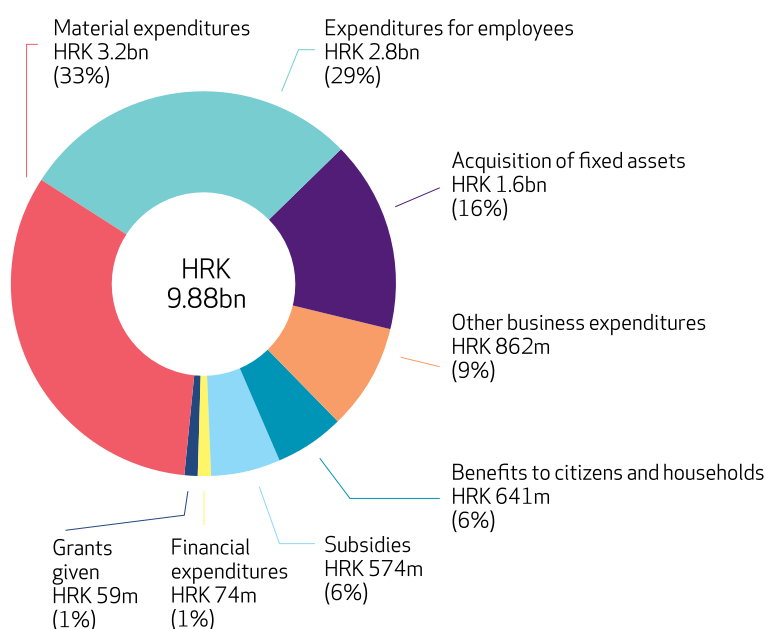
Total **expenditures** in **2019** will stand at **HRK 9.88bn** (graph 3). As before, the highest priority in expenditure and outlay planning will be given to the following:

- providing funds for capital projects and utility infrastructure improvement projects, as prerequisites for rapid economic growth;
- ensuring an equal level of acquired rights for lower-income citizens;
- promoting demographic renewal;
- timely settlement of all contractual and credit liabilities;

- ensuring the smooth operation of all **city administrative bodies** with a view to providing the maximum level of services.

city administrative bodies
the offices, institutes
and professional services
performing activities within
the competence of the City.

Total **enacted expenditures** in 2019 will **increase by HRK 384m (4%)** in comparison with the revised budget from October 2018. **The largest increases will be seen in expenditures for the acquisition of fixed assets** (HRK 318m or 24.8%), followed by **expenditures for employees** (HRK 214m or 8.2%) and **other business expenditures** (HRK 133m or 18.3%), whereas the **sharpest cuts will be made in benefits to citizens and households** (HRK 99.9m or 13.5%), **subsidies** (HRK 76m or 11.7%) and **material expenditures** (HRK 54m or 1.7%).



Graph 3: City of Zagreb budget expenditures by type (economic classification), 2019*

* Including expenditures financed from own and earmarked revenues of budget users.

The bulk of **material expenditures** (HRK 3.2bn) relates to current and investment maintenance of utility infrastructure facilities (e.g. public spaces, public lighting, roads, cemeteries and the crematorium), the City administration and the City budget users' facilities, as well as to office materials, energy use and services (e.g. telephone, postal, transportation and information services), necessary for the smooth operation of the City's administrative bodies and budget users.

Expenditures for employees (HRK 2.8bn) include salaries, social security contributions and other employee outlays, including expenditures for persons involved in EU-funded projects. Of the total amount, HRK 1.75bn will be spent on about 12,500 employees of administrative bodies, and of

budget users whose employees are not paid out of own revenues (such as kindergartens and museums), and HRK 1.08bn on about 6,500 employees of budget users whose staff are paid out of own and earmarked revenues (e.g. hospitals, polyclinics and health centres).

About HRK 1.6bn is planned for the **acquisition of fixed assets**, i.e. roads, utility infrastructure, commercial and other buildings, as well as equipment in schools, health care and social welfare institutions, etc. The lion's share (HRK 928m) of capital investments will be spent through the City Office for Physical Planning, Construction of the City, Utility Services and Transport, in compliance with the [Agenda for Capital Investment in Social Activity Facilities in 2019](#) and [Agenda for Transportation and Municipal Economy in 2019](#).

Other business expenditures (HRK 862m) mainly include current donations and capital grants. Current donations (HRK 454m) are intended for the co-financing of sports (HRK 202m), religious and private kindergartens and schools (HRK 96.4m), culture (e.g. libraries, museums and theatres, as well as music, visual arts and film), the Zagreb Fire Fighting Association, and non-profit organisations (associations, social and development programmes, etc.). The largest share of capital grants will be spent on the financing of the wastewater treatment project (HRK 208.7m), intervention measures for the waste management plan (HRK 110m), the public transport company's (ZET) motor fleet renewal and reconstruction (HRK 32m) and the Zagreb Waste Management Centre (HRK 10.1m).



Benefits to citizens and households (HRK 641m) include cash assistance to parent educators (HRK 290m), compensation of ZET transportation costs and transportation costs of persons with disabilities (HRK 77.6m), newborns' assistance (HRK 70m), pension supplement (HRK 69.8m), assistance for improving the living standards of pupils and students, aid to the orphans of fallen and missing homeland war veterans (HRK 35m), the co-financing of long-distance pupils transportation (HRK 20m), nutrition of socially vulnerable persons (HRK 17.1m), housing assistance to households (HRK 14m) and many other types of assistance to disabled and unemployed persons, volunteer blood donors and homeland war veterans and victims, as well as scholarships for pupils and students, etc.

Subsidies (HRK 574m) are earmarked for the promotion of production and services of companies, sole proprietorships, farmers and SMEs. The bulk of that amount is allocated for public transport, i.e. ZET (HRK 422m), the Arena sports hall rental (HRK 60m), promotion of trades and SMEs (HRK 30.2m) and employment of disabled persons (HRK 29m).

Differences in expenditures between the proposed and enacted 2019 budgets

The City's political fractions and city representatives proposed a total of 17 amendments to the 2019 budget proposal, six of which were accepted in their entirety, eight were partially accepted and three were not accepted. **Total expenditures** in the budget enacted on 13 December 2018 **picked up slightly, by HRK 6m**, i.e. from HRK 9.871bn to HRK 9.877bn.

The most substantial changes accepted relate to the provision of additional funds for:

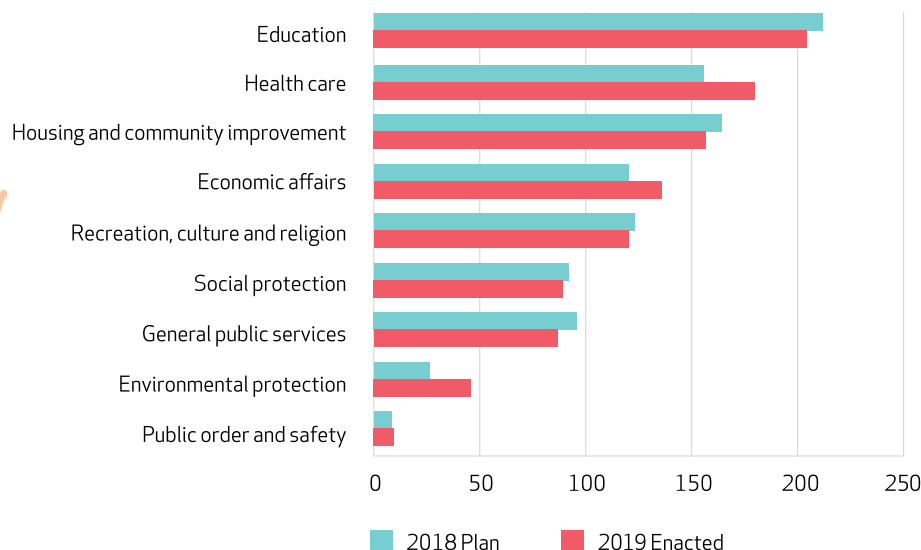
- the reconstruction of the southern viaduct access to the Mladost bridge (HRK 30m);
- the first construction phase of the Bukovac Primary School, for which the property-rights issues have been resolved and the necessary documentation obtained (HRK 10m);
- sports activities (HRK 7m), notably for encouraging children and youth to engage in sport and recreation (HRK 2m), and for providing training conditions for the participation of athletes in the Olympics, Paralympic and Olympic games for the deaf, as well as world and European championships and other international contests (HRK 5m);
- the procurement, installation and maintenance of video-surveillance facilities in primary schools (HRK 3m);
- the cooperation of the City with the Zagreb University and Croatian Academy of Sciences and Arts (HRK 500,000);
- Easter and Christmas bonuses for homeland war veterans who receive the guaranteed minimum benefits or cash benefits during unemployment, in order to provide them with the same level of rights as pensioners with a pension below HRK 1,500 (HRK 400,000).



ENACTED EXPENDITURES BY PURPOSE

Average monthly spending per citizen in 2019 will be HRK 1,025 (graph 4). The bulk of this amount will be spent on education (HRK 203), followed by health care (HRK 180), housing and community improvement services (HRK 156), and economic affairs (HRK 135). Compared with 2018, the average monthly spending per citizen is planned to increase by HRK 24, HRK 20 and HRK 15 when it comes to health care, environmental protection and economic affairs, respectively. By contrast, spending per citizen on

general public services will drop by HRK 9 and on community improvement services by HRK 8.



Graph 4: Average monthly spending per purpose, per citizen (functional classification), 2019 (in HRK)*

* Including expenditures financed from own and earmarked revenues of budget users.

Expenditures for education relate to preschool education (staff costs in city kindergartens and city kindergarten fee subsidies), primary and secondary education (including part of employee salaries, e.g. for extended stay at school), material expenditures and the acquisition of fixed assets.

Expenditures for health care relate to health protection, the development and implementation of health protection programmes and strategies, health promotion, addiction prevention and control, support for health programmes and projects carried out by associations and other forms of organised health-oriented activities, as well as coordination and control of City-owned health care institutions.

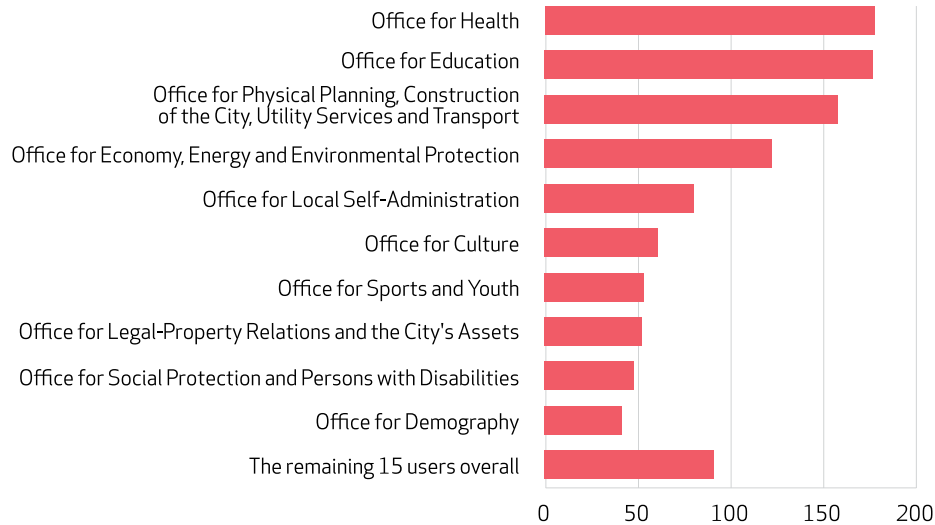
Housing and community improvement services relate, for the most part, to city property and public space maintenance (e.g. public lighting, etc.).

Economic affairs generally include municipal public transport, road construction and maintenance, as well as agriculture and tourism.

Expenditures for recreation, culture and religion include the financing of cultural institutions, supporting various cultural programmes and activities, co-financing sports activities, subsidies for the Arena sports hall rental fees, etc.

ENACTED EXPENDITURES BY BUDGET USERS

The majority of the City's administrative bodies account for relatively small shares in total expenditures, while **the three most important City offices** – the Office for Health, the Office for Education and the Office for Physical Planning, Construction of the City, Utility Services and Transport – will jointly spend roughly **half of the City's budget**, i.e. **a monthly average of HRK 511 per citizen**.



Graph 5: Average monthly budget user spending per citizen (organisational classification), 2019 (in HRK)*

*Including expenditures and outlays financed from own and earmarked revenues and receipts of budget users.

FINANCING ACCOUNT

In contrast to the terms *revenues* and *expenditures*, used in the revenue and expenditure account in relation to business operations and the sale and acquisition of fixed assets, the terms *receipts* and *outlays* are used in the financing account, when referring to **financial assets**, and the granting, taking out and repayment of loans. *Receipts* are monetary inflows, e.g. repaid principals of granted loans, proceeds from the sale of shares and bonds, and funds from borrowing, whereas *outlays* are monetary outflows of the same kinds. The difference between receipts and outlays represents *net financing*, i.e. the amount equal to the surplus/deficit from the revenue and expenditure account.



financial assets
money, deposits, bonds,
loans, etc.



	2016 Outturns	2017 Outturns	2018 Plan	2019 Proposal	2019 Enacted	2020 Projections	2021 Projections
Revenue and expenditure account							
Total revenues	8,169.7	8,322.3	9,135.1	9,815.5	9,815.5	10,100.8	10,110.2
Total expenditures	8,168.4	8,762.2	9,493.0	9,871.3	9,877.3	9,922.1	9,658.4
Deficit/surplus	1.3	-439.9	-357.9	-55.7	-61.7	178.8	451.8
Financing account							
Receipts from financial assets and borrowing	221.3	394.8	638.2	397.7	397.7	412.8	332.7
Outlays on financial assets and loan repayment	282.8	404.0	280.3	327.0	321.0	363.5	434.5
Net financing	-61.5	-9.2	357.9	70.6	76.6	49.3	-101.8

Table 1: Revenue and expenditure account and financing account, 2016–2021 (in million HRK)*

* Including own and earmarked revenues and receipts of budget users, as well as expenditures and outlays financed from these revenues and receipts.

Including own and earmarked revenues and receipts of budget users, receipts in 2019 are planned at HRK 397.7m, HRK 375.9m coming from new borrowing. Outlays are planned in the amount of HRK 321m, the bulk of which (HRK 238m) will be used for the repayment of existing debt.

Since the Ministry of Finance, according to its [Instructions for Drafting the Budgets of Units of Local and Regional Self-government](#), requires that business losses be carried over to the 2019 budget, and given the City's 2017 budget deficit of HRK 593m, it has been proposed that the deficit be covered over a successive period of three years (HRK 14.9m should be paid in 2019, HRK 228m in 2020 and HRK 350m in 2021). Due to the planned loss coverage, the amount of deficit/surplus in the Revenue and Expenditure Account differs from the net financing amount in the Financing Account for the period 2019–2021.

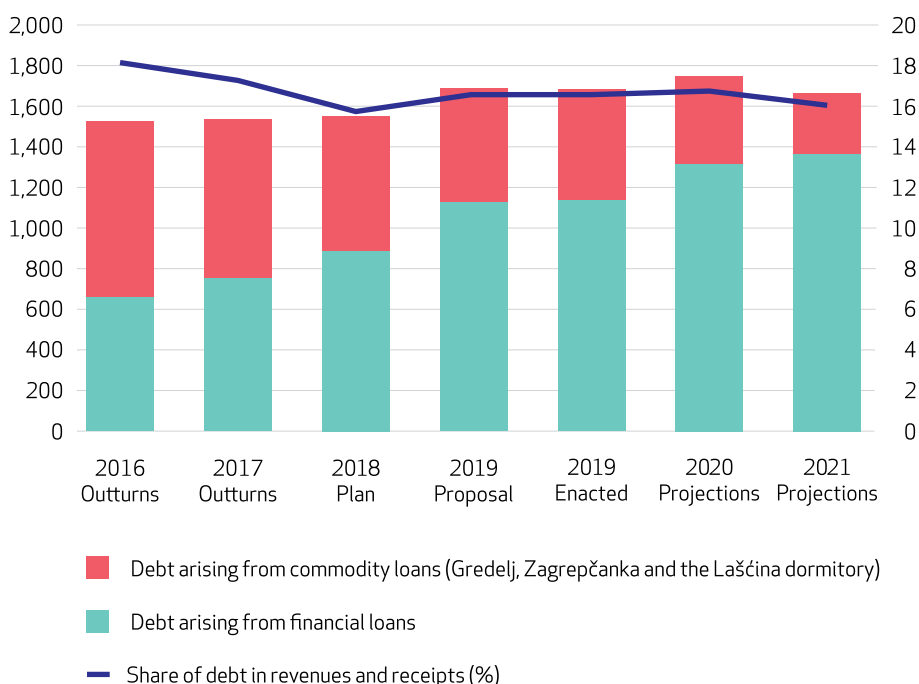
Compared with the 2019 budget proposal, total revenues presented in the enacted 2019 budget remained unchanged, whereas total expenditures increased by HRK 6m. Changes in the financing account, when compared with the 2019 budget proposal, are found only in the outlays, which went down by a total of HRK 6m (2.5%) concerning current debt repayment. Hence, net financing is expected to amount to HRK 76.6m in 2019.

PLANNED CITY BUDGET DEBT

The City's **direct debt is planned to amount to approximately HRK 1.6bn at the end of 2019** (graph 6). The share of debt in total budget revenues and receipts is planned to stand at 16.5% in 2019, but trending down slightly (to 15.9%) in 2021. The City's level of indebtedness is low, compared to the total revenues and receipts, so that the City can easily service its direct debt from regular revenues and receipts. It should be noted, however, that, according to the [Budget Act](#), any long-term borrowing by the City requires the Government's approval. Graph 6 therefore shows the planned level of debt, while the actual debt depends on that approval.



Direct debt is the sum of all budget deficits incurred in the current and in earlier periods, financed by borrowing.



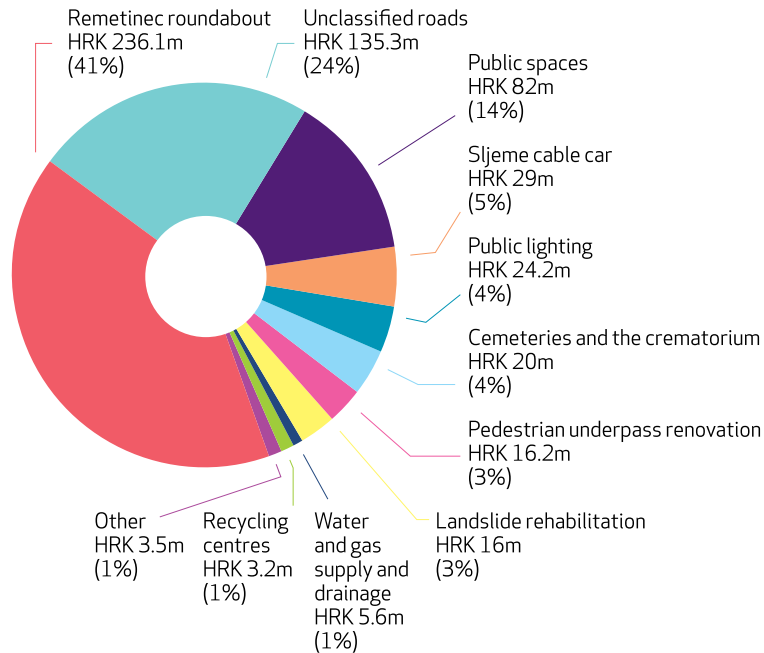
Graph 6: The City's debt (in million HRK, left-hand scale) and the share of debt in budget revenues and receipts (in %, right-hand scale), 2016–2021*

*The revenues and receipts include own and earmarked revenues and receipts of budget users.

Besides the direct debt shown in graph 6, the City is potentially (through guarantees) exposed to **an indirect debt of HRK 2.4bn** (24.1% of total planned revenues and receipts in 2018). The bulk of that amount (HRK 2.3bn) relates to a guarantee for a bond issue by Zagreb Holding to refinance a 2007 debt. These bonds were issued in two tranches (HRK 1.8bn in mid-2016 and an additional HRK 500m in July 2017), and the guarantee has been approved by the Finance Minister.

DEVELOPMENT PROGRAMMES – MAJOR INVESTMENTS

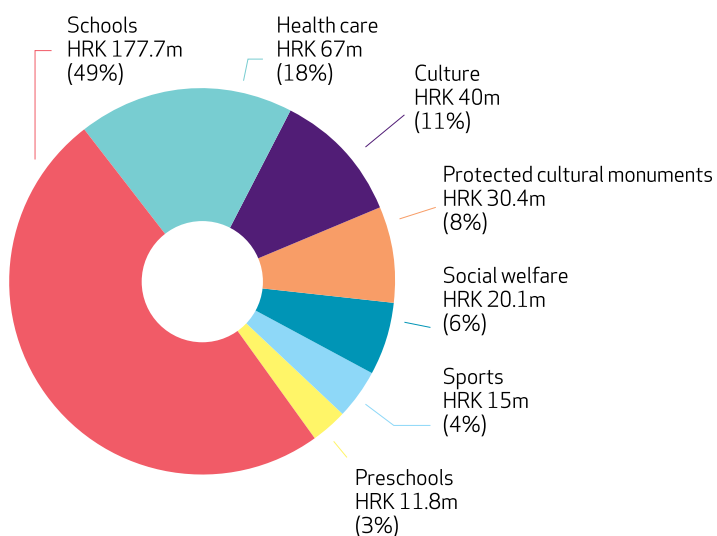
The amount planned for **the construction of utility infrastructure facilities and equipment** in 2019 is **HRK 571m** (graph 7). A good supply of utility services improves the quality of life and makes the City more attractive for business and social activities. This investment is therefore a key prerequisite for achieving the City's general spatial development goals.



Graph 7: Capital investments in the construction of utility infrastructure facilities and equipment, 2019

Major investments in utility infrastructure and equipment will cover the Remetinec Roundabout (HRK 236m) and unclassified roads (HRK 135m), with a view to improving the quality and safety of services and preserving the transportation network integrity. Depending on the project, funds will be used for the development of technical documentation and various phases of construction and reconstruction.

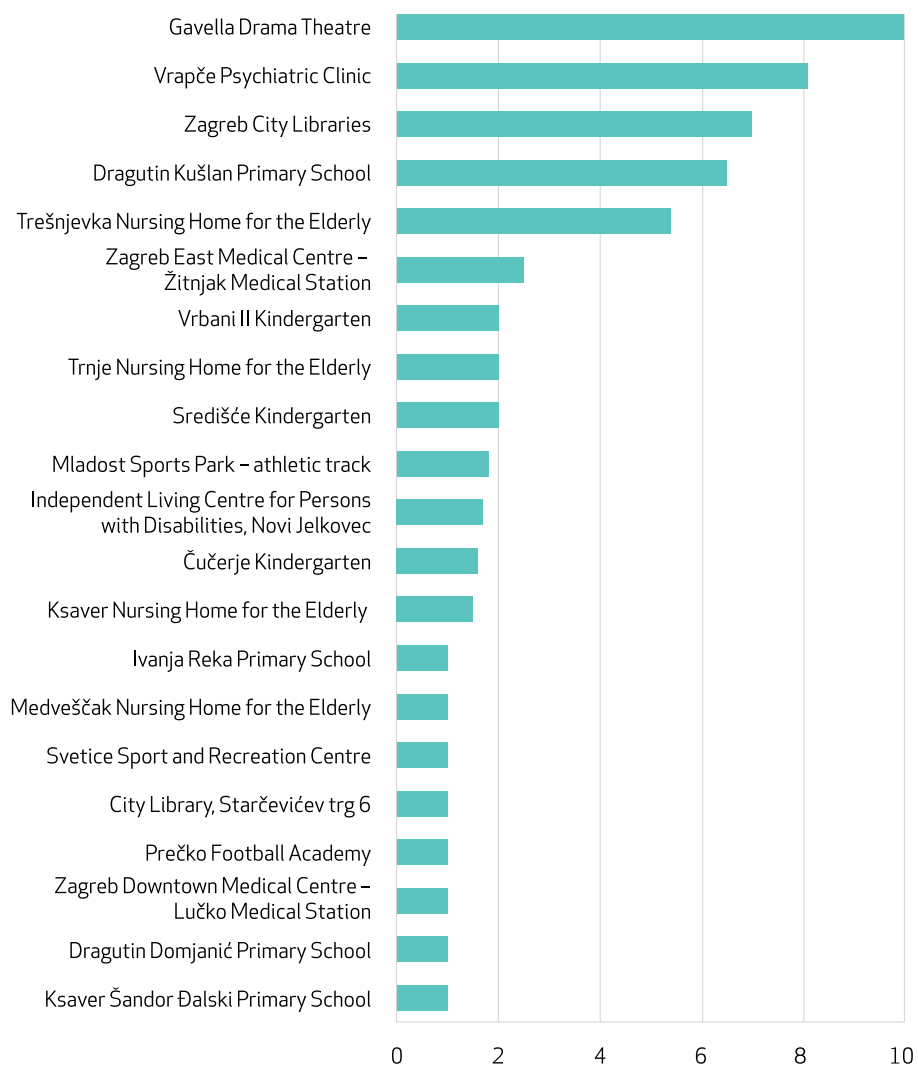
HRK 362m has been earmarked for **capital investments in social service facilities** (graph 8).



Graph 8: Capital investments in social service facilities, 2019

Graph 9 shows some of the key planned investments in social service facilities. Depending on the project, they cover the costs of project documentation development, obtaining construction documents, conversion of premises, renovation, rehabilitation, construction and furnishing, and the costs of property relations settlement.





Graph 9: Some of the key capital investments in social service facilities, 2019 (in million HRK)

HOW CAN YOU PARTICIPATE IN THE BUDGET PROCESS?

At its session held on 13 December 2018, the City Assembly, as the citizens' representative body, adopted the City of Zagreb 2019 Budget in a substantial amount of HRK 10.20bn expenditures and outlays. During 2019, every employed person is expected to pay an average monthly amount of HRK 1,088 in personal income tax and surtax into the budget. The average monthly amount spent per citizen will be HRK 1,059 expenditures and outlays. It is highly important how these funds will be collected and spent, and this concerns each and every one of us. With the help of this brief guide and the [Guide to the City of Zagreb Budget](#), you can analyse budget execution (e.g. during the discussion and adoption of mid-year and year-end reports on budget execution, or at the time of adoption of budget revisions). You can also compare the City of Zagreb's budget performance with the performances of other cities and municipalities. This would give you a better insight into the overall situation in the City and the country as a whole, and perhaps encourage you to suggest some better solutions!



USEFUL WEBSITES

[City of Zagreb](#) – The official website of the City of Zagreb

[City of Zagreb – Finances](#) – City budget, City credit rating, forms

[City Office for Finance](#) – Contacts, competence and activities

[City offices, institutes and professional services](#) – Detailed data,
contacts, competence
and activities

[City Assembly](#) – Organisation, competence,
working bodies and regulations

[City districts](#) – Basic information, territorial boundaries,
bodies and powers

[Local committees](#) – Territorial boundaries, seats, bodies and powers

[Zagreb Holding](#) – Organisation, services, topical issues and contact

[Official Journal of the City of Zagreb](#) – All City regulations

[Ministry of Finance – local budgets](#) – An archive of the budgets of all
municipalities, cities and counties

[Budget Act](#) – Budget-related acts and regulations

[Institute of Public Finance](#) – Transparency of the budgets of counties,
cities and municipalities

PREVIOUSLY PUBLISHED GUIDES

[A Guide to the City of Zagreb Budget](#)

[A Brief Guide to the City of Zagreb 2014 Budget Execution](#)

[A Brief Guide to the City of Zagreb 2015 Budget Proposal](#)

[A Brief Guide to the City of Zagreb 2015 Enacted Budget](#)

[A Brief Guide to a Proposal for the City of Zagreb 2015 Budget Revision](#)

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