

# The Croatian budget in the 1999

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**Ott, Katarina; Bajo, Anto**

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# NEWSLETTER



Institute of Public Finance, HR-10000 Zagreb, Katančićeva 5 Croatia

P.O.Box 320, Phone: (385 1) 4819 363; Fax: 4819 365; e-mail: office@ijf.hr; www.ijf.hr

Katarina Ott and Anto Bajo  
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## The Croatian Budget for 1999

This article has been occasioned by the appearance of the national budget of the Republic of Croatia for 1999, published in the *Official Gazette (Narodne novine, 167/98)*. The objective of the professional and independent analysis given here is to draw attention to the conditions that are essential for more informed and better-argued debates to be held during the passing of budgets at some future time. One of the basic preconditions is an unambiguous system of national reporting, of which there will be some considerable discussion in the article.

### Passing the budget

Budget debates are of crucial importance, because the budget settles many weighty issues. How much tax will be paid, and how will the state spend the resources of the taxpayer? What kind of services does the state intend to provide its citizens? What proportions of the budget are going to be spent on education, healthcare, defence, public investment in the infrastructure, science and/or culture? Where will most of the funds deriving from the budget be used, and where will they be employed in smaller amounts? These are just a few of the questions relating to the budget, questions for which there must be a ready answer at any given moment.

Members of parliament may or may not be able to cope with complicated budgetary tables, but they have to be able to find answers to the above questions in the draft of the budget supplied to them by the government. And accordingly, the govern-

ment has to provide them with a draft that is as perspicuous as it may well be. Budgetary expenditures, for example, have to be classified both functionally and administratively. An administrative classification means that expenses are displayed in terms of the administrative units that use the budgetary resources (Defence Ministry, Welfare Ministry and so on). It will show, in effect, where the funds are expended. A functional classification shows the amounts spent on given needs, like defence, welfare, health care, education and so on. Just because a certain amount is allotted to a certain ministry it does not necessarily mean that it will really be used by this institution in pursuit of its main purpose. The Defence Ministry, for example, may give various kinds of benefits to ex-soldiers. In this case, the sum should be shown functionally, as welfare, and not as defence. For this reason, looking only at the administrative budget, i.e., the budget according to a classification by accounts, can mislead members of the parliament while they are evaluating the draft and making decisions about the apportionment of budgetary resources.

The administrative classification of the Republic of Croatia differs considerably from the functional classification of government financial statistics (GFS). Although there is a monthly Finance Ministry publication in which expenditures are listed functionally according to GFS classifications, the parliamentary debate is based on the budget at the account level, that is the budget in its administrative form. Such a budget shows the apportionment of funds according to administrative recipients, the departments in charge and in terms of separate pur-

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poses, but it is difficult to say precisely how much of the resources will be spent on which purpose.

An additional problem is that when the budget is read certain important ancillary issues are not well enough defined. The macroeconomic environment is displayed to a certain extent, but there is no provision about any ceiling on growth in account expenditures in line with GDP growth rate, and it is not even clear whether inflationary expectations are built into the budget. Although it is not obliged to do so, the Finance Ministry ought, alongside the draft of the budget, to define the principles and projection of the fiscal policy for a period of at least three years, for example from the year 2000 to 2003. For the moment, that is, it is not clear whether budgets will mainly be marked by an increase or a by diminution in fiscal revenues/expenses, nor has there been an attempt to make an estimate of budgetary trends for the coming period, and so on.

### **The budget of the Republic of Croatia for 1999**

The 1999 Croatian budget contains revenues/expenses amounting to 49,047,850,000 kuna. The financing account is planned to come to the amount of 3,831,017,329 kuna. The budget account and the financing account together are planned to amount to 52,878,876,329 kuna. The budget is balanced, as is the financing account: receipts from financing are the same as repayments.

Although in the budget as published there is comparison only of the amounts for 1998 and 1999, we will for the purposes of this analysis show, in addition to these planned amounts, the amounts that were actually realised in 1997, and add a comparison of the plan for 1998 and the realisation of 1997, and the plan for 1999 and the realisation of 1997.

### **Analysis of revenue**

**Total budgetary revenues** are constantly on the rise (Table 1). If we look only at the figures officially provided (the plan for 1999, the plan for 1998), the growth does not seem excessive, coming only to 9.98%. However, if we compare the actual figures for 1997 with the plans for 1998 and 1999, then the growth is much more striking: 31.76% (1998/97) and 44.91% (1999/97).

**Taxation revenue** is the fundamental fiscal revenue in every country. The structure of tax revenue can, when compared with GDP, show a good deal about

the tax burden, the distribution of the burden and possible effects on the economy.

But with the best of will, for reasons that will be explained in the section about GDP, it is impossible to give a precise estimation of the tax burden in Croatia.

Croatian taxation revenues are rising (Table 1). The growth amounts to only 5.01% for 1999 as against 1998, but to 29.29% for 1998/97 and 35.77% for 1999/97. The proportion of tax revenue in overall budgetary revenue, however, is falling: from 92.59% in 1997, to 90.85% in 1998 and 86.75% in 1999.

The structure of tax revenue is particularly interesting. Taxation on sales (turnover tax in 1997 and value added tax in 1998 and 1999) constitutes the biggest item among taxation revenues, and is constantly rising. The proportion of sales taxes in the total income from taxation is also rising (Table 3). The share of turnover tax in 1997 came to 48.29%, and that of VAT to 49.61% in 1998 and 52.93% in 1999 (the items for turnover tax that appear in 1998 and 1999 are interest on taxation).

If we look, however, at the item for VAT, special taxes and turnover tax together (Table 3) then their share in total tax revenue for 1997 was 65.42%; 70.07% is planned for 1998, and 70.02% for 1999. The increase of revenue from sales taxes (VAT, turnover tax and special taxes) came to only 4.93% for 1999 as against 1998, but to 38.38% for 1998/97 and 45.31% for 1999/97.

The second most important item of taxation is income tax and surtax. Their share in total taxation revenues (Table 3) fell in real terms from 13.09% in 1997 to 11.54% in 1998 and 10.82% in 1999. However, if we look at the rate of rise for 1998/97 (in spite of the constant reduction in the tax burden on incomes) there is once again a rise of 13.98%, or 12.22% for 199/97. Customs duties and fees come to the substantial amount of 14.92% of all taxation revenue for 1997 and 10.19% in 1999, a sum that is constant in absolute terms, although its relative importance is falling. Profit tax amounts to about 5 to 7% of overall taxation revenue.

**Non-taxation revenue** (Table 1) constituted 6.05% of budgetary revenue in 1997. It is planned to account for 3.95% of total budgetary revenue in 1998, and 4.27% in 1999. The main item of non-tax revenue is the earnings of the public corporations.

**Capital revenue** Because of frequent changes in the way items in the budget are entered, it is hard to analyse capital revenue precisely (Table 1), but even so it is possible to arrive at certain conclusions. Capital revenue grew from 1.36% of total revenue in 1997 to

5.20% in 1998 and 8.98% in 1999. If we look at the annual changes, capital revenue almost doubled between 1998 and 1999 (index 189.80), and quintupled between 1998 and 1997 (index 502.93), or increased more than nine times between 1999 and 1997 (index 955.40). These figures are based on revenue expected from privatisation. From an insignificant 143,777,398 kn in 1997, it is expected that they will rise to 1,970,000,000 kn for 1998 and 4,100,000,000 for 1999.

Table 4 shows the share of individual capital revenues in total capital revenues. The share of revenue derived from privatisation in total capital revenues for 1997 was 32.18%, whereas in 1998 it should be 84.94%, and in 1999 93.06%. The indices come to 208.12 (1999/98), 1370.17 (1998/97) and 2,851.63 (1999/97). These sums should be collected from the privatisation of telecommunications and three of the leading banks. Such one-off leaps in capital revenue are common in other countries in transition.

### Financing Account

As well as the revenue and expenses balance sheet, the national budget also contains a financing account (Table 1). This account shows national borrowings and repayments of debts. The financing accounts for both 1998 and 1999 show a balance between receipts from foreign and domestic loans and expenses for the repayment of foreign and domestic debts deriving from borrowing in previous periods. Receipts from loans from the World Bank, the EBRD and other world institutions are expected. These funds are planned to be used for the financing of transportation infrastructure and the reform of the pension system. Expenses to the same amounts relate to the repayment of foreign debts. This means that income and expenses are in equilibrium. However, the budget for 1999 comes to 49.04 billion kuna. If we add to this the 3.83 billion kuna, we come to the sum of 52.87 billion kuna which has already been allocated in the budget for this year.

### Analysis of expenses

**Total budgetary expenses** are rising (Table 1). If we look at the relation between the plan for 1999 and the plan for 1998, what we have is a rise of 8.64%. However, if we look at the relation between the plan for 1998 and realisation in 1997, the rise comes to

27.39%, and for the plan for 1999 and realisation in 1997 it is 40.11%. Let us look at the structure of expenses.

**Current expenses** are the biggest item (Table 1). They comprise 84.49% of total expenses for 1997, 79.94% for 1998 and 79.96% for 1999. Although the proportion in total expenses is falling, current expenses actually show a constant rise, of 7.22% only for 1999 as against 1998, but of 20.53% for 1998/97 and 32.60% for 1999/97. The biggest current expenses item is for personnel. Although it is no easy matter to explain what is concealed under the term personnel expenditures, the item is worth devoting more detailed analysis to. Personnel expenditures came to over 11 billion kuna or 31.54% of total budgetary expenses for 1997, to 12.9 billion kuna or 28.93% in 1998, and 14.68 billion kuna or 29.94% in 1999. These sums include sums for personnel (salaries and wages), compensation for pay (during sick leave, holidays and so on), the salaries of members of parliament, expenses incurred by personnel, and grants and benefits to casualties of the war for Croatian independence.

The next most important item is for financial and other external expenses, which come to 19.6% of total of total expenses in 1997, 17.99% in 1998 and 12.17% in 1999. Here are the most important interest payments on foreign debts and payments transactions expenses, and expenses for defence, public order and security. From the sum of financial and other foreign expenses and operational expenses, it can be concluded that in 1997 and 1998 more than 50% of the budget went to debt servicing and general public services. In 1999, these are planned to account for about 46% of the budget.

Current transfers to the budget and budget beneficiaries have declined from 15% of total expenses in 1997 to 3.68% in 1999. Here it is important to ask whether this is really a reduction or whether there was some change in the methodology of monitoring this item in 1998 and 1999. The item is composed of transfers of funds to healthcare and scientific institutions and to local government, transfers from one ministry to another and so on.

There is one other item that has a welfare component: current transfers and support to extra-budgetary beneficiaries and beneficiaries abroad. These transfers rose from 6.46% of total budgetary expenses in 1997 to 16.51% in 1998 and 23.01% in 1999. This item is made up of transfers of funds for family and household assistance, assistance to the disabled and other handicapped persons, child benefit

payments, maternity benefits, pension supplements, grants to former political prisoners, to non-profit making organisations, ethnic communities and minorities, transfers to financial institutions, international organisations, the Red Cross and suchlike.

**Capital expenditures** rose from 12.85% of total expenditures in 1997 to 16.43% in 1998, and 16.39% in 1999. This rise is more than welcome, but there is no detailed analysis, and so it is difficult to say how much of these sums will really be used for the construction of the capital facilities that are important for development.

**The total budgetary expenditures for 1999** can also be looked at in another way (Table 2). The expenditure side of the budget includes 44 beneficiaries, various ministries and institutions that are financed directly from the budget. If we sort beneficiaries according to amounts, it can be seen that just 12 beneficiaries receive more than 90% of all budgetary expenditures. The remaining 32% beneficiaries receive less than 10%.

Directly or indirectly, 37% of all funds pass through the hands of three ministries. These are the Finance Ministry, the Defence Ministry and the Internal Affairs Ministry. About 20% of all expenditures go through the Finance Ministry. This large share is accounted for by the fact that this ministry handles all matters relating to the public debt, to debt servicing, transfers to the counties and other things.

All expenditures that are made through the Labour and Welfare Ministry, the Education and Sports Ministry, the Health Ministry, the National Office for the Protection of the Family, Maternity and Youth and the Croatian Defenders' Ministry have a direct or indirect welfare component, and they come to some 31% of the budget.

Although it is impossible to make a precise functional classification of the budget, it can be said that more than 50% is spent on general public services (administration) and external debt servicing and repayment. If we add to this the high expenditures for various programmes for welfare, the casualties of the war, for the reconstruction of dwellings in the war-torn areas, the funds left over to finance developmental projects are modest in the extreme.

Construction and reconstruction of transportation infrastructure, financed via the Transportation Ministry, account for 10% of the budget. To this one might add very modest sums for tourism and the reconstruction of industry (the

Economics Ministry takes a mere 0.95% of the budget). Items such as culture take 1.04% of the budget, while funds earmarked for environmental protection (0.09% of the budget) are completely negligible.

### **The size of the state**

As an indicator of the "size of the state" it is common to take budgetary expenditures as a percentage of GDP. Doubts arise when it is time to determine the size of GDP (Table 5). In Croatia, only the estimate of the National Statistics Agency can be considered authoritative. However, in this case we have an estimate for 1997 only, those for 1998 and 1999 not existing. Putting the figures of the budget against the National Statistics Agency's estimate of GDP, we can state that the percentage is high (29.4% for 1997).

If we rely on the estimates of the Finance Ministry, we run up against problems once again, because this estimate has changed several times in the last five months. If we were to opt for one of the proffered figures, it would be hard to say how realistic such large growths in GDP for 1998/97 and 1999/98 are.

If we compare budgetary data with the Finance Ministry's version of GDP, it can be concluded that there are small percentage rises in the size of the state (it was 22% in 1997, 24.83% in 1998 and 25.05% in 1999).

The level of the tax burden is rising in a similar way. However, it is still questionable how realistic the Finance Ministry's estimation of GDP is. In the Ministry's monthly statistical review for December, for example, the industrial production indicator CROLEI warns, for the first time in the last few years, of negative trends in industrial production.

### **Conclusions**

The national budget is constantly on the rise. Unfortunately, this cannot be discussed in terms of the usual indicator, percentage of GDP, because in Croatia there is no official estimate of the size of GDP for 1998, nor a forecast for 1999, which is supposed to be published by the National Statistics Agency.

Judging from the structure of taxation revenues and their share in the budget, in which the biggest proportion is contributed by turnover tax and

value added tax, it should be said that the lion's share of the tax burden in Croatia is borne by the general public. Profit tax constitutes a relatively small share of the total taxes. This might be caused by built-in features of the taxation system itself, by low levels of economic activity, or by the typical crowding-out effect exerted by a large national budget. The logical consequence of such circumstances is considerable welfare transfers.

Revenue expected from privatisation do not seem realistic, and some of the problems that are met have to be mentioned. First, if the state does not collect the planned amounts, it will find it hard to manage to cover the expenditure side of the budget for 1999. Second, it is questionable how effectively the government will manage to negotiate the sale of the public corporations or parts of them to foreign investors, when leading financial papers are already discussing the hole in the Croatian budget, which coincides with the price that is aimed at for the companies being offered. Thirdly, even if the government does manage to make some successful sales in 1999 and collects enough revenue to cover the expenditure side of the budget, privatisation earnings can have only a one-off effect on a rise in revenue. Income from privatisation cannot be repeated. If such revenue is used for the purposes of administration and welfare, which do not make any contribution to economic growth, how is the expenditure side of the budget to be covered in the year 2000?

The financing account is also questionable. If the funds expected from abroad do not actually arrive, one very important item in the budget becomes extremely dubious. This is the construction of the transportation infrastructure. On the repayment side of the financing account there are items relating to the servicing of foreign debts that cannot be postponed. In the event of new foreign resources failing to arrive, the budget will have to be cut in some other sore spots, and practically all the spots are sore because the budget is already overstrained.

The growth in expenditures (Table 1) gives cause for concern. Apart from the rise in overall expenditures, what is particularly worrying is the fact that current expenditures account for 80% and capital expenditures less than 20% of total expenditures. In spite of the very grave economic circumstances, the great unemployment and the trade deficit, which might suggest the need for the reduction of such expenditures, the greatest current expenditure item is expenditure for government employees. It is more

than obvious that rationalisations have to be carried out in the civil service and the public services. In addition, a study should be made of employment structure by sector (public sector, banks, companies), which might indicate where some still very important problems lie.

Looked at in a different way, it is alarming that almost 50% of the budget goes to paying off debts and for general public services. Containing considerable transfers and subsidies to extra-budgetary beneficiaries and beneficiaries abroad, the 1999 budget can be said to have been drawn up so as to keep social peace, to pay off debts and to play for time while funds come from abroad.

Most of the capital expenditures, alas, go on equipment, and the maintenance and construction of public buildings. The main item in development projects (transportation infrastructure) depends on obtaining foreign loans, on direct foreign investment and foreign assistance. If we take the forecast trade deficit into account as well as the expected continued reduction in exports, the chances for development projects are very uncertain.

Without genuine improvements in ongoing privatisation, it is obvious that the national budget will continue to be used to settle the burning questions of pensions payments, healthcare financing, and will to a great extent affect the activity of the private sector. Improvements could be made via further privatisation of the public corporations and increased direct investment in the private sector. Unfortunately, the unstable situation on the international capital market and the unpropitious political position of Croatia do not permit optimistic forecasts to be made.

### Proposals

If there really were a clear will and determination, on the part of both state and public in general, to improve the conditions for the establishment of a market economy, and accordingly to improve the economic situation, both the population at large and its representatives in the government would have to have clear and precise information about the state of the economy, about public finances and the budget. Accordingly, several concrete proposals can be made.

Above all, it is absolutely essential to determine the size of GDP. With the aid of a precisely established size for GDP it would be possible to see what percentage of it the budget, the

public debt or exports are, and compare the situation in Croatia with that in other countries, and decide whether these percentages are large or small, and what can be done about it.

A functional classification of the budget is also essential, so that it is possible precisely to determine how many resources are devoted to given purposes, to defence, for example, to education, or healthcare, for only on the basis of this is it possible to decide whether such a division of public resources is in line with the capacity and wishes of the country and its inhabitants. Since the Finance Ministry does make up a functional classification, this should be supplied to members of parliament. In addition, many more tables should be provided, in which there would be a clear display of aggregated data per individual function like health care, education and so on.

The public debt is a mechanism the use of which can have considerable effects in increasing the prosperity of the population, but can also make life much worse for present and future generations. For this reason precise statistics relating to the external and internal debt are essential, as is a public debt law, which would define the public debt, its scope,

purposes, users, the criteria for approving public guarantees and so on.

The proposed efforts to improve the transparency of data can be achieved in less than a year. It is absolutely essential to stop the practice of adjusting data about the size of GDP. If time and resources are provided, and the assistance of international institutions and foreign experts is accepted, the results that other countries have already achieved can be attained without any difficulties. It is important to make sure of clear, easily readable and reliable data about public finances and the national statistics.

Without these preconditions, neither members of parliament nor the general public will be able to have a clear and manageable picture of the important issues in the public sector that are relevant to development and prosperity, both for us and for future generations. Without these preconditions, the years to come will see the continuation of discussions about small percentage rises or cuts in certain expenditures or certain beneficiaries, while the economic system will be struggling through crises that are ever greater.

Table 1.

BUDGET REVENUE	1997.		1998		1999.		Index		
	Actual HRK	%	Budget HRK	%	Budget HRK	%	1998/97	1999/98	1999/97
<b>Total revenue (I+II)</b>	<b>33.846.122.519</b>	<b>100,00</b>	<b>44.596.193.559</b>	<b>100,00</b>	<b>49.047.850.000</b>	<b>100,00</b>	<b>131,76</b>	<b>109,98</b>	<b>144,91</b>
<b>I. Current revenue (A + B)</b>	<b>33.384.985.343</b>	<b>98,64</b>	<b>42.277.007.565</b>	<b>94,80</b>	<b>44.642.150.000</b>	<b>91,02</b>	<b>126,63</b>	<b>105,59</b>	<b>133,72</b>
<b>A. Tax revenue:</b>	<b>31.338.172.441</b>	<b>92,59</b>	<b>40.516.396.905</b>	<b>90,85</b>	<b>42.547.792.400</b>	<b>86,75</b>	<b>129,29</b>	<b>105,01</b>	<b>135,77</b>
a) Income tax and surtax	4.102.095.436	12,12	4.675.588.514	10,48	4.603.535.000	9,39	113,98	98,46	112,22
b) Tax on profits	1.785.259.052	5,27	1.913.256.000	4,29	2.936.380.000	5,99	107,17	153,48	164,48
c) Real estate tax	242.701.664	0,72	235.869.180	0,53	349.715.000	0,71	97,18	148,27	144,09
d) General sales, turnover, or value added taxes	20.502.487.044	60,58	28.391.525.786	70,07	29.791.316.700	60,74	138,48	104,93	145,31
1. Value added tax	-	-	20.102.094.611	45,08	22.521.719.671	45,92	-	112,04	-
2. Excise	5.369.315.279	15,86	6.399.431.175	14,35	6.619.597.029	13,50	119,19	103,44	123,29
3. General sales tax	15.133.171.765	44,71	1.890.000.000	4,24	650.000.000	1,33	12,49	34,39	4,30
e) Customs duties and fees	4.675.517.072	13,81	4.791.861.175	10,75	4.333.565.000	8,84	102,49	90,44	92,69
f) Other taxes	-	-	508.300.250	1,14	533.280.700	1,09	-	104,91	-
<b>B. Nontax revenue</b>	<b>2.046.812.902</b>	<b>6,05</b>	<b>1.760.610.660</b>	<b>3,95</b>	<b>2.094.357.600</b>	<b>4,27</b>	<b>86,02</b>	<b>118,96</b>	<b>102,32</b>
<b>a) Entrepreneurial and property income</b>	<b>542.552.244</b>	<b>1,60</b>	<b>823.984.750</b>	<b>1,85</b>	<b>1.325.866.000</b>	<b>2,70</b>	<b>151,87</b>	<b>160,91</b>	<b>244,38</b>
1. Concession charges	-	-	142.100.000	0,32	232.512.000	0,47	-	163,63	-
2. From NFPE and public financial institutions	-	-	635.985.000	1,43	1.070.000.000	2,18	-	168,24	-
3. Revenue from interest and exchange rate differences	-	-	2.000.000	-	2.420.000	0,00	-	121,00	-
4. Other revenue from entrepreneurial and property income	-	-	25.899.750	0,06	20.934.000	0,04	-	80,83	-
<b>b) Administrative fees and charges</b>	<b>562.610.763</b>	<b>1,66</b>	<b>102.800.000</b>	<b>0,23</b>	<b>119.237.600</b>	<b>0,24</b>	<b>18,27</b>	<b>115,99</b>	<b>-</b>
<b>c) Fines and forfeits</b>	<b>-</b>	<b>-</b>	<b>828.625.910</b>	<b>1,86</b>	<b>642.604.000</b>	<b>1,31</b>	<b>-</b>	<b>77,55</b>	<b>-</b>
1. Fines	281.010.459	0,83	303.727.000	0,68	391.270.000	0,80	108,08	128,82	139,24
2. State administration bodies revenue	286.829.905	0,85	184.686.790	0,46	190.618.000	0,39	64,39	103,21	66,46
3. Roads charges	347.086.192	1,03	340.212.120	0,76	60.716.000	0,12	98,02	17,85	17,49
<b>d) Other revenue</b>	<b>26.723.337</b>	<b>0,08</b>	<b>0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>e) Income from government operations (paid into the budget)</b>	<b>-</b>	<b>-</b>	<b>5.200.000</b>	<b>0,01</b>	<b>6.650.000</b>	<b>0,01</b>	<b>-</b>	<b>127,88</b>	<b>-</b>
<b>II. Capital revenue</b>	<b>461.137.175</b>	<b>1,36</b>	<b>2.319.185.994</b>	<b>5,20</b>	<b>4.405.700.000</b>	<b>8,98</b>	<b>502,93</b>	<b>189,97</b>	<b>955,40</b>
<b>a) Sales of land</b>	<b>317.359.777</b>	<b>0,94</b>	<b>0</b>	<b>-</b>	<b>200.000</b>	<b>0,00</b>	<b>-</b>	<b>-</b>	<b>0,06</b>
1. Revenue from sales of state owned buildings	159.420.259	0,47	349.185.994	0,78	300.500.000	0,61	219,03	86,06	188,50
2. Other revenue from sales of property	157.939.518	0,47	0	-	5.000.000	0,01	-	-	3,17
<b>b) Revenue from privatisation/sales enterprises</b>	<b>143.777.398</b>	<b>0,42</b>	<b>1.970.000.000</b>	<b>4,42</b>	<b>4.100.000.000</b>	<b>8,36</b>	<b>1.370,17</b>	<b>208,12</b>	<b>2.851,63</b>

Sources of the tables Nos. 1-4: Državni proračun RH za 1999. "Narodne novine", br. 167/98., Izmjene i dopune državnog proračuna RH za 1998. "Narodne novine", br. 90/98., Izvršenje proračuna Ministarstvo financija 1998.

Table 1 - Continued

BUDGETARY EXPENDITURE	1997.		1998.		1999.		Index	
	Actual HRK	%	Budget HRK	%	Budget HRK	%	98/97	99/98
<b>TOTAL EXPENDITURE</b>	<b>35.006.313.811</b>	<b>100,00</b>	<b>44.596.193.559</b>	<b>100,00</b>	<b>49.047.850.000</b>	<b>100,00</b>	<b>127,4</b>	<b>108,64</b>
<b>I. Current expenditure (a+b+c+d+e+f)</b>	<b>29.577.808.382</b>	<b>84,49</b>	<b>35.649.778.442</b>	<b>79,94</b>	<b>39.220.268.398</b>	<b>79,96</b>	<b>120,5</b>	<b>107,22</b>
a) Expenditure on goods and services	12.965.806.324	37,04	15.008.784.206	33,65	16.956.683.015	34,57	115,76	109,28
Personnel expenditures (Wages and salaries, employee contribution)	11.039.876.065	31,54	12.901.381.338	28,93	14.685.627.476	29,94	116,86	109,51
Expenses for materials, energy, utilities and other services	1.224.043.247	3,50	1.380.730.491	3,10	1.555.941.592	3,17	112,8	112,66
Expenses for current maintenance	711.887.012	2,03	726.672.377	1,63	706.313.947	1,44	102,08	97,48
Expenditures for materials and services to carry out own production and services			0	-	8.800.000	0,02	-	-
b) Financial and other external expenses	6.861.212.418	19,60	8.022.177.343	17,99	5.968.979.527	12,17	116,92	76,67
Agriculture and forestry	8.610.397	0,02	18.232.300	0,04	40.835.148	0,08	211,75	210,81
Education affairs and services	30.169.714	0,09	51.008.689	0,11	62.899.051	0,13	169,07	123,31
Expenditures for geodetic survey			31.000.000	0,07	29.507.000	0,06	-	95,18
Environment protection	12.133.113	0,03	22.634.908	0,05	25.001.682	0,05	186,55	110,13
Financial expenses	1.840.287.258	5,26	2.632.725.073	5,90	2.369.847.928	4,83	143,06	96,05
Expenses for statistical research	6.274.025	0,02	15.422.025	0,03	15.720.859	0,03	245,81	101,94
Health affairs and services	1.873.850	0,01	4.918.971	0,01	14.769.593	0,03	262,51	302,07
Defence affairs and services	3.603.250.000	10,29	3.900.083.363	8,75	2.534.083.363	5,17	108,24	64,98
Public order and safety affairs	719.278.164	2,05	604.833.032	1,36	251.000.000	0,51	84,09	41,65
Expenses for transport safety	2.314.061	0,01	6.731.950	0,02	6.800.000	0,01	290,91	101,01
Other expenses	637.021.835	1,82	734.587.031	1,65	618.514.903	1,26	115,32	87,45
c) Current transfers to budgets and budgetary beneficiaries	5.251.517.410	15,00	2.119.732.287	4,75	1.805.351.026	3,68	40,36	70,77
Current transfer to state institutions	4.955.475.310	14,16	1.486.246.741	3,33	1.306.914.748	2,66	29,99	87,93
Current transfers to other levels of national government	294.532.100	0,84	612.542.735	1,37	160.500.000	0,33	207,97	26,2
Current transfer among budget beneficiaries inside ministries			7.879.811	0,02	7.930.000	0,02	-	100,64
Current transfer to the same level of government	1.510.000	0,00	1.230.000	0,00	3.220.000	0,01	81,46	261,79
Other current transfers			11.833.000	0,03	21.550.000	0,04	-	182,12
d) Current transfers and subsidies to extrabudg.benefuc.and benef.abroad	2.262.239.800	6,46	7.361.610.997	16,51	11.287.855.382	23,01	325,41	150,69
Current transfers to citizens, household and nonfinanc.institutions	2.229.000.407	6,37	2.493.953.087	5,59	3.340.351.670	6,81	111,89	134,26
Transfers to nonprofit institutions			436.004.366	0,98	714.127.579	1,46	-	116
Current transfers to finan. instit and monetary authority	4.847.345	0,01	1.130.900	0,00	1.130.900	0,00	23,33	100
Current transfers to extrabudgetary funds			4.393.404.784	9,85	6.492.937.297	13,24	-	143,24
Current transfers abroad	28.392.048	0,08	29.568.340	0,07	721.717.936	1,47	104,14	3.167,98
Other subsidies and transfers to nonbudgetary beneficiaries			7.549.520	0,02	17.590.000	0,04	-	109,15
e) Subsidies	570.000.000	1,63	862.000.000	1,93	1.085.590.000	2,21	151,23	124,71
f) Other current transfers	1.735.558.791	4,96	2.275.473.609	5,10	2.115.809.448	4,31	131,11	88,11
<b>II Capital expenditure</b>	<b>4.499.019.741</b>	<b>12,85</b>	<b>7.325.207.358</b>	<b>16,43</b>	<b>8.037.585.886</b>	<b>16,39</b>	<b>162,8</b>	<b>111,38</b>
Procurement of fixed capital assets and investment maintenance								
Procurement of fixed capital assets	3.497.402.825	9,99	4.352.072.358	9,76	4.712.560.534	9,61	124,44	99,2
State owned land and forest	70.210.600	0,20	207.469.896	0,47	315.120.000	0,64	295,5	150,92
Procurement of state owned buildings	1.211.232.190	3,46	838.653.272	1,88	1.106.501.620	2,26	69,24	124,8
Procurement of office furniture and equipment	186.553.145	0,53	272.687.029	0,61	270.732.243	0,55	146,17	98,17
State owned vehicles	10.386.607	0,03	21.996.388	0,05	19.254.000	0,04	211,78	158,75
Equipment, plant	21.808.940	0,06	31.000.000	0,07	7.000.000	0,01	142,14	22,58
Other fixed assets	44.568.703	0,13	7.294.000	0,02	23.123.000	0,05	16,37	330,72
Intangible assets in state property	168.479.859	0,48	159.739.183	0,36	202.816.030	0,41	94,81	119,24
Purchases of stocks	1.449.365	0,00	2.610.000	0,01	3.267.000	0,01	180,08	124,41
Construction of capital facilities	1.644.817.484	4,70	2.519.322.387	5,65	287.392.707	0,59	153,17	81,28
Investment maintenance	137.885.929	0,39	291.300.203	0,65	477.353.934	0,97	211,26	131,28
Capital transfers to budgets and budget beneficiaries	1.001.616.916	2,86	859.460.000	1,93	1.811.514.423	3,69	85,81	235,14
Capital transfers to extrabudgetary beneficiaries and benef.abroad			2.113.675.000	4,74	1.513.510.929	3,09	-	86,13
<b>III. State loans given and share in principal</b>	<b>929.485.687</b>	<b>2,66</b>	<b>1.876.207.759</b>	<b>4,21</b>	<b>2.039.995.716</b>	<b>4,16</b>	<b>201,9</b>	<b>123,5</b>
<b>IV. Repayment (of state loans)</b>			<b>-255.000.000</b>	<b>- 0,57</b>	<b>-250.000.000</b>	<b>- 0,51</b>	<b>-</b>	<b>98,04</b>



Table 2.

BUDGETARY EXPENDITURE	HRK	%	Cumulativ amounts	Cumulativ %
Ministry of Finance	10.640.315.418	20,12	10.640.315.418	20,12
Ministry of Defence	6.083.996.665	11,51	16.724.312.083	31,63
Ministry of Maritime Affairs, Transportation and Communications	5.633.750.996	10,65	22.358.063.079	42,28
Ministry of Labor and Social Affair	5.329.300.000	10,08	27.687.363.079	52,36
Ministry of Education and Sports	4.684.405.694	8,86	32.371.768.773	61,22
Ministry of Internal Affairs	3.302.649.000	6,25	35.674.417.773	67,46
Ministry of Development and Reconstruction	2.577.060.000	4,87	38.251.477.773	72,34
Ministry of Croatian Homeland War Veterans	2.611.600.000	4,94	40.863.077.773	77,28
State Agency for Family Maternity and Youth Protection	2.091.112.226	3,95	42.954.189.999	81,23
Ministry of Science and Technology	1.974.681.869	3,73	44.928.871.868	84,97
Ministry of Agriculture and Forestry	1.554.912.000	2,94	46.483.783.868	87,91
Ministry of Health	1.369.900.000	2,59	47.853.683.868	90,50
Ministry of Justice	1.086.652.490	2,05	48.940.336.358	92,55
Ministry of Legal Affairs	573.946.945	1,09	49.514.283.303	93,64
Ministry of Culture	549.415.513	1,04	50.063.698.816	94,68
Water - Supply State Agency	541.298.798	1,02	50.604.997.614	95,70
Ministry of Economy	504.652.383	0,95	51.109.649.997	96,65
Ministry of Foreign Affairs	349.359.102	0,66	51.459.009.099	97,31
Ministry of Tourism	286.843.800	0,54	51.745.852.899	97,86
Government of the Republic of Croatia	210.708.457	0,40	51.956.561.356	98,26
Croatian Center for Demining	203.196.386	0,38	52.159.757.742	98,64
Parliament of the Republic of Croatia	135.512.178	0,26	52.295.269.920	98,90
National Security Office	82.267.000	0,16	52.377.536.920	99,05
Ministry of Constructing, Building and Housing	69.980.000	0,13	52.447.516.920	99,18
State Bureau of Statistics	52.242.000	0,10	52.499.758.920	99,28
State Inspectorate	48.811.648	0,09	52.548.570.568	99,38
State Directorate of Environmental Protection	49.454.653	0,09	52.598.025.221	99,47
State Geodetic Directorate	45.097.000	0,09	52.643.122.221	99,55
State Weather Directorate	39.845.018	0,08	52.682.967.239	99,63
State Auditory Office	36.022.200	0,07	52.718.989.439	99,70
President of the Republic of Croatia	28.631.000	0,05	52.747.620.439	99,75
Ministry of Migrant Affairs	23.928.120	0,05	52.771.548.559	99,80
Ministry of Privatization	21.644.524	0,04	52.793.193.083	99,84
Croatian News Agency	19.717.328	0,04	52.812.910.411	99,88
State Office of Standards	15.258.219	0,03	52.828.168.630	99,90
Constitutional Court of the Republic of Croatia	12.789.000	0,02	52.840.957.630	99,93
Patent Office	7.901.000	0,01	52.848.858.630	99,94
Securities Commission	5.900.000	0,01	52.854.758.630	99,95
Croatian Agency for Promoting Investment	5.777.714	0,01	52.860.536.344	99,97
State Hidrographic Institute	4.947.662	0,01	52.865.484.006	99,97
Agency for protection of Market Competition	4.846.365	0,01	52.870.330.371	99,98
Croatian Information-Documentation Referral Agency	4.608.617	0,01	52.874.938.988	99,99
Public Attorney's Office	3.023.300	0,01	52.877.962.288	100,00
Commission for Relations with Religious Communities	905.041	0,00	52.878.867.329	100,00
<b>TOTAL EXPENDITURE</b>	<b>52.878.867.329</b>	<b>100,00</b>		

Table 3

	1997		1998		1999		Index		
	Actual HRK	%	Budget HRK	%	Budget HRK	%	1998/97	1999/98	1999/97
<b>Tax revenues</b>	<b>31.338.172.441</b>	<b>100,00</b>	<b>40.516.396.905</b>	<b>100,00</b>	<b>42.547.792.400</b>	<b>100,00</b>	<b>129,29</b>	<b>105,01</b>	<b>135,77</b>
<b>1. Income tax and surtax</b>	<b>4.102.095.436</b>	<b>13,09</b>	<b>4.675.588.514</b>	<b>11,54</b>	<b>4.603.535.000</b>	<b>10,82</b>	<b>113,98</b>	<b>98,46</b>	<b>112,22</b>
<b>2. Tax on profits</b>	<b>1.785.259.052</b>	<b>5,70</b>	<b>1.913.256.000</b>	<b>4,72</b>	<b>2.936.380.000</b>	<b>6,90</b>	<b>107,17</b>	<b>153,48</b>	<b>164,48</b>
<b>3. Real estate tax</b>	<b>242.701.664</b>	<b>0,77</b>	<b>235.869.180</b>	<b>0,58</b>	<b>349.715.000</b>	<b>0,82</b>	<b>97,18</b>	<b>148,27</b>	<b>144,09</b>
<b>4. General sales, turnover, or value added taxes</b>	<b>20.502.487.044</b>	<b>65,42</b>	<b>28.391.525.786</b>	<b>70,07</b>	<b>29.791.316.700</b>	<b>70,02</b>	<b>138,48</b>	<b>104,93</b>	<b>145,31</b>
a) Value added tax			20.102.094.611	49,61	22.521.719.671	52,93		112,04	
b) Excise	5.369.315.279	17,13	6.399.431.175	15,79	6.619.597.029	15,56	119,19	103,44	123,29
c) General sales tax	15.133.171.765	48,29	1.890.000.000	4,66	650.000.000	1,53	12,49	34,39	4,3
<b>5. Customs duties and fees</b>	<b>4.675.517.072</b>	<b>14,92</b>	<b>4.791.861.175</b>	<b>11,83</b>	<b>4.333.565.000</b>	<b>10,19</b>	<b>102,49</b>	<b>90,44</b>	<b>92,69</b>
<b>6. Other taxes</b>	<b>30.112.170</b>	<b>0,10</b>	<b>508.300.250</b>	<b>1,25</b>	<b>482.297.700</b>	<b>1,13</b>	<b>1.688,02</b>	<b>94,88</b>	<b>1.601,67</b>

Table 4

	1997		1998		1999		Index		
	Actual HRK	%	Budget HRK	%	Budget HRK	%	1998/97	1999/98	1999/97
<b>Capital revenues</b>	<b>461.137.175</b>	<b>100,00</b>	<b>2.319.185.994</b>	<b>100,00</b>	<b>4.405.700.000</b>	<b>100,00</b>	<b>502,93</b>	<b>189,97</b>	<b>955,4</b>
<b>1. Sales of lands</b>	<b>317.359.777</b>	<b>68,82</b>	<b>0</b>	<b>0,00</b>	<b>200.000</b>	<b>0,00</b>			<b>0,06</b>
a) Revenue from sales of state owned buildings	159.420.259	34,57	349.185.994	15,06	300.500.000	6,82	219,03	86,06	188,5
b) Other revenue from sales of property	157.939.518	34,25	0	0,00	5.000.000	0,11			3,17
<b>2. Revenue from privatisation/sales enterprises</b>	<b>143.777.398</b>	<b>31,18</b>	<b>1.970.000.000</b>	<b>84,94</b>	<b>4.100.000.000</b>	<b>93,06</b>	<b>1.370,17</b>	<b>208,12</b>	<b>2.851,63</b>

Table 5.

### Gross Domestic Product

	1997	1998	1999
Estimation of the Ministry of Finance*	161.121.520.000	179.600.000.000	195.800.000.000
Estimation of the Ministry of Finance **	119.500.000.000	134.500.000.000	-----
Estimation of the Central Bureau of Statistics	119.050.000.000	-----	-----

\* 1998 and 1999 estimation of GDP included in proposed annual budget for 1999

\*\* Monthly Statistical Review of Ministry of Finance No. 38, December 1998. In Monthly Statistical Review No. 34, October 1998 reported Croatian GDP was 132.400.000.000 HRK