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Budget outturns of Croatian municipalities, cities and counties in 2021 and 2022

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The present Note¹ aims to provide a systematic overview of basic information on budget outturns of local government units² in Croatia, their revenues and expenditures as well as

¹ This note has originated from the project “Does Transparency pay-off? The political and socio-economic impacts of local government budget transparency in Croatia (IMPACTBT)” (IP-2019-04-8360) financed by the Croatian Science Foundation (CSF). The work of doctoral student Simona Prijaković is also financed by CSF. Opinions, findings, conclusions and recommendations are the authors’ own and do not necessarily reflect the views of CSF.

² The term “local government units” is used herein to cover all counties, cities and municipalities, while the term “local budgets” refers to the budgets of all counties, cities and municipalities.



surpluses/deficits for 2021 and 2022.³ The data has been collected through the Ministry of Finance's database. The analysis and the data additionally provided in [Excel format](#)⁴ enable the interested public to get an insight into the financial condition of all Croatian municipalities, cities and counties in the two years concerned, to make comparisons with the situation in previous years and compare their local government unit with others.

In order to raise budget transparency levels and citizen awareness, the Ministry of Finance publishes budget outturn data for all local government units annually.⁵ To help citizens navigate through these numerous and extensive spreadsheets, the present Note serves as simple and systematic analysis of key financial data.⁶ To make more detailed analyses and derive definitive conclusions, the Ministry of

³ Results of previous analyses were published in Ott and Bronić (2015), Ott, Bronić and Stanić (2016, 2018a, 2018b) and Ott, Bronić, Stanić and Badovinac (2020, 2021). Since the results of this research are reported on an annual basis, the text of the present Note may, in some segments, overlap with the results published in previous years.

⁴ The [Excel](#) spreadsheet contains financial data for the period 2014-2022 and budget transparency data for 2015-2023.

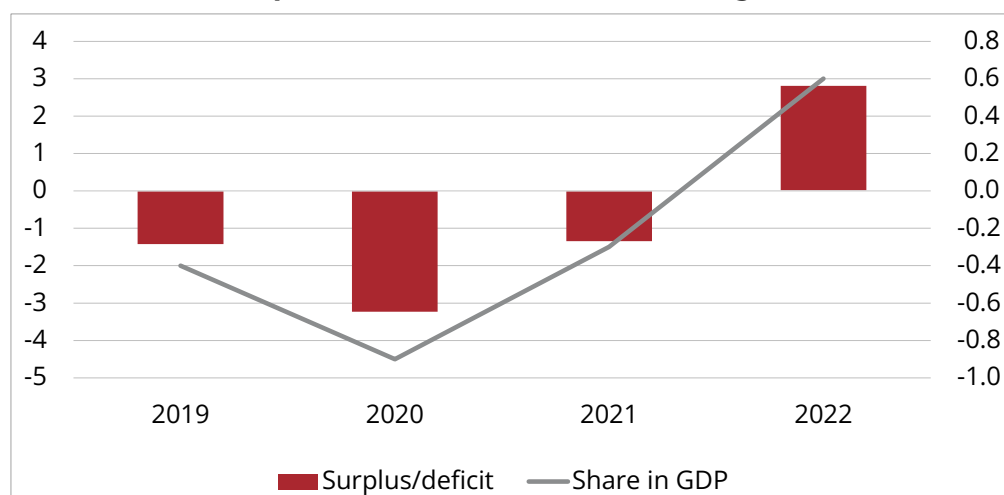
⁵ The [Ministry of Finance's](#) website provides data for 1995-2020, while data for 2015-2022 is available on the portal [Financial reporting in the budgetary system and the Registry of Budgetary and Extra-budgetary Users](#). Both sites are available only in Croatian language.

⁶ The present analysis considers revenues and expenditures, excluding receipts and outlays. The terms *revenues* and *expenditures* pertain to business operations and the sale and acquisition of fixed assets (e.g. land, buildings, licenses, vehicles, etc.), while the terms *receipts* and *outlays* refer to financial assets, borrowing, lending and repayment of loans. For more detail, see Ott et al. (2009).

Finance’s data should be extended with other data, primarily collected from the local government units’ websites (such as budget guides, etc.). Before reaching any conclusions, one should be careful when accessing all the data and data sources; therefore, several introductory remarks are in order.

First, the pandemic and earthquakes in Zagreb and the Banovina region in 2020 put enormous pressure on public finance, causing substantial deficit growths in 2020 at all levels of government. The total deficit of local government units and their extra-budgetary users in 2020, calculated by using the national accountancy plan methodology, stood at HRK 3.2 billion. However, this was a short-term shock as 2022 already recorded a surplus in the amount of HRK 2.8 billion (Graph 1).⁷

Graph 1. Surplus/deficit of local government units and their extra-budgetary users 2019-2022 (left-hand scale: HRK billion, right-hand scale: %)



Source: Ministry of Finance

⁷ All financial amounts in the present Note are expressed in HRK as they pertain to the period before 1 January 2023.

Second, since counties, cities and municipalities have different authorities with regard to collecting revenues and providing public goods and services, revenue, expenditure and deficit/surplus amounts cannot be compared for all local government units. Rather, municipalities should only be compared with other municipalities, cities with other cities and counties with other counties.

Third, many local government units do not collect revenues nor make expenditures only through their own budgets but also through their budget users (kindergartens, schools, museums, hospitals, etc.), extra-budgetary users (e.g. county road administrations) and through legal entities in which they hold majority ownership or co-ownership or institutions which they founded. For this reason, a local government unit's budget, when regarded on its own, does not always reflect that unit's complete and actual financial situation. In other words, to make a more detailed analysis of local government units' financial situation, we also need to analyse the financial situation of their budgetary and extra-budgetary users, legal entities in which they hold majority ownership or co-ownership or institutions which they founded.

Fourth, high revenues are not always a sign of proper business operations or sustainable management of public finance since a substantial share of revenues might be derived from various forms of grants.⁸ For this reason, the analysis of a local government unit's revenues should, apart from the amount, also include an analysis of their structure. This is the only way to find answers to many key

⁸ As was the case in 2021 and 2022, for instance, in the municipalities Kijevo, Ervenik, Civljane, Biskupija.

questions. One of those being, for instance, what is the amount of revenues from grants and what is their share in total revenues? Who provides these grants (the state and/or the EU)? Are these grants one-off or are they provided in annually? Are they used to finance current operations or capital projects? In addition, when referring to per capita revenue, population numbers should be taken into account as municipalities with small populations often top the ranking lists of per capita revenues due to their large grant amounts. Similar to this, occasionally high expenditures do not necessarily signify poor business activity or unsustainable financial management as local government units should, must even, invest in new projects (e.g. building or maintaining schools, kindergartens, local roads, landfills, etc.).

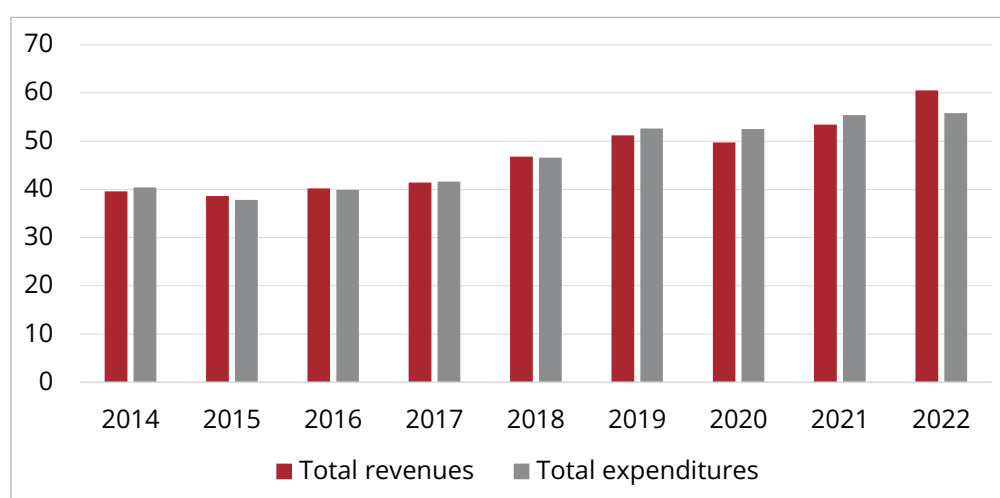
Fifth, high budget deficit of a local government unit (be it total or per capita) is not necessarily a reflection of poor financial standing. In order to make a quality assessment of a local government unit's situation, we need to take a more detailed look at key budgetary documents and determine the source and manner of covering deficits. For instance, a deficit may arise due to the local government unit taking out a loan to finance a high-quality capital project that would have a positive effect on local development and local revenue growth in the longer term.

Basic trends in budget outturns for all local government units, 2014-2022

In the period 2014-2022, total average revenues and expenditures of all local government units were higher every year than the year before, except in 2015 and 2020 (Graph 2). More and more cities and municipalities record higher per capita revenues, while fewer and

fewer cities record lower per capita revenues. If we exclude municipalities, which recorded more-or-less balanced budgets throughout the observed period and counties, which recorded a constant trend of surplus growth on average, cities managed to pull through the turbulent deficit period and all local government units finished 2022 with surpluses in their budgets.

Graph 2. Basic trends in budget outturns for all local government units, 2014-2022 (in HRK million)



Source: *Ministry of Finance*

A short analysis of the 2021 and 2022 situation is provided below.

Average total revenues, per capita revenues and surplus/deficit

Several conclusions should be singled out:

- The average total revenues of all types of local government units have been on the rise in the past several years; for instance, in 2022 they increased by 12.6% in counties, by 14.2% in cities and by 11.7% in municipalities compared to 2021 (Graph 3).

- Average per capita revenues have also been on the rise. The highest values have been recorded in cities, followed by municipalities, while counties recorded much lower values. For instance, when compared to 2021, per capita revenues in 2022 increased by 11.8% in counties, by 12.7% in cities and by 10.8% in municipalities (Graph 4).
- Expenditures (both average total and per capita) have also been on the rise year by year, except in 2022 in the case of municipalities (Graphs 5 and 6). The highest levels of average per capita expenditures have been recorded in cities, followed by municipalities, while counties record much lower amounts.
- The level of average per capita revenues did not change substantially. In counties they have been below HRK 2,000 for a number of years, but their average values in cities and municipalities have been substantially higher (Graph 4). In the past couple of years, however, the number of cities and municipalities whose per capita revenues are below HRK 6,000 has been on the decline as they crossed this threshold and moved to a higher category (Graph 7).
- Municipalities have the most balanced budgets, while cities and counties are a completely different story. Counties recorded their last deficit in 2019, followed by consecutive years of surpluses. Cities were the only units to record deficits in the crisis year 2020, only to record surpluses in 2022. In the period 2019-2021, the City of Zagreb recorded large deficits, while in 2022 this turned into a large surplus, which had a substantial effect on the average surplus/deficits of cities (Graph 8).

The impact of geographical position on the financial situation of cities and municipalities

The present analysis demonstrates yet again the strong impact of a local government unit's location along the seaside.

- Of 63 municipalities whose per capita revenues exceeded HRK 10,000 in 2022, 57 are located on the coast (in 2021, this was the case for 42 of 45 municipalities).
- Of nine municipalities whose per capita revenues were below HRK 3,000 in 2022, only one is located on the coast (Pojezerje), while in 2021 this was the case for 4 out of 30 municipalities (Dugi Rat, Karojba, Dicmo and Škabrnja).
- Of 22 cities whose per capita revenues exceeded HRK 10,000 in 2022, 19 are located on the coast (in 2021, this was the case for 14 of 16).

However, we should take caution when interpreting the financial situation of municipalities and cities since many municipalities and cities may have high shares of state and/or EU grants in their total operating revenues in a single year. In addition, municipalities and cities with the highest per capita revenues that are not located on the coast tend to have substantially higher shares of grants than those that are located along the coast. It should definitely be noted that a larger share of state and/or EU grants does not necessarily reflect poorer fiscal capacity of a local government unit as some of them are much better at utilising EU funds than others, which should be praised. A more detailed analysis should, therefore, study various types of grants.

Differences between local government units

In this section we highlight some key differences, and often discrepancies in budget outturns for 2021-2022.

- The gap between the richest and the poorest municipalities is substantial. The Medulin municipality recorded the highest revenue levels of all municipalities in both 2021 (HRK 82.4 million) and 2022 (HRK 98.2 million), with its 2022 revenues equalling the revenues of the 26 poorest municipalities. Total revenues of the nine richest municipalities in 2022 (HRK 622 million) equal the sum of total revenues of one quarter (107) of municipalities.
- The highest per capita revenues (above HRK 20,000) in 2021 were recorded in the municipalities of Perušić and Bale-Valle; in 2022, however, not a single municipality reached this threshold, with the highest revenues recorded in the Karlobag municipality (more than HRK 19,000).
- Whereas in 2021 as many as 30 municipalities recorded per capita revenues below HRK 3,000, in 2022 this was the case for only eight. The poorest performers in both years were the municipalities of Đurmanec and Orehovica (below HRK 2,500 in 2021).
- Per capita revenues of around two-thirds of cities and municipalities are lower than the average amount for municipalities (HRK 5,949 in 2021 and HRK 6,594 in 2022) and cities (HRK 6,603 in 2021 and HRK 7,440 in 2022).
- The total revenues of the City of Zagreb (HRK 9.1 billion) in 2022 equalled the sum of total revenues of as many as 119 cities with the lowest revenues, i.e. they made up more than two-thirds of

total revenues of all 128 cities in 2022. A similar ratio was recorded in 2021 as well, albeit with lower absolute values (HRK 8 billion).

- In 2021, ten cities collected less than HRK 20 million in revenues; in 2022, this was true for only four cities (Vrlika, Čabar, Klanjec and Stari Grad). On the other end of the scale, i.e. rich municipalities - five municipalities in 2021 and eleven municipalities in 2022 recorded revenues higher than HRK 50 million. The following municipalities can be regarded the highest performers of 2022: Medulin (HRK 98.2 million), Podstrana (HRK 78.7 million), Viškovo (HRK 74.9 million), Kostrena (HRK 69.4 million) and Matulji (HRK 66.8 million).
- In 2022, 39 municipalities and 12 cities recorded per capita revenues higher than the amount recorded in the City of Zagreb (HRK 11,832). Similar numbers were reported in 2021 (36 municipalities and 11 cities).
- Differences in population numbers between local government units are substantial. In 2022, the population of as many as 57 municipalities was below 1,000 (Civljane being the smallest municipality with 173 inhabitants, followed by Kijevo with 271 and Lanišće with 273), while five municipalities (Viškovo, Nedelišće, Podstrana, Matulji and Brdovec) have more than 10,000 inhabitants (the population of Viškovo exceeds 16,000). On the other hand, more than half of the cities (71) have less than 10,000 inhabitants (the population of Komiža, Vrlika, Hrvatska Kostajnica and Vis is even below 2,000).⁹

⁹ 2022 population estimates by the [Croatian Bureau of Statistics \(CBS\)](#).

- More than two-thirds of all local government units reported budget surpluses in 2022 (16 counties, 78 cities and 295 municipalities). The highest surpluses (in HRK million) were recorded by the cities of Zagreb (1,132.4), Rijeka (146.2) and Split (101.9), Istria County (58.5) and the Medulin municipality (23.1). The list of units that recorded the highest deficits (in HRK million) is topped by the Varaždin city (47.3), the Osijek-Baranja county (36.6) and the Privlaka municipality (in Zadar County) (9.3).
- With regard to per capita surplus in 2022, the absolute leader among cities is Hrvatska Kostajnica (HRK 11,730), followed by Komiža (HRK 6,151) and Novalja (HRK 5,857). The highest-performing municipalities include Brtonigla-Verteneglio (HRK 8,635), Fažana-Fasana (HRK 5,958) and Gola (HRK 5,645). The highest per capita deficits were recorded by the cities of Vis (HRK 4,865) and Orahovica (HRK 4,210) and the municipalities of Privlaka (in Zadar County) (HRK 4,354) and Zadvarje (HRK 4,198). As mentioned above, counties' budgets are very balanced, meaning that none of them stands out in terms of per capita surpluses or deficits.

Conclusion

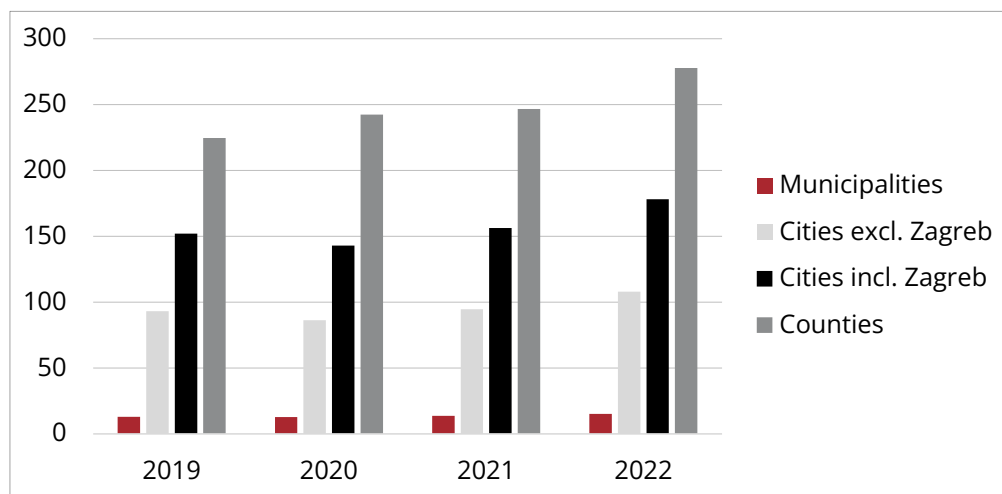
In the period 2019-2022, total revenues and expenditures of local government units have been increasing, with the exception of the pandemic year 2020. The trend visible in the observed period is the increase of both revenues and expenditures, both total and per capita, regardless of the type of local government unit (except total and per capita expenditures in municipalities in 2022). In addition, more and more cities and municipalities record higher per capita revenues, while fewer and fewer cities record lower revenues. If we

exclude municipalities, which recorded more-or-less balanced budgets throughout the observed period and counties, which recorded a constant trend of surplus growth on average, cities managed to pull through the turbulent deficit period and all local government units finished 2022 with budget surpluses.

We hope that this short analysis would stimulate:

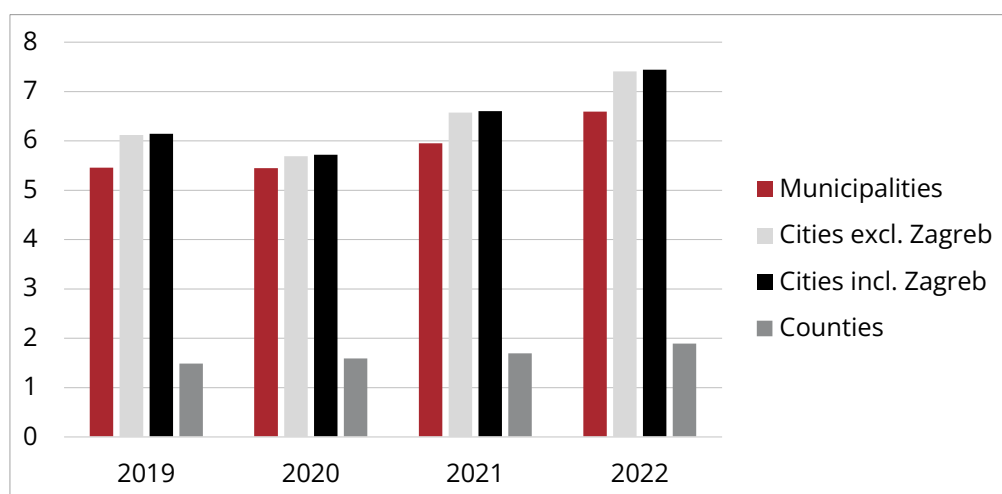
- the public to study in more detail the abundant databases managed by the Ministry of Finance and their local government units and obtain more information on how the money in their local budgets is being collected and spent;
- the Ministry of Finance to start publishing, in addition to the data already published, machine readable databases of local government units' budgets which include annual financial reports of all legal entities owned or co-owned by local government units and institutions established by them, with clarifications on the scope, methodology, gaps in data series and regular updates of the databases;
- the Ministry of Finance to upgrade the portal used for publishing local budgets in the period 2015-2022, [Financial reporting in the budgetary system and the Registry of Budgetary and Extra-budgetary Users](#), by enabling an option to download budgets of all local government units and their budgetary and extra-budgetary users for all years at once; currently, users can only download the budget of each local government unit or each (extra-)budgetary user separately;
- the necessary reforms aimed at achieving functional and sustainable local self-government, an objective also set out in the [National Recovery and Resilience Plan 2021-2025](#).

Graph 3. Average total revenues 2019-2022
(in HRK million)



Source: Ministry of Finance

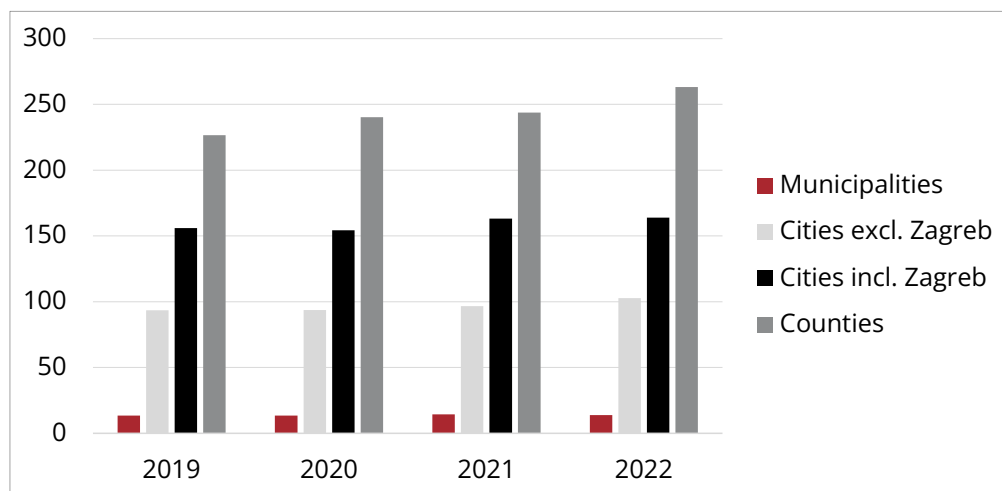
Graph 4. Average per capita revenues* 2019-2022
(in HRK thousand)



Source: Ministry of Finance

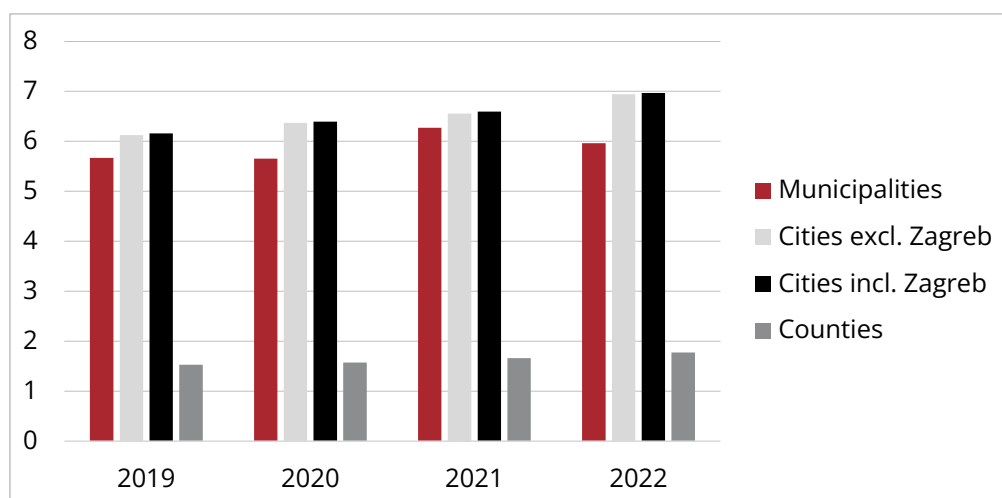
* Population based on CBS data.

Graph 5. Average total expenditures 2019-2022
(in HRK million)



Source: *Ministry of Finance*

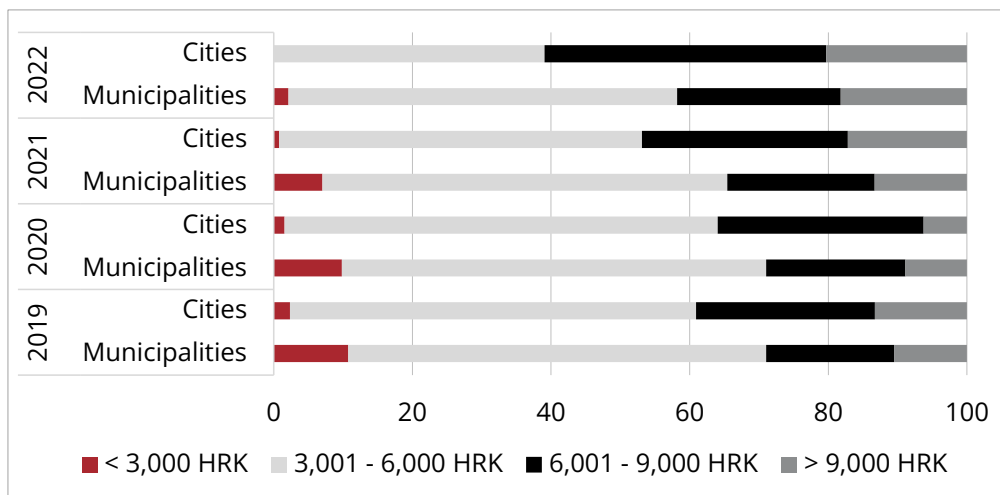
Graph 6. Average per capita expenditures* 2019-2022
(in HRK thousand)



Source: *Ministry of Finance*

* Population based on *CBS* data.

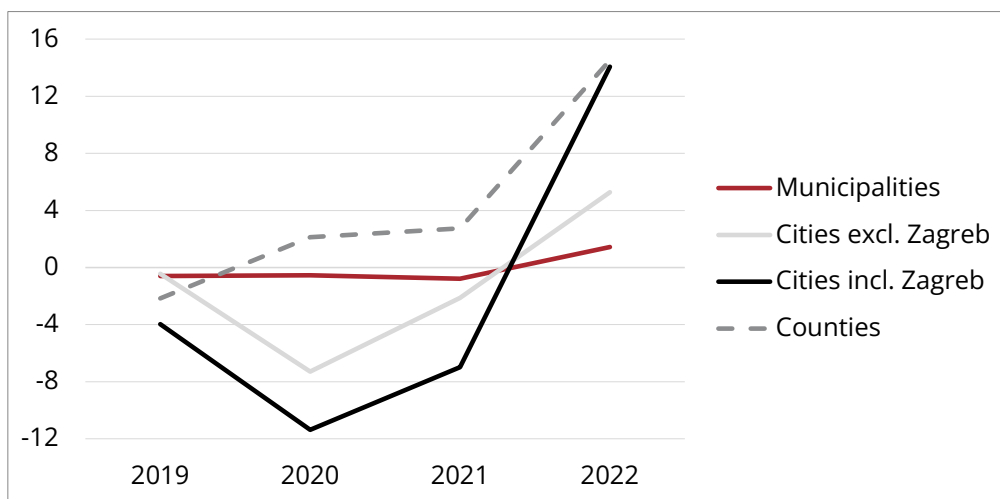
Graph 7. Per capita revenue distribution for cities and municipalities 2019-2022 (in %)



Source: Ministry of Finance

* Population based on CBS data.

Graph 8. Average surplus/deficit 2019-2022 (in HRK million)



Source: Ministry of Finance

* Population based on CBS data.