



**2023 ANNUAL REPORT OF  
THE FISCAL POLICY  
COMMISSION**

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## INTRODUCTION BY THE PRESIDENT OF THE FISCAL POLICY COMMISSION

It is my pleasure to present the fourth Annual Report of the Fiscal Policy Commission (hereinafter: the Commission) which describes the work of the Commission in 2023 and provides an overview and comments on macroeconomic trends and the fiscal policy in 2023, highlighting the importance of the challenges Croatia's fiscal policy is facing in the short and medium term.

Pursuant the Fiscal Responsibility Act (Official Gazette 111/18; 83/23 hereinafter: FRA), the Fiscal Policy Commission is obligated to report annually to the Croatian Parliament on its work in the previous year, not later than by 1 July of the current year. The Commission's work is based on the Fiscal Responsibility Act, the Budget Act (NN 144/21; hereinafter: BA) and and the Commission's Annual Plan and Work Programme.

The Commission's main tasks are:

i) considering and assessing the risk of application of the fiscal rules established in Articles 6, 7 and 8 of the FRA, in the stability programme, in the state budget and financial plans of extra-budgetary users for the planned budget year and the projections for the next two years and the annual report on budget execution

ii) considering and comparing macroeconomic and budgetary projections from medium-term budgetary documents with the values achieved in the period of four consecutive years which will be carried out at least once in two years

iii) confirming the macroeconomic projections underlying the stability program and the draft budgetary plan pursuant to the law regulating the budget.

In 2022, independent fiscal institutions in the European Union (hereinafter: the EU), including Croatia's Fiscal Policy Commission, continued working in specific circumstances. Temporary postponement of the application of fiscal rules, in force since 2020, has significantly narrowed room for manoeuvre through an assessment of the appropriateness of fiscal policies. In such circumstances, as regards the evaluation of fiscal policy, the Commission was guided by the general recommendations of the Council of the European Union and the European Commission (hereinafter: EC). In early 2024, new EU fiscal rules were adopted necessitating an amendment of the laws regulating the Commission's work.

In 2023, geopolitical instability and insecurity prevailed at the global level, as did increased inflation and tightened financing conditions. After the pandemic in 2021 and 2022 and a period of a strong recovery, in 2023, EU economy went through a significant slowing down due to an expressed and prominent impact of increased costs of life, the conflict in Ukraine and newly occurred tensions in the Middle East which aggravated economic pressures. In such a surrounding, the previously introduced fiscal support measures were gradually reduced and/or abolished.

In the Republic of Croatia, in 2023, the economy continued its strong growth, with the growth rate being 3.1 %, i.e. the second highest in the EU. The growth of Croatian economy was influenced by growing personal consumption and export of services (increase service demand) as well as a strong investment cycle heavily powered by EU aid. Although in 2023 inflation gradually decreased, its levels remained high (8.1 %) and calmed down slowly due to

expressed domestic demand (fiscal expansions based on EU grants and strong salary growth as well as favourable labour market trends).

Fiscal policy in 2023 was marked by a strong GDP growth, high inflation as well as continued ensuring of fiscal support measures for the purpose of protecting the economy and households from the impact of high prices, which significantly reflected on a strong growth of tax revenue as well as a further decrease of the public debt-to-GDP ratio. In doing so, fast growing public consumption was largely the source of strong domestic demand. According to the ESA 2010 methodology, the general government balance in 2023 worsened and, after the general government surplus in 2022, a general government deficit was achieved in 2023 in the amount of EUR 528 million or 0.7 % of GDP. At the same time, the trend of public debt-to-GDP ratio continued to decrease: it was 63 % of GDP, which is a decrease of 4.8 percentage points compared to 2022. However, in 2023, public debt increased nominally and decreased relatively, first and foremost due to the increase of nominal economic activity stimulated by inflation.

If we analyse 2023 from a certain distance, it can be concluded that, although it was economically more favourable and better than previously expected, relatively favourable macroeconomic circumstances were not used optimally for strengthening fiscal sustainability. More specifically, the fiscal position started slightly deteriorating in late 2023, while the fiscal plans for 2024 indicate a significant deterioration. In addition, key structural and demographic challenges that threaten the long-term health of public finances, remained unresolved in 2023.

It is therefore important to go back to a conservative management of fiscal policy which implies a decrease of public debt and the generation of fiscal reserves for future crisis periods. The long-term expenses trend should be considered in the upcoming period, while ensuring necessary structural

reforms. The Croatian economy is achieving relatively high levels of economic growth, largely due to EU aid. However, since such a strong influx of EU funds will not be able to contribute in the long run to a continuation of economic growth as it used to in the previous years, the competitiveness and productivity of the private and public sector must be strengthened. As regards the economic prospects for the Republic of Croatia, priorities should be reflected in promoting (export-oriented) growth and labour productivity growth for the purpose of stimulating competitiveness: Moreover, efforts should be invested in bridging skill gaps and a transition should be ensured to a higher digitalization level and environmentally sustainable business practices. The Commission underlines the realistic risk that, with a decreased influx of EU funds, without any change in the productivity and competitiveness level, serious macroeconomic instabilities and a stagnation of Croatian economy are possible in the medium term. Therefore, the main objective of economic and fiscal policy must be sustainable economic growth because only such growth can ensure sufficient sustainability of Croatian public finance.

The existing fiscal rules, although imperfect and temporarily postponed, significantly contributed to improved fiscal discipline and increased long-term sustainability of public finances in EU Member States, including the Republic of Croatia. The new framework of economic management of the EU, with an accent on medium-term sustainability of public debt, structural reforms and public investments aimed at stimulating sustainability and (greener) economic growth, allow indebted countries such as the Republic of Croatia more room for manoeuvre. At the same time, the deficit limit of 3 % of GDP was retained, as was the obligation of creating fiscal space in good times which is necessary for an appropriate countercyclical policy in case of unfavourable circumstances.

In its recommendations, the Commission insisted it was necessary to prepare Croatian public finances to return to fiscal rules, pay enough attention to the

sources of their vulnerability and the long-term sustainability of public debt. It is necessary to ensure sufficient fiscal reserves to strengthen the fiscal resilience of the Croatian economy. The Commission highlights that, in the upcoming period, after a strong fiscal expansion in 2024, it is important to apply an ambitious fiscal adjustment including a strong control of expenses, and to continuously monitor the fiscal position of Croatian economy to enable adjustment and ensure continuity in implementing a responsible and wise fiscal policy.

In 2023, the Commission retained its high level of up-to-datedness, professionalism and quality in performing its tasks, regularly published its position papers and provided reliable information and evaluations of the sustainability of public finances and the state of fiscal policy on which it reported to the Croatian Parliament and the general public in a timely manner. All the position papers, confirmations of macroeconomic projections and other information on activities were published on the Commission's website.

In the upcoming period, the Commission will continue implementing its mission consistently, that is, it will continue monitoring and warning about the sustainability of public finance in the medium and long term. To the best extent possible, the Commission will try to successfully perform its tasks and provide independent and professionally based opinions on the compliance of the fiscal policy with new fiscal rules.

The Commission Office, established in 2023, will certainly contribute to further advancement. The Office is operative, the first members have been employed and workspace has been ensured. The recruitment cycle, started last year, continued in 2024, meaning the Commission Office currently employs five workers: three senior specialist advisers (analysts), a lawyer and an administrative secretary.

Finally, I would like to express my sincere gratitude to all domestic and foreign stakeholders and associates of the Fiscal Policy Commission on the cooperation and support provided in our work throughout 2023. Moreover, I would like to commend the members of the Fiscal Policy Commission on their commitment and diligence in shaping our joint evaluations and conclusions.

June 2024

Prof. Sandra Krtalić, PhD

A handwritten signature in blue ink, appearing to read 'Sandra Krtalić', with a stylized flourish at the end.



# 1 EVALUATION OF THE STATE OF PUBLIC FINANCE

**Positive macroeconomic trends in the Republic of Croatia, achieved despite the originally expected slowing down of Croatian economy in 2023, contributed to an expansive and procyclical fiscal policy of the Government of the Republic of Croatia. As the year progressed, expenses increased significantly, without a proportionate increase of the general government budget income. That is why 2023 ended with a general government budgetary deficit and a deterioration of the structural balance. On the other hand, a decrease of the public debt-to-GDP ratio was achieved as due to inflation, real economy growth and the achieved positive primary balance.**

## 1.1 MACROECONOMIC TRENDS IN 2023

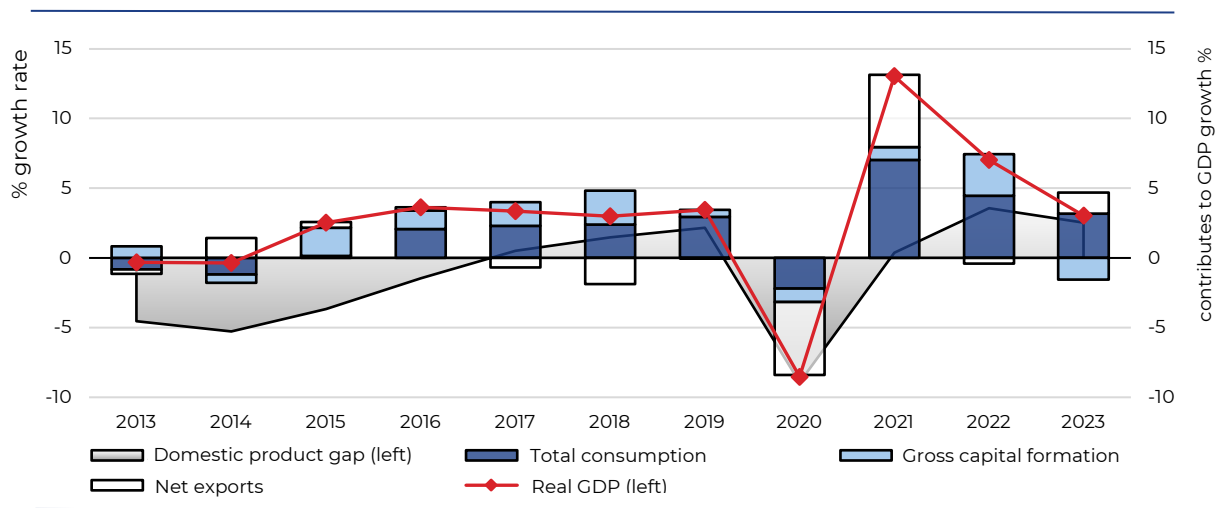
**Although the initial projections for the Croatian economy for 2023 indicated a possible slowing down and decline of economic activity, this did not happened. In fact, in 2023, Croatian economy showed strength and resilience.**

After the economy crisis caused by the global COVID-19 pandemic in 2020, Croatian economy significantly recovered, maintaining continued growth despite economic disruptions and events on the global arena in the previous years. The annual growth rate of real GDP was 3.1 % in 2023, which is similar to the pre-pandemic year of 2019 when it was 3.4 %, but lower than the growth rate of 7 % recorded in 2022. Favourable real GDP growth rates were recorded in all the quarters of 2023, except for a brief slowing down of growth in Q3 (1.1 %), followed again by growth in Q4 of 4.4 %.

The main drivers of GDP growth at the annual level were government spending, investments and a positive foreign trade balance which was characterised by a significant decrease of import of goods and services with a lesser decline in export at the same time. The positive impetus which followed after the weaker performance in Q3 2023 was largely a result of the increase in personal consumption. This is a result of fiscal measures of the Government of the Republic of Croatia aimed at preserving domestic standard as well as the positive trends on the labour market and the consequential increase in the citizens' credit activities. The seasonal nature of trends in Croatian GDP should also be kept in mind. The consequence of the Croatian economy being focused on the service sector, especially the tourism and hospitality sector and the expressed seasonal nature of such activities has a major effect on personal consumption trends throughout the year. In fact, a characteristic phenomenon which reoccurred in 2023 was that the growth in personal consumption, as the driver of GDP growth, was achieved in the second half of the year after a successful tourist season. The monetary funds accumulated during the tourist season are spent in the second half of the year (Q3 and Q4) and, together with remittances from abroad (in 2023, € 2.7 billion or 3.6 % of GDP), these had a positive impact on personal consumption trends in the last quarter of 2023, contributing to an upsurge of Croatian GDP.

**Positive achievements of the Croatian economy in 2023 are also evident in comparison with other EU Member States** (Image 2) Based on data on real GDP growth rates among EU Member States and the EU-27 average according to the real GDP growth rate, Croatia is ranked at a high second place. Croatia's main foreign-trade partners in 2023 recorded low or negative GDP growth rates: Hungary (-0.9 %), Austria (-0.8 %), Germany (-0.3 %), Italy (0.9 %) and Slovenia (1.6 %). Therefore, the trends in foreign economies important for us call for additional caution in creating domestic macroeconomic and fiscal policy.

**Image 1.**  
**Contribution of GDP components to real growth and domestic product gap level for Croatia, 2013-2023**



Source: MoF, CBS

**Inflation levels** (Image 3) **remained high in 2023** with an average annual rate of 8.1 % (measured by the consumer price index), but it was still 2.1 % lower than in 2022. An 8.2 % inflation rate at the level of goods represents a decrease of 4.5 percentage points compared to the previous year, while the rate at the level of services of 7.7 % represents an increase of 2.6 percentage points.

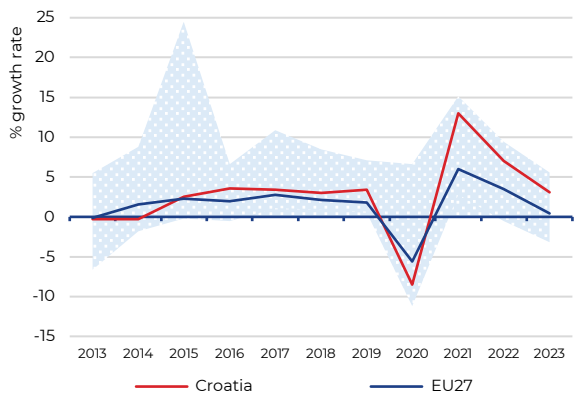
**Looking at the period of several years, the existing trends in industrial production, construction activity, retail trade and tourism remained in 2023** (Image 4). At the monthly level, industrial production fluctuated significantly in 2023, although, looking at the trends throughout several years, it remained at approximately the same level as at the peak in 2018. The construction sector growth is showing no signs of slowing down; quite the contrary, judging by the monthly levels of the index of construction works volume, significant growth was achieved in 2023. Growth was prompted by real estate market trends and record-high prices of real estate which were mostly a result of the demand by foreign investors.

The highest annual increase was recorded in the nominal turnover of service activities with an expressed growth in the second half of the year, indicating a correlation with strong growth of personal consumption in the segment of demand for services. Trends in personal consumption affected the real turnover trend in retail. Data for the most significant economic activity in the Republic of Croatia are satisfactory. The Republic of Croatia is achieving continuous annual growth in arrivals and nights, with a significant increase of the level of revenue from tourism.

**Croatia's labour market in 2023 was still characterized by a lack of labour, despite a decrease in annual unemployment rates and an increase in the number of foreign workers.** According to the [Survey on labour force for 2023](#), 1.6 million persons were employed in Croatia (i.e. 65.7 % of the total number of employees in the age group of 15 to 64), which is an increase of 0.8 percentage points compared to 2022. The number of unemployed persons was 104 thousand, and the annual unemployment rate for the age group of 20 to 64 was 5.8 % (i.e. 6.1 % for the age group of 15 to 74). The decrease in unemployment rates compared to 2022 was 0.9 percentage points. The share of foreign workers in the total number of persons employed was 10.76 %, i.e. 172,495 workers.

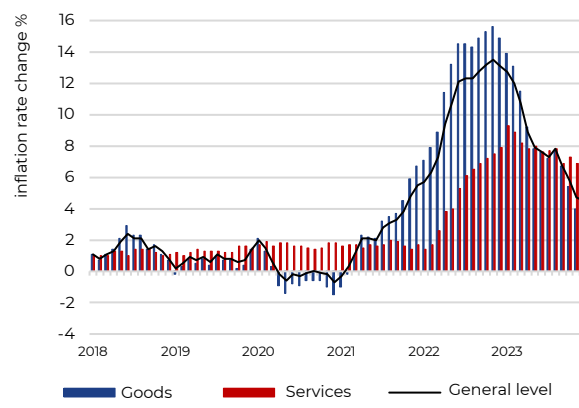
**Due to the need for adjusting increasing costs of life and labour market trends, the average gross and net salaries in Croatia increased throughout 2023** (Image 7). Gross salary was € 1,583, which is a 14.72 % increase compared to 2022 when it was € 1,380. Average net salary was € 1,208, which is a 17.23 % increase compared to 2022 when it was € 1,015.

**Image 2.**  
Real GDP growth rate in EU27 and Croatia, 2013-2023



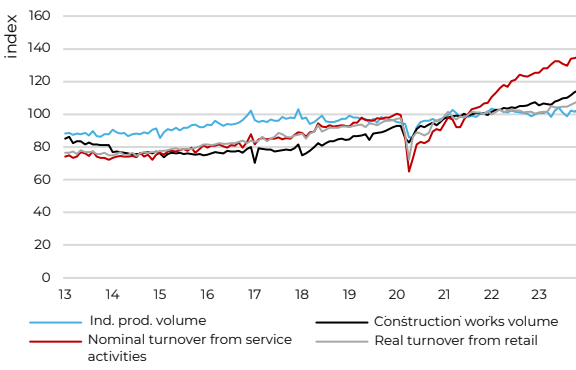
Source: EUROSTAT

**Image 3.**  
Inflation trends (measured by CPI) in Croatia in 2013-2023



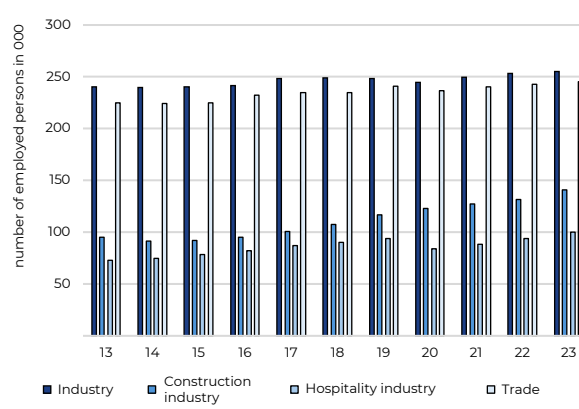
Source: CNB

**Image 4.**  
Long-term trends in selected economic sectors in Croatia for the period 2013 - 2023



Source: CBS; Explanation of selected indices: 1. Industrial Production Volume (seasonally and calendar adjusted indices, 2021=100); 2. Construction Works Volume (seasonally and calendar adjusted indices, 2021=100); 3. Nominal Turnover from service Activities (seasonally and calendar adjusted indices, 2021=100); and 4. Real Turnover from Retail (seasonally and calendar adjusted indices, 2021=100).

**Image 5.**  
Long-term trends of the number of employees in selected economic sectors in Croatia for the period 2013-2023



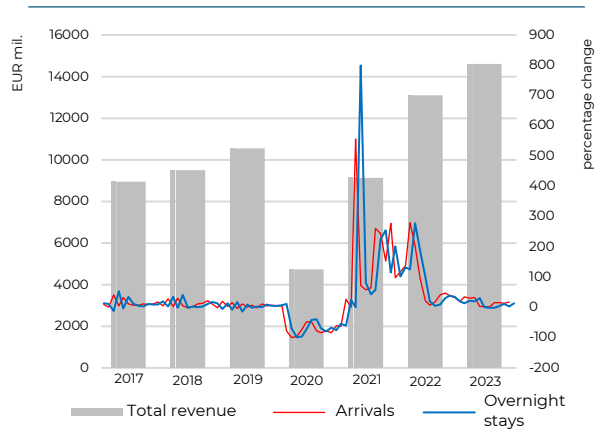
Source: CPII

**Image 6.**  
Annual change rates of Gross and Net Salaries and Gross Salary Amount for the period 2013 - 2023



Source: CBS

**Slika 7.**  
Selected tourism indicators in Croatia for the period 2017. - 2023.



Source: CBS, CNB

**The Croatian government used the favourable macroeconomic trends in 2023 to pursue an expansive and procyclical fiscal policy. During the year, the first signs of deterioration of the state of public finance appeared. The end of the year was marked by a minor budgetary deficit and a deterioration of the structural balance compared to 2022, but with a positive continuation of the decreasing trend of the public debt-to-GDP ratio.**

Fiscal policy in 2023 took place in conditions of high macroeconomic uncertainties, where, instead of the originally expected negative risks, a strong economic growth was achieved in 2023. In such favourable macroeconomic circumstances, strong growth of budgetary income continued, creating fiscal space the Government used to significantly increase expenditure.

Initial projections of the Ministry of Finance (hereinafter: MF) for the 2023 state budget, composed presuming that growth would slow down, indicated a significant deterioration of the budgetary balance to -2.3 % of GDP (ESA 2010) compared to 2022 when a budgetary deficit was achieved of 0.1 % of GDP. An increase in the level of public debt to 69.0 % of GDP is foreseen based on the expected weakening of Croatian economy. However, in the circumstances of positive macroeconomic achievements in 2023, the Croatian Government implemented two amendments to the state budget.

Based on the last, second amendments to the state budget from October 2023, the total income (expressed according to the national methodology) increased by 11.5 % compared to the originally adopted budget for 2023, while expenditure increased by 10 %. These amendments decreased the expected budgetary deficit to -0.3 % of GDP (ESA 2010) and the level of public debt to 60.7 % of GDP, nearing the debt ceiling.

Table 1

*Derogations of MF projections from the realization for the selected indicators in 2023*

	DP	I.	II.	REALIZATION
<b>GDP, real growth (%)</b>	0.7	2.2	2.8	3.1
<b>Budgetary balance (% of GDP)</b>	-2.3	-0.7	-0.3	-0.7
<b>Primary balance (% of GDP)</b>	-1.1			1.0
<b>Structural balance (% of GDP)</b>	-2.0			-1.8
<b>Public debt (% of GDP)</b>	69.0	62.6	60.7	63.0
<b>Inflation (measured by CPI)</b>	5.7	6.6	8.0	8.1

Source: MoF

Table 2

*Trends of budgetary categories of the state budget in 2023 (according to the national methodology, in € 000)*

	DP	I	change (%)	II	DP change (%)	change I (%)
<b>TOTAL INCOME</b>	24,859,273	26,607,698	7.1	27,692,203	11.4	4.1
Operating revenue	24,768,644	26,522,001	7.1	27,605,410	11.5	4.1
Revenue from sales of non-financial assets	90,629	85,698	-5.4	86,793	-4.2	1.3
<b>TOTAL EXPENDITURE</b>	26,666,162	28,086,534	5.3	29,330,206	10	4.4
Operating expenditure	24,770,576	26,067,576	5.2	27,446,017	10.8	5.3
Expenditure for the acquisition of non-financial assets	1,895,585	2,018,958	6.5	1,884,189	-0.6	-6.7
<b>DIFFERENCE - SURPLUS / DEFICIT</b>	-1,806,889	-1,478,835	18.2	-1,638,003	9.3	-10.8

Source: MoF

Croatia's public finances were largely influenced by high inflation. The price growth contributes to the increase of the tax basis and nominal tax revenue, which largely manifested as early as in 2022, while a higher price level and a better budget line gradually caused expenditure to grow at an increasingly strong rate – stronger than income in 2023. This was largely a consequence of the fiscal measures adopted by the Government of the Republic of Croatia to increase the citizens standard in conditions of a high price growth, such as pension increase, adjustment of salaries in public and state services, protecting households from increasing energy prices and supporting the economy.

According to the ESA 2010 methodology, general government income in 2023 was EUR 35,716 million (or 46.7 % of GDP), with an interannual growth of 17.4 %. The main contributor to income growth was the increase in tax revenue (9.4 %), contributions (3.5 %), other revenue (3.0 %) and assets (1.4 %).

Total general government expenditure was EUR 36,244 million (or 47.4 % of GDP), with an interannual growth rate of 19.45 %. The greatest contribution to expenditure growth came from investments (5.2 %), social transfers (4.1 %) and compensations to employees (3.84 %).

A significant contribution to income came from foreign aid, especially operating and capital EU grants which include funding under the Multiannual Financial Framework 2021 - 2027, the Recovery and Resilience Facility (for strengthening the economy after the COVID-19 pandemic) and the Solidarity Fund (for earthquake remediation). Efficient directing of EU funds is key to achieving a multiplicative effect in Croatian economy and real convergence as well as decreasing the need for these funds in the future. The share of aid from the EU in the total expenditure increased significantly in the last years – from 5.6 % in 2018 to 10.4 % in 2023.



Table 3

Trends in public finance categories (ESA 2010) in Croatia, 2013 - 2023

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>TOTAL INCOME (% GDP)</b>	<b>42.3</b>	<b>43.4</b>	<b>43.8</b>	<b>44.6</b>	<b>44.5</b>	<b>44.7</b>	<b>45.8</b>	<b>46.0</b>	<b>45.2</b>	<b>44.5</b>	<b>46.7</b>
Total income growth rate (annual change)		1.7	4.0	6.4	5.4	6.2	8.2	-8.8	13.4	14.4	17.4
<b>TOTAL EXPENDITURE (% GDP)</b>	<b>47.8</b>	<b>48.5</b>	<b>47.3</b>	<b>45.6</b>	<b>43.9</b>	<b>44.7</b>	<b>45.6</b>	<b>53.3</b>	<b>47.7</b>	<b>44.4</b>	<b>47.4</b>
Total expenditure growth rate (annual change)		0.6	0.4	0.9	1.7	7.6	7.6	6.1	3.5	8.0	19.4
<i>Net expenditure (% GDP)<sup>1</sup></i>	27.6	26.7	25.9	24.8	23.6	23.9	24.3	28.2	24.3	21.1	21.1
Total expenditure growth rate (annual change)		-2.5	-3.5	-0.5	-0.7	-0.1	6.2	7.4	6.9	-0.5	0.7
<i>Share of EU aid (% of total expenditure)**</i>	1.1	1.3	2.9	4.5	4.4	5.6	7.3	8.6	10.1	9.7	10.4
<i>Share of EU aid (% of GDP)**</i>	0.5	0.6	1.4	2.0	1.9	2.5	3.3	4.6	4.8	4.3	4.9
<b>BUDGETARY BALANCE (% of GDP)</b>	<b>-5.5</b>	<b>-5.1</b>	<b>-3.5</b>	<b>-1.0</b>	<b>0.6</b>	<b>0.0</b>	<b>0.2</b>	<b>-7.2</b>	<b>-2.5</b>	<b>0.1</b>	<b>-0.7</b>
Percentage point change		0.4	1.6	2.5	1.6	-0.6	0.2	-7.4	4.7	2.6	-0.8
<b>PRIMARY BALANCE (% of GDP)</b>	<b>-2.4</b>	<b>-1.7</b>	<b>-0.1</b>	<b>2.0</b>	<b>3.2</b>	<b>2.3</b>	<b>2.4</b>	<b>-5.3</b>	<b>-1.0</b>	<b>1.5</b>	<b>1.0</b>
<b>STRUCTURAL BALANCE (% of GDP)*</b>	<b>-1.8</b>	<b>-3.0</b>	<b>-2.1</b>	<b>-0.6</b>	<b>0.5</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-3.3</b>	<b>-2.7</b>	<b>-1.2</b>	<b>-1.8</b>
<b>PUBLIC DEBT (% of GDP)</b>	<b>79.8</b>	<b>83.4</b>	<b>82.8</b>	<b>79.1</b>	<b>76.0</b>	<b>72.6</b>	<b>70.4</b>	<b>86.1</b>	<b>77.5</b>	<b>67.8</b>	<b>63.0</b>

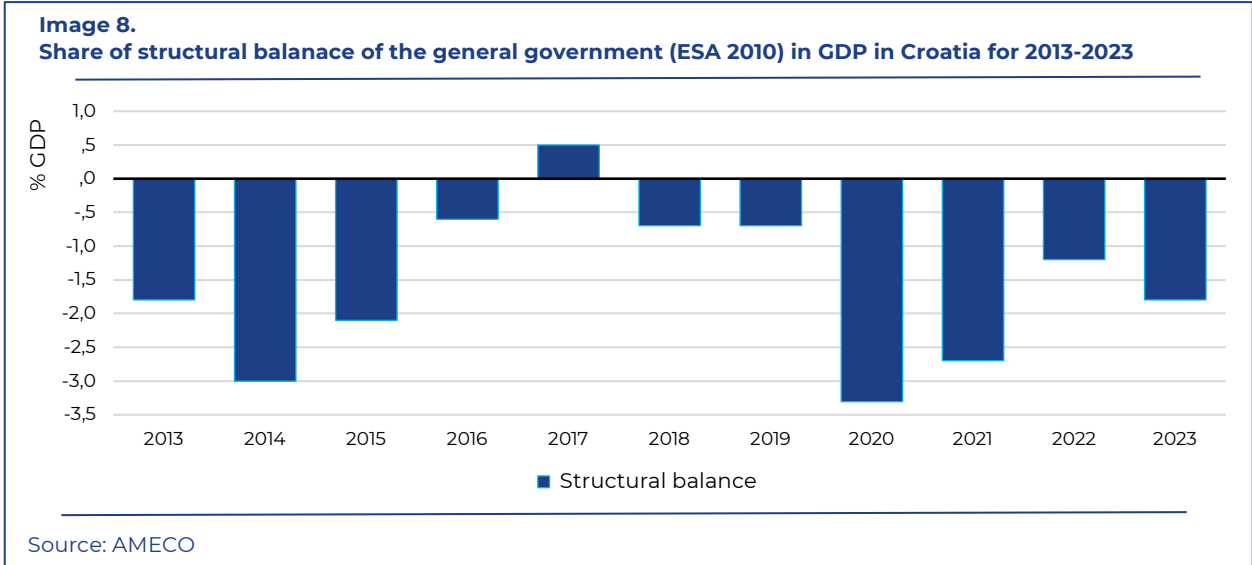
Source: EUROSTAT, \*EC, \*\*MoF

Overall fiscal trends in 2023 resulted in a budgetary deficit of the consolidated general government of -0.7 % of GDP, which is a deterioration of 0.8 percentage points compared to 2022 (however, above the limit of 3 % of GDP). According

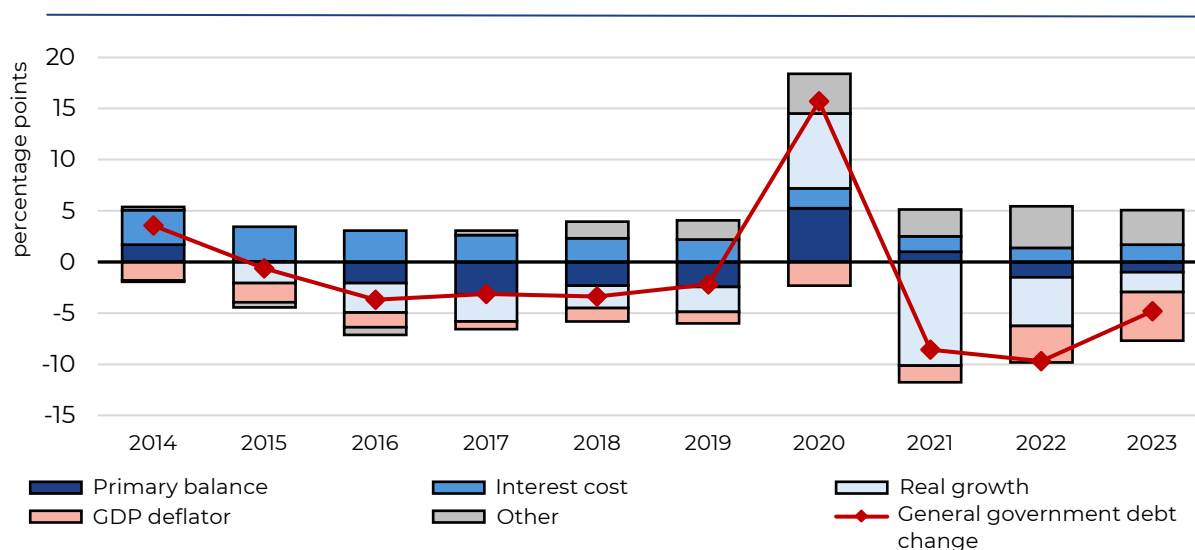
<sup>1</sup> According to ESA 2010, net expenditure refers to the total expenditure of the general government sector, adjusted for certain items to get a realist picture of expenditure that the government can control and that have a direct impact on fiscal policy. The calculation of net expenditure = total expenditure – revenue from the sale of goods and services – technical assistance and social welfare returns - operating transfers within the general government sector – capital transfers.

to the last evaluation by the EC, structural balance deteriorated by 0.6 percentage points, reaching a level of -1.8 % of GDP (compared to -1.2 % of GDP in 2022). Despite this deterioration, favourable macroeconomic trends affected a continued decrease of the public debt-to-GDP ratio, i.e. 63.0 %, which is an improvement of 4.8 percentage points compared to 2022 and the lowest level in the ten-year period.

Fiscal rules remained temporarily suspended in 2023, so it was not necessary to carry out the planned adjustment of the state of public finance to the set criteria. However, in 2023, the criterion of general government budget deficit was complied with and kept below the allowed level of 3 % of GDP. Although the criterion of public debt-to-GDP ratio was not achieved in 2023, its decrease by 4.8 percentage points indicates that the debt rule was fulfilled, and the level of 63 % shows a positive trend of nearing the 60 % limit. However, the preventive rules defined by the FRA, intended to unable exceeding the deficit criterion, were not fulfilled. In the previous period, the highest structural deficit was established at the level of 1 % of GDP and, according to the revised rules, it starts to apply from 2024 and amounts to 1.5 % of GDP. Structural deficit in 2023 amounted to 1.8 % of GDP which is above both the previous and the new maximum level.



**Image 9. Breakdown of the change in public debt (ESA 2010) in Croatia for 2014-2023**



Source: CBS, CNB, MoF, IMF

In this year's evaluation of the state of public finance, changes in the structure of public debt of the Republic of Croatia will be presented. The breakdown shows a positive result of the decrease of public debt-to-GDP share in 2023 through the snowball effect, where the public debt increases due to the cumulative effect of interest on the existing debt, together with other economic factors such as the primary balance and GDP growth.

This effect can become significant if interest rates on debt remain high or if the state cannot maintain a positive primary balance. Category trends above the level of 0 percentage points on the y-axis contributes to the increase of the share of public debt, while trends below this level contribute to its decrease. As shown in Image 19, during the last three years, the decrease of the public debt-to-GDP ratio was mostly influenced by economic growth and deflator (prices) growth, as well as the primary surplus (without the effect of interest) Croatia needs to have in order to pay off the debt accumulated beforehand. At the same time, debt growth is affected not only by the cost of interest but also other items, especially the acquisition of the state's financial assets which

includes the pre-financing intended for financing expenditure and repaying the debt in the upcoming year.

## 2 ABOUT THE FISCAL POLICY COMMISSION

In the period from 2011, the work and activity of the Fiscal Policy Commission underwent several significant changes in its structure and work through several stages. Although the Council Directive EU 2011/85, which lays down that the Commission is a permanent, independent and autonomous professional body endowed with a stronger supervisor role over the implementation of the FRA, was transposed into the Fiscal Responsibility Act, the Commission acted no less than eight years as another Croatian Parliament's body and only became an independent and autonomous body in late 2021, after the election of the Commission's first chairperson and the effecting of its registration as a business entity at the Croatian Bureau of Statistics. The process of registration of this body also marked the first steps in the operative establishment of the Commission Office (as the Commission's specialist service).

The Commission belongs to the group of independent fiscal institutions whose basic task is to supervise public finances to ensure their long-term sustainability and improvement.

The mission of the Commission, as an independent fiscal body, is to act with the aim of ensuring medium- and long-term sustainability of public finances, that is, fiscal policy of the Republic of Croatia in its entirety.

The Commission's vision is directed at being recognised as an independent, specialist and highly professional institution whose primary function is to act in the public interest and whose unbiased, efficient and transparent monitoring encourages long-term fiscal sustainability and thus contributes to Croatia's prosperity.

The Commission's main tasks, based on the most recent amendments to the FRA (Article 18) are:

- considering and assessing the risk of application of the fiscal rules established in Articles 6, 7 and 8 of FRA, in the stability program, in the state budget and financial plans of extra-budgetary users for the planned budget year and the projections for the next two years and the annual report on budget execution
- considering and comparing macroeconomic and budgetary projections from medium-term budgetary documents with achieved values in the period of four consecutive years which will be implemented at least once in two years
- confirming the macroeconomic projections underlying the stability program and the draft budgetary plan pursuant to the law regulating the budget.

The Commission is obligated to comment on the consequences of the decisions of all government levels (first and foremost the Government of the Republic of Croatia) on medium- and long-term sustainability of public finances and public debt and their impact on future generations.

Furthermore, the Budget Act (Official Gazette 144/21) defines the following tasks of the Commission according to which it:

- carries out an unbiased and comprehensive evaluation of macroeconomic and budgetary projections and
- confirms macroeconomic projections underlying the stability programme (Article 22 of the Budget Act) and the draft budgetary plan (Article 27 of the Budget Act).

The Commission is composed of the chairperson and six members appointed for a five-year term by the Croatian Parliament. The chairperson is elected through a public call, and the six members are elected from among prominent scientists and professionals at the proposal of the State Audit Office, Institute of Economics in Zagreb, Institute of Public Finance, the Croatian National Bank

and faculties of economics and law of the universities in Zagreb, Split, Osijek, Rijeka, Pula and Dubrovnik.

The Commission's members in 2023 were:

- Prof. Sandra Krtalić, PhD, Commission Chairperson
- Maroje Lang, PhD, representative of the Croatian National Bank, Deputy Chairperson
- Igor Karlović, M.Econ., representative of the State Audit Office<sup>2</sup>
- Maruška Vizek, PhD, representative of the Institute of Economics, Zagreb
- Vjekoslav Bratić, PhD, representative of the Institute of Public Finance
- Associate Prof. Domagoj Karačić, PhD, Faculty of Economics and Business, University of Osijek, from among the representatives of faculties of economics, and
- Associate Prof. Zoran Šinković, PhD, Faculty of Law, University of Split, from among the representatives of faculties of law.

In 2023, the Commission Office was established. Adequate business premises and equipment were ensured, and, to strengthen the Commission's administrative capacities, the recruiting of a certain number of professional and specialist personnel in the Commission Office started as planned. Considering the total planned number of workers, the idea is for the Commission Office to be structured horizontally and predominantly employ consultants, that is, analysts with specialist knowledge and skills in macroeconomics, econometrics, (public) finances and quantitative analyses. Since it is very challenging and difficult to find a sufficient number of candidates with such qualifications, additional training for these workplaces will certainly be necessary.

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<sup>2</sup> Replacement for Mrs. Vesna Kasum, Commission member released from duty of a member of the Fiscal Policy Commission on 30 June 2023 due to retirement

After the Commission chairperson was appointed back in 2021, it was not before Q4 2023 that the long-awaited staffing of the Commission Office started with the employment of two civil servants. Pursuant to the foreseen Civil Service Recruitment Plan in the Fiscal Policy Commission Office, two civil servants were successfully employed through a recruitment competition: an administrative secretary and a senior expert adviser.



### 3 FISCAL POLICY COMMISSION'S POSITION PAPERS

During 2023, pursuant to the FRA and the BA, the Commission directed its activities toward evaluating and confirming macroeconomic projections and examining and comparing macroeconomic and budgetary projections from medium-term budgetary documents with the last available projections of the European Commission and other international institutions. The Commission evaluated all the budgetary documents from the perspective of ensuring fiscal liability, that is, examining and assessing the risks of applying fiscal rules in medium-term budgetary documents and the annual report on the execution of the budget.

To ensure medium- and long-term sustainability of Croatian public finances, in 2023, the Commission again published its position papers in which it continuously and firmly highlighted the need:

- to further consolidate public finances
- for improved expenditure planning and control, that is, better prediction of certain budget items, such as the expenditure for employed persons, pension fees and healthcare, which are often initially planned at unrealistically low levels, in order to increase them in the subsequent amendments to the budget
- to implement and continue structural reforms (in public administration, healthcare, pension, educational and social welfare system) that would significantly minimize the generation of additional losses in certain sectors often necessitating the amending of the state budget
- to attract investments enabling stronger growth in the future, where most of the available funds, first and foremost those from EU sources, must be directed toward all those activities that would preserve and

maintain economic activity, help the most vulnerable households and contribute to a long-term sustainability of public finances

- for temporary, targeted and efficient fiscal policy measures aimed at alleviating the consequences of inflationary pressures;
- to constantly and meticulously monitor economic and budgetary achievements as well as a timely reaction of economic and fiscal policy in case of any serious deviations in uncertain and changed circumstances for the purpose of ensuring continuity of fiscal policy, that is, long-term sustainability of Croatian public finances.

The Commission regularly met with key domestic and international stakeholders.

To discuss and exchange ideas on macroeconomic and fiscal assessments and the applied methodology of predicting and assessing risks, regular communication was maintained and professional meetings held also with the representatives of the Ministry of Finance. In addition, in composing its analyses and position papers, the Commission also used different reports and forecasts of other institutions (Croatian National Bank (hereinafter: CBS), Croatian Bureau of Statistics, Organization for Economic Cooperation and Development (hereinafter: OECD), the International Monetary Fund (hereinafter: IMF) and the World Bank). During 2023, the Commission also continued its international activities within the framework of the EU Independent Fiscal Institutions Network and the EU Independent Fiscal Institutions.

The Commission's position papers, as in the previous years, were also sent to the members of the Croatian Parliament's Finance and Central Budget Committee before their discussion on budgetary documents. Moreover, pursuant to its task laid down in Article 21 of the Budget Act, the Commission

provided the Croatian Government with the confirmation of the macroeconomic projections underlying the Draft Budgetary Plan for 2024.

### *3.1 THE SCHEDULE OF SESSIONS AND MEETINGS OF THE FISCAL POLICY COMMISSION IN 2023*

In 2023, the Commission held three (3) expert meetings and eight (8) sessions at which it adopted five (5) position papers and two (2) confirmations of macroeconomic projections. Position papers and confirmations are published in Croatian and English on the Commission's website. The agendas of the Commission's sessions are listed below.

#### *17th (electronic) session of the Fiscal Policy Commission held on 24 April 2023*

- The Confirmation of macroeconomic projections of the Ministry of Finance

#### *18th (electronic) session of the Fiscal Policy Commission held on 22 May 2023*

- 22nd Position Paper of the Fiscal Policy Commission on the Draft Amendments to the State Budget of the Republic of Croatia for 2023 and the Projections for 2024 and 2025

#### *19th (electronic) session of the Fiscal Policy Commission held on 5 June 2023*

- 23rd Position Paper of the Fiscal Policy Commission on the Draft Annual Report on the Realization of the State Budget of the Republic of Croatia for 2022 and on the Stability Programme of the Republic of Croatia for 2024 - 2026

#### *20th (electronic) session of the Fiscal Policy Commission held on 20 June 2023*

- Annual Report on the work of the Fiscal Policy Commission in 2022

*21st (electronic) session of the Fiscal Policy Commission held on 9 October 2023*

- 24th Position Paper of the Fiscal Policy Commission on the Draft Semi-Annual Report on the Execution of the State Budget of the Republic of Croatia for the First Semester of 2023

*22nd session of the Fiscal Policy Commission held on 13 October 2023*

- The Confirmation of macroeconomic projections of the Ministry of Finance

*23rd (electronic) session of the Fiscal Policy Commission held on 16 October 2023*

- 25th Position Paper of the Fiscal Policy Commission on the Draft Amendments to the State Budget of the Republic of Croatia and the Financial Plans of Extra-Budgetary Users for 2023

*24th (electronic) session of the Fiscal Policy Commission held on 14 November 2023*

- 26th Position Paper of the Fiscal Policy Commission on the Draft State Budget of the Republic of Croatia and the Financial Plans of Extra-Budgetary Users for 2024 and the Projections for 2025 and 2026

## **4 THE TIMELINE OF COMMISSION'S ACTIVITIES WITH HIGHLIGHTS**

This part presents a short overview of the Commission's position papers and conclusions from its sessions and meetings. The activities are listed chronologically and linked to the adopted position papers on budgetary documents discussed by the Commission in 2023. Consolidated texts of the position papers can be found enclosed hereto.

### **Confirmation of macroeconomic projections**

At its 17th session held on 24 April 2023, the Fiscal Policy Commission considered MF's macroeconomic projections and assessed the credibility of the presented macroeconomic scenario based on how realistic it was compared to the projections of other competent institutions and finally confirmed that MF's macroeconomic projections are within the acceptable range.

### **22nd Position Paper of the Fiscal Policy Commission on the Draft Amendments to the State Budget of the Republic of Croatia and the Financial Plans of Extra-Budgetary Users for 2023 and the Projections for 2024 and 2025**

At its 18th regular session held on 22 May 2023, the Commission also examined the Draft Amendments to the State Budget of the Republic of Croatia and the Financial Plans of Extra-Budgetary Users for 2023 and the Projections for 2024 and 2025, and published the conclusions in the 22nd Position Paper (enclosed hereto). The summary of the position paper was as follows:

Draft Amendments to the State Budget for 2023 The Commission believes it is appropriate to the current status and circumstances. The Amendments are based on new macroeconomic projections the Commission confirmed on 22 April 2023. The Commission highlights the need to implement a cautious and conservative fiscal policy, paying special attention to controlling the expenditure trend (especially increasing) and further decrease of public debt. Although the current fiscal framework and strong decrease of the public debt-to-GDP ratio indicate fiscal responsibility, the amount of revenue and particularly general government spending (expenditure) indicate the need to improve efficiency. A strong influx of EU funds additionally minimizes the inefficiencies in the public sector. Economic growth should therefore be used to improve the existing condition and increase the efficiency of the institutions' work and prepare for long-term challenges related to negative demographic trends, climate change and digital transition.

### **23rd Position Paper of the Fiscal Policy Commission on the Draft Annual Report on the Realization of the State Budget of the Republic of Croatia for 2022 and on the Stability Programme**

At its 19th regular session held on 5 June 2023, the Commission discussed the Draft Annual Report on the Execution of the State Budget of the Republic of Croatia for 2022 and the Stability Programme. The summary of the position paper was as follows:

The Commission holds that fiscal policy in 2022 was responsible and adequate as it provided for strong fiscal incentives in response to the energy crisis, without endangering medium-term fiscal sustainability, while strong economic recovery was used for strong fiscal consolidation.

However, the Commission underlines that, in the upcoming period, the Government should continue to pursue a prudent fiscal policy and comply with the fiscal rules by controlling expenditure growth and undertaking key reforms in the public sector.

At the 20th (electronic) session of the Fiscal Policy Commission held on 20 June 2023, the Commission considered and adopted the Annual Report on the work of the Fiscal Policy Commission in 2022.

### **24th Position Paper of the Fiscal Policy Commission on the Draft Semi-Annual Report on the Execution of the State Budget of the Republic of Croatia for the First Semester of 2023**

At its 21st session held on 9 October 2023, the Fiscal Policy Commission examined the Draft Semi-Annual Report on the Execution of the State Budget of the Republic of Croatia (hereinafter: the Republic of Croatia) for the first semester of 2023 adopted by the Government of the Republic of Croatia at its 253rd session held on 27 September 2023.

Despite unfavourable global trends, Croatia's economic activity grew strongly in the first semester of 2023. Such growth, due to favourable labour market trends and a significant price increase also facilitated an increase in revenue collected from taxes. At the same time, fiscal expenditure also increased but at a slower pace than income, finally resulting in a surplus of both the state budget and the general government budget. The Commission highlights the current expansionary pro-cyclical position of fiscal policy in 2023 and calls for caution in the future period due to the potential effects of the overflowing of the negative trends from the rest of the European Union into national economy. Therefore, the Commission considers it extremely important to

carefully plan current and future fiscal measures. The Commission also believes it is necessary to assess the effects of discretionary measures implemented by the executive branch in a more quality and proactive manner and avoid under- or overestimating certain categories of budgetary income and expenditure. In addition, due to a number of uncertainties, fiscal discipline and sustainability and the structure of public finances must be constantly kept in mind, focusing on the most efficient measures for preserving and improving the economic potential necessary for long-term fiscal sustainability.

### **Confirmation of macroeconomic projections for 2024**

At its 22nd session held on 13 October 2023, the Commission considered MF's macroeconomic projections and established that, for the next period, these are slightly more optimistic than the currently available projections of other competent institutions, although the conservative approach was retained in preparing projections for the next period.

The Commission believes such an approach is justified because of the possibility of adjustment of fiscal planning in uncertain and volatile circumstances of the upcoming period. Uncertainties first and foremost reflect in the possibility that risk from the slowing down of economic activity (recession) will increase and in the real limitations of Croatian economy caused by structural weaknesses. The Commission confirmed that the presented macroeconomic projections represent a good basis for preparing the Draft Budgetary Plan for 2024.

### **25th Position Paper of the Fiscal Policy Commission on the Draft Amendments to the State Budget of the Republic of Croatia and the Financial Plans of Extra-Budgetary Users for 2023**



At the 23rd session held on 16 October 2023, the Commission examined the Draft Proposal of the Amendments to the State Budget of the Republic of Croatia and the Financial Plans of Extra-Budgetary Users for 2023 and the Projections for 2024 - 2025 adopted by the Government of the Republic of Croatia on 12 October 2023 at its 256th session. The summary of the position paper was as follows:

The Draft Amendments to the State Budget for 2023 foresee a significant increase of both state budget income and state budget expenditure due to continued economic growth and high inflation. The Commission warns that, despite the achieved results in the decrease of the public debt-to-GDP ratio, the Government of the Republic of Croatia used favourable macroeconomic trends for fiscal expansion and significantly increased the share of state budget expenditure in GDP. The Commission also calls for caution in planning future expenditure due to a number of negative risks and potentially unforeseen circumstances for the purpose of enabling fiscal adjustment in case the economic situation deteriorates. Croatian public finances are undergoing an expansive stage where the structural (and nominal) deficit is increasing. At the same time, owing to strong economic growth and high inflation, a strong decrease of the public debt-to-GDP ratio was achieved, improving the state of public finances. However, despite the significant decrease of the public debt-to-GDP ratio, the size of the general government measured by the share of GDP, has been increasing significantly, and the Commission warns that the growth of expenditure must be kept under control. Furthermore, the Commission reiterates the need to implement reforms, bearing in mind the real limitations of the Croatian economy and its structural weaknesses, as well as to maximize the use of EU aid for development activities. Although Croatia is currently undergoing a favourable stage of the economic cycle,

the situation can overturn very quickly and, in case of a significant slowing down of economic activity, public finances would be exposed to major risks.

### **26th Position Paper of the Fiscal Policy Commission on the Draft State Budget of the Republic of Croatia and the Financial Plans of Extra-Budgetary Users for 2024 and the Projections for 2025 and 2026**

At its 23rd session held on 14 November 2023, the Commission examined the Draft State Budget of the Republic of Croatia and the Financial Plans of Extra-Budgetary Users for 2024 and the Projections for 2025 and 2026 adopted by the Government of the Republic of Croatia on 9 November 2023 at its 262nd session. The summary of the position paper was as follows:

According to the Draft State Budget for 2024 which is based on the Draft Budgetary Plan for 2024, expectations and forecasts for 2024 suggest similar macroeconomic trends as in 2023, while continued growth of budget expenditure will result in a significant increase of the budgetary deficit in 2024. The Commission holds that, if the foreseen favourable macroeconomic trends are achieved, medium-term fiscal sustainability will not deteriorate significantly; instead, further decrease of the relative share of public debt is foreseen. Although the fiscal indicators will deteriorate in 2024 (provided expansionary fiscal policy in favourable conditions), a positive trend of the planned continued decrease of public debt-to-GDP ratio in the next period is underlined. Therefore, the Commission invites the Croatian Government to limit the adoption of fiscal measures with a permanent effect on expenditure and insist on those structural reforms and investments necessary to increase the potential growth rate. Since the macroeconomic perspective can change

very quickly and bring about a deceleration of economic activity, the Commission highlights the need for responsible management of Croatian public finances in the upcoming medium term.

In addition to the sessions, the Commissions held three expert meetings related to the subject of institutional and functional structure and work of the Fiscal Policy Commission and, on 9 March 2023, occasioned by the first anniversary of its independent work, the Commission organized the first consultations with experts for public finance and economic policy. The meeting was attended by Associate Prof. Ana Grdović Gnip, PhD (University of Primorska, Faculty of Management), Associate Prof. Sabina Hodžić, PhD (Faculty of Tourism and Hospitality Management), Associate Prof. Vladimir Arčabić, PhD (Faculty of Economics and Business, Zagreb) and Prof. Saša Drezgić, PhD (Faculty of Economics and Business, Rijeka). The discussion focused on the tasks and medium-term challenges the Commission is facing and the possibility of cooperating with experts for public finance and economic policy. The participants also broached the current topic of evaluating the cyclical nature of economy and trends in public finance, consequences of population ageing on public finance and the long-term challenges of fiscal policy.

## 5 COMMISSION'S PUBLICITY

The Commission's publicity is mainly achieved in the manner laid down in Article 23 (4) of the FRA which stipulates that the Commission shall inform the public on the positions adopted during the performance of its tasks referred to in Article 22 of the FRA by posting on the Commission's website.

To publish its position papers and other analyses as well as the results of its activities and other documents defined by legal regulations, the Commission uses its own website (<https://pfp.hr>). To enhance its visibility and inform the public on its work, the Commission informed the public of its position papers through publications issued by the Croatian News Agency (HINA) which were also often published by other media.

Moreover, to expand its public reach, the Commission opened its official account on the LinkedIn platform, the business social network where it presents itself to various stakeholders and associates from the fiscal area. To increase the Commission's visibility during 2023, the members of the Commission also participated in work presentations, conferences (*Croatia: the 20th member of the euro area; Croatia's entry into the European Stability Mechanism as the 20th member*, etc.), round tables and other public events.

## 6 INTERNATIONAL COOPERATION

In 2023, the Commission again regularly held meetings with key domestic and international stakeholders and, just as in the previous years, regular consultations were held with the representatives of the MF and other Croatian institutions (Croatian National Bank and the National Bureau of Statistics).

The Commission participated at meetings, seminars and conferences organized by domestic and foreign organizations. For example, it actively participated at meetings and conferences of the EU Network of Independent Fiscal Institutions (EUNIFI) and the EU Independent Fiscal Institutions (IFI), by taking part in discussions on prevailing economic issues and the overview of economy management.

Moreover, the Commission held a meeting with the representatives of the IMF as part of the mission/consultations based on Article IV of the Articles of Agreement of the IMF as well as the representatives of the Organisation for Economic Co-operation and Development (OECD).

Table 4  
*Participation at meetings and conferences in 2023*

EVENT	ORGANISED BY
Various seminars organised by EUIFI	EUIFI
Various meetings of the EUNIFI network	EUNIFI
DG ECFIN Workshop - Fiscal Policy in times of high debt and economic turbulences	DG ECFIN
Meeting between EUIFI network and EFC alternates	EUNIFI

Path for the Public Finances 2023	Irish Fiscal Advisory Council
Joint meeting between IMF and FPC	IMF
15th Annual Meeting of OECD Parliamentary Budget Officials and Independent Fiscal Institutions	OECD
Special meeting of CESEE Parliamentary Budget Officials and Independent Fiscal Institutions	OECD
European Fiscal Board's Fifth annual conference	EFB
IFI's role in the Economic Governance Review	CEPS
Various Meetings on the EU Economic Governance Framework	EUIFI
European fiscal policy and governance reform in uncertain times	ESCB EUIFI
Conference of the European Network of Independent Fiscal Institutions	EUIFI

## 7 FINANCIAL STATEMENT

At the beginning of 2023, the Commission continued carrying out targeted activities focused on the functional establishment of the Commission Office (ensuring and furnishing business premises, and employment, i.e. recruitment of servants). The Fiscal Policy Commission achieves income within the framework of group 67 Revenue from the budget and sources of financing 11 General income and receipts. For a successful operation of the Fiscal Policy Commission, expenditure was planned under activities A926001 Administration and management and the capital project K926002 Informatization, where the total expenditure in 2023 was realized in the amount of EUR 176,710. The largest share in the operating expenditure structure pertains to expenditure for employed persons and material expenditure. Expenditure for employed persons in 2023 was planned in the amount of EUR 155,227. The percentage of execution is lower because no servants were recruited in the reporting period pursuant to the foreseen recruitment plan. Material expenditure in 2023 was planned in the amount of EUR 64,201, while financial expenditure in 2023 was planned in the amount of EUR 187, and expenditure for the acquisition of non-financial assets in the amount of EUR 9,833. On account of activity K926002 Informatization, in 2023, EUR 10,650 were planned, of which EUR 1,451 were planned for expenditure for the acquisition of non-produced fixed assets, and EUR 9,199 for expenditure for the acquisition of produced fixed assets.

Out of the total amount of planned budgetary resources for 2023, the Fiscal Policy Commission returned two thirds of unexpended funds into the state budget, excluding the funds which were actually used in 2023 for the following: salaries for regular work in the amount of EUR 47,178.84 and contributions for mandatory health insurance in the amount of EUR 7,784.51, where the deviation from the execution was a consequence of payment of the salary to

the Commission chairperson for the entire accounting period of 2023 and the employment of two servants in Q4 2023.

Table 4

*Fiscal Policy Commission's financial plan for 2023 (in EUR)*

Code		Original plan for 2023	The plan after the 1st amendments	The plan after the 2nd amendments	Final plan for 2023
011	<b>FISCAL POLICY COMMISSION</b>	<b>854,207</b>	<b>774,207</b>	<b>411,210</b>	<b>176,710</b>
A926001	<b>ADMINISTRATION AND MANAGEMENT</b>	<b>770,958</b>	<b>695,958</b>	<b>347,560</b>	<b>165,060</b>
3	Operating expenditure	713,290	638,290	325,727	155,227
31	Expenditure for employed persons	345,942	210,942	82,201	64,201
32	Material expenditure	360,525	420,525	243,339	90,839
34	Financial expenses	187	187	187	187
37	Compensations to citizens and households based on insurance and other compensations	6,636	6,636		
4	Expenditure for the procurement of non-financial assets	57,668	57,668	21,833	9,833
42	Expenditure for the procurement of produced fixed assets	57,668	57,668	21,833	9,833
K926002	<b>INFORMATIZATION</b>	<b>83,249</b>	<b>78,249</b>	<b>63,650</b>	<b>11,650</b>
32	Material expenditure		16,000	16,000	1,000
4	Expenditure for the acquisition of non-financial assets	83,249	62,249	47,650	10,650
41	Expenditure for the acquisition of non-produced fixed assets	39,451	18,451	18,451	1,451
42	Expenditure for the acquisition of produced fixed assets	43,798	43,798	29,199	9,199

Source: State Budget of the Republic of Croatia for 2023; Service for General Affairs of the Croatian Parliament and the Croatian Government

In addition, other expenditure for employed persons was also realized in the amount of EUR 800.00 for payment of bonuses for Christmas holidays



pursuant to Annex III to the Collective Agreement for civil servants and employees (Official Gazette 128/2023) and the gift for children based on Annex I to the Collective Agreement for civil servants and employees (Official Gazette 127/2022); for business trips at home and abroad in the amount of EUR 5,516.50; compensations for transport, for field work and for separation in the amount of EUR 97.98 on account of expenses for monthly transport for one employee; office material and other material expenditure in the amount of EUR 846.42 due to increased expenditure for office supplies; energy in the amount of EUR 142.75 for costs of electricity and gas for the business premises on Trg Josipa Jelačića 15; small inventory and car tyres in the amount of EUR 695.03 for the acquisition of fire extinguishers, ladders; phone, mail and transportation services in the amount of EUR 223.99 for the payment of telecommunication services in the mobile network for the entire accounting period of 2023; services of operating and investment maintenance in the amount of EUR 2,628.73 for the preparation of additional project documentation for the furnishing of the Commission's premises based on the walls remediation study in 2022; promotion and information services in the amount of EUR 1,805.02 for the purpose of publishing the tender for employment of civil servants in the Commission Office; utility services in the amount of EUR 1,185.93 to settle the costs of the utility fee and water regulation fee, water supply and refund of reserves; lease fee and rent in the amount of EUR 6,449.10 for expenses for deposit and lease of business premises for the Commission Office in Boškovićeve Street; health and veterinary services in the amount of EUR 102.00 for issuing the medical certificate for two employees; intellectual and personal services in the amount of EUR 4,989.90 for the services of translation of FPC's position papers, reports on FPC's work, services of mediation in the lease of business premises and for testing the knowledge of English language in the implementation of the public tender; computer services in the amount of EUR 287.50 for the general clean-up of the business premises of the Commission

Office in Boškovićeve Street; compensation of costs to non-employed persons in the amount of EUR 6,952.21 on account of the costs of the Commission members; representation costs in the amount of EUR 227.55 for external representation; banking services and money transfer services in the amount of EUR 66.36 for the registration fee for the business card; default interest in the amount of EUR 1.48 for the payment of interest on utility costs and office equipment and furniture in the amount of EUR 2,757.57 for the acquisition of two personal computers with the pertaining equipment.

### SUMMARY OF THE REVENUE AND EXPENDITURE ACCOUNT AND THE FINANCING ACCOUNT

	REALIZATION 01.01. – 31.12.2022.	INITIAL BUDGET or BUDGET REVISION 2023.	CURRENT BUDGET 2023.	REALIZATION 01.01. – 31.12.2023.	Index	Index
	1	2	3	4	5 (4/1)*100	6 (4/3)*100
<b>6 OPERATING REVENUE</b>	<b>78.851,82</b>	<b>411.210</b>	<b>176.710</b>	<b>111.791,66</b>	<b>141,77</b>	<b>63,26</b>
<b>7 REVENUES FROM THE SALE OF NON-FINACIAL ASSETS</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>		
<b>TOTAL REVENUE</b>	<b>78.851,82</b>	<b>411.210</b>	<b>176.710</b>	<b>111.791,66</b>	<b>141,77</b>	<b>63,26</b>
<b>3 OPERATING EXPENDITURE</b>	<b>78.128,61</b>	<b>341.727</b>	<b>156.227</b>	<b>109.034,09</b>	<b>139,56</b>	<b>69,79</b>
<b>4 EXPENDITURES FROM THE ACQUISITION OF NON- FINANCIAL ASSETS</b>	<b>723,21</b>	<b>69.483</b>	<b>20.483</b>	<b>2.757,57</b>	<b>381,30</b>	<b>13,46</b>
<b>TOTAL EXPENDITURE</b>	<b>78.851,82</b>	<b>411.210</b>	<b>176.710</b>	<b>111.791,66</b>	<b>141,77</b>	<b>63,26</b>
<b>DIFFERENCE – SURPLUS / DEFICIT</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>	<b>0,00</b>		

Source: State Budget of the Republic of Croatia for 2023; Service for General Affairs of the Croatian Parliament and the Croatian Government