

## CROATIA 2005

### BOND ISSUANCES BY MUNICIPALITIES

LONG TERM  
EXTERNAL  
RESOURCES

#### Municipalities of Koprivnica and Rijeka

#### Bond issuance

##### DESCRIPTION & STAKEHOLDERS

- Collected funds are invested in projects of local and regional significance

##### SPECIFICITIES OF LOANS

- GFI that can hold local government deposits. Effectively, there are only two such institutions (the government-owned Land Bank and DBP). Both these banks are also evidently the only ones permitted to act as trustees over local government funds
- Municipal bond issue of Koprivnica:
  - Issued in three tranches in 2004 with the deadline expire in June 2011
  - Total nominal amount = 60 million€.
  - Amortization bonds: the principal shall be payable in 14 semi-annual installment on the due date and 1/14 of the principal
- Municipal bond issue of Rijeka:
  - First tranche of bonds issued on July 2006 in the amount of 8,191,504
  - Second tranche of bonds issued in May 2007 in the amount of 8,191,504
  - Third tranche of bonds issued in 2008 in the amount of 8,191,505
  - The total amount of bond issue of the city of Rijeka is 24,574,513

##### INSTITUTIONAL AND REGULATORY FRAMEWORK

- Croatian market debt security is consisting of long-term and short-term securities:
  - Long term securities: bond or bonds with a state guarantee, corporate and municipal bonds
  - Short term securities: Treasury bills issued by the Ministry of Finance and commercial records company
- In Croatia, in accordance with the provisions of Article 5 of the *Public Procurement Act* and Article 4 *Law on Amendments to the Law on Public Procurement*, it is not necessary to organize a public tender for selection of agent and underwriter of municipal bonds.
- Borrowing procedure:
  - First the procedure should be approved at the city level or at the municipality level by the presentation of an investment project including details about the project itself, the borrowing plan (the selected bank for transaction, the amount of bond issues, bond maturities, etc.)
  - Next, the city or municipality send the project for an approval from the Croatian Government
  - Once the application for borrowing is accepted by the government, the application should be submitted to the Committee for The Croatian securities.

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## USES

- Exclusive to local government:
  - \* The management of the local road infrastructure
  - \* Water supply
  - \* Sewage, waste and pluvial water treatment
  - \* Public lighting
  - \* Sanitation/waste collection
  - \* Local public transportation
  - \* District heating supply
  - \* Shared local with central government: Energy saving projects
- Shared region with central government:
  - \* Social houses for youth (exclusive competence of regional government)
  - \* Management of local interest airports (exclusive competence of regional government)

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## RESOURCES

- Most important local taxes/fees and average share in the annual budget
  - \* Income tax and surtax on income tax
  - \* Income from non-financial asset
  - \* Property tax
- Shared taxes:
  - \* Income taxes: 34% until 2006; 52% as of 2007
  - \* Profit tax: 20% until 2006; 0% as of 2007
  - \* Tax on real estate: 60%
- Central government transfers:
  - \* Transfers for the centralized functions – primary education; secondary education; social welfare and fire protection
  - \* Equalization grants – for general purposes and for capital purposes