

**THE FINANCIAL PLAN
OF THE CROATIAN POST AND
ELECTRONIC COMMUNICATIONS
AGENCY
FOR 2010**

October 2009

The Plan of Necessary Funds for Financing the Croatian Post and Electronic Communications
Agency for year 2010

in HRK

No.	DESCRIPTION	AMOUNT
1.	Planned total expenditure of HAKOM for 2010	118,751,369.74
2.	Increased for investment spending	47,114,684.00
3.	Decreased by the amount of expenditure and investments financed from EU pre-accession funds	25,000,000.00
<i>3.1.</i>	<i>- expenditure for consultancy services</i>	<i>5,000,000.00</i>
<i>3.2.</i>	<i>-investments- modernisation of the measurement system</i>	<i>20,000,000.00</i>
4.	Decreased for expenditure not affecting cash outflow	894,914.00
<i>4.1.</i>	<i>- depreciation</i>	<i>894,914.00</i>
5.	Decreased for expenditure financed from the balance of the fund of previous years	47,430,491.25
<i>5.1.</i>	<i>- capital donations</i>	<i>47,430,49.25</i>
Necessary funds (1+2-3-4-5)		92,540,648.49

The 2010 Revenue Plan of the Croatian Post and Electronic Communications Agency

in HRK

No.	DESCRIPTION	AMOUNT
1	Revenue according to special regulations	92,240,648.49
<i>1.1</i>	<i>Revenue from frequency fees</i>	<i>45,184,404.56</i>
<i>1.2.</i>	<i>Revenue from fees for addresses and numbers</i>	<i>7,581,774.60</i>
<i>1.3</i>	<i>Revenue from fees for the carrying out of other HAKOM's tasks from gross revenue earned by operators of electronic communications networks and services</i>	<i>35,044,469.33</i>
<i>1.4</i>	<i>Revenue from compliance</i>	<i>600,000.00</i>
<i>1.5</i>	<i>Revenue from the carrying out of HAKOM's tasks in the postal services sector from gross revenue of postal service providers</i>	<i>3,830,000.00</i>
2.	Revenue from EU pre-accession funds	25,000,000.00
3.	Other revenue - interest rates	300,000.00
TOTAL (1+2+3)		117,540,648.49

The 2010 Expenditure Plan of the Croatian Post and Electronic Communications Agency

in HRK

Class/ Group	Sub-group	Section	TITLE	FREQUENCIES	ADDRESSES AND NUMBERS	OTHER TASKS	ELECTRONIC COMMUNICATIONS - TOTAL	POSTAL SERVICES	HAKOM'S PLAN FOR 2010 - TOTAL
41			Expenditure for employees	17,597,720.61	3,605,219.46	14,875,174.63	36,078,114.70	2,235,000.00	38,313,114.70
	411		Salaries	14,568,770.67	2,990,949.08	12,321,147.42	29,880,867.17	1,900,000.00	31,780,867.17
		4111	<i>Salaries for regular work</i>	<i>14,416,770.67</i>	<i>2,946,949.08</i>	<i>12,190,147.42</i>	<i>29,553,867.17</i>	<i>1,870,600.00</i>	<i>31,424,467.17</i>
		4112	<i>Payments in kind</i>	<i>80,000.00</i>	<i>30,000.00</i>	<i>70,000.00</i>	<i>180,000.00</i>	<i>20,000.00</i>	<i>200,000.00</i>
		4113	<i>Payments for overtime work</i>	<i>72,000.00</i>	<i>14,000.00</i>	<i>61,000.00</i>	<i>147,000.00</i>	<i>9,400.00</i>	<i>156,400.00</i>
	412		Other expenditure for employees	270,674.11	61,706.18	230,209.71	562,590.00	45,000.00	607,590.00
		4121	<i>Other expenditure for employees</i>	<i>270,674.11</i>	<i>61,706.18</i>	<i>230,209.71</i>	<i>562,590.00</i>	<i>45,000.00</i>	<i>607,590.00</i>
	413		Contributions on salaries	2,758,275.83	552,564.20	2,323,817.50	5,634,657.53	290,000.00	5,924,657.53
		4131	<i>Contributions for health insurance</i>	<i>2,397,953.84</i>	<i>480,297.71</i>	<i>2,019,877.81</i>	<i>4,898,129.37</i>	<i>250,000.00</i>	<i>5,148,129.37</i>
		4132	<i>Employment contributions</i>	<i>360,321.99</i>	<i>72,266.49</i>	<i>303,939.68</i>	<i>736,528.16</i>	<i>40,000.00</i>	<i>776,528.16</i>
42			Material expenditure	13,345,477.21	1,891,688.93	10,075,802.09	25,312,968.23	1,461,400.00	31,774,368.23
	421		Reimbursements to employees	2,418,249.59	313,278.52	1,496,842.56	4,228,370.68	240,000.00	4,468,370.68
		4211	<i>Business trips</i>	<i>930,144.51</i>	<i>172,294.11</i>	<i>592,110.49</i>	<i>1,694,549.11</i>	<i>100,000.00</i>	<i>1,794,549.11</i>
		4212	<i>Transportation bonus, compensation for field work and separation allowance</i>	<i>399,421.21</i>	<i>62,165.49</i>	<i>271,438.66</i>	<i>733,025.36</i>	<i>80,000.00</i>	<i>813,025.36</i>
		4213	<i>Professional training of employees</i>	<i>1,088,683.87</i>	<i>78,818.91</i>	<i>633,293.42</i>	<i>1,800,796.20</i>	<i>60,000.00</i>	<i>1,860,796.20</i>
	422		Compensations for members of representative and executive bodies, commissions and the similar	0.00	0.00	62,186.00	62,186.00	0.00	62,186.00
		4221	<i>Compensations for members of representative and executive bodies, commissions and the similar</i>	<i>0.00</i>	<i>0.00</i>	<i>62,186.00</i>	<i>62,186.00</i>	<i>0.00</i>	<i>62,186.00</i>
	425		Expenditure for services	8,907,427.47	1,277,721.70	7,076,193.11	17,261,342.28	998,000.00	23,259,342.28
		4251	<i>Telephone, mail and transportation services</i>	<i>1,138,017.58</i>	<i>231,143.83</i>	<i>844,755.70</i>	<i>2,213,917.11</i>	<i>100,000.00</i>	<i>2,313,917.11</i>
		4252	<i>Services of current and investment maintenance</i>	<i>1,860,754.28</i>	<i>87,209.82</i>	<i>321,446.96</i>	<i>2,269,411.06</i>	<i>55,000.00</i>	<i>2,324,411.06</i>
		4253	<i>Promotion and information services</i>	<i>427,259.34</i>	<i>76,809.41</i>	<i>356,019.06</i>	<i>860,087.80</i>	<i>32,000.00</i>	<i>892,087.80</i>
		4254	<i>Utilities</i>	<i>383,994.08</i>	<i>44,346.97</i>	<i>168,194.09</i>	<i>596,535.14</i>	<i>30,000.00</i>	<i>626,535.14</i>
		4255	<i>Leases and rents</i>	<i>3,828,765.20</i>	<i>660,956.08</i>	<i>3,154,671.19</i>	<i>7,644,392.47</i>	<i>400,000.00</i>	<i>8,044,392.47</i>
		4256	<i>Health and veterinary services</i>	<i>178,834.49</i>	<i>32,149.49</i>	<i>149,016.02</i>	<i>360,000.00</i>	<i>30,000.00</i>	<i>390,000.00</i>
		4257	<i>Intellectual and personal services</i>	<i>537,203.06</i>	<i>91,441.59</i>	<i>1,773,274.67</i>	<i>2,401,919.33</i>	<i>300,000.00</i>	<i>7,701,919.33</i>
		4258	<i>IT services</i>	<i>114,603.18</i>	<i>20,879.19</i>	<i>94,094.67</i>	<i>229,577.04</i>	<i>11,000.00</i>	<i>240,577.04</i>
		4259	<i>Other services</i>	<i>437,996.26</i>	<i>32,785.32</i>	<i>214,720.75</i>	<i>685,502.33</i>	<i>40,000.00</i>	<i>725,502.33</i>

The 2010 Expenditure Plan of the Croatian Post and Electronic Communications Agency

in HRK

Class/ Group	Sub-group	Section	TITLE	FREQUENCIES	ADDRESSES AND NUMBERS	OTHER TASKS	ELECTRONIC COMMUNICATIONS - TOTAL	POSTAL SERVICES	HAKOM'S PLAN FOR 2010 - TOTAL
	426		Expenditure for material and power	1,121,965.28	212,578.47	867,379.47	2,201,923.23	143,000.00	2,344,923.23
		4261	<i>Office supplies and other material expenditure</i>	<i>599,357.73</i>	<i>133,382.20</i>	<i>467,667.93</i>	<i>1,200,407.86</i>	<i>89,000.00</i>	<i>1,289,407.86</i>
		4263	<i>Energy</i>	<i>380,849.17</i>	<i>53,712.04</i>	<i>280,131.50</i>	<i>714,692.71</i>	<i>30,000.00</i>	<i>744,692.71</i>
		4264	<i>Small inventory and car tyres</i>	<i>141,758.38</i>	<i>25,484.23</i>	<i>119,580.04</i>	<i>286,822.66</i>	<i>24,000.00</i>	<i>310,822.66</i>
	429		Other unmentioned material expenditure	897,834.87	88,110.23	573,200.95	1,559,146.05	80,400.00	1,639,546.05
		4291	<i>Insurance premiums</i>	<i>696,484.19</i>	<i>56,194.28</i>	<i>331,721.33</i>	<i>1,084,399.80</i>	<i>45,000.00</i>	<i>1,129,399.80</i>
		4292	<i>Entertaining</i>	<i>62,105.62</i>	<i>8,237.71</i>	<i>78,345.52</i>	<i>148,688.85</i>	<i>24,400.00</i>	<i>173,088.85</i>
		4293	<i>Membership fees</i>	<i>115,511.23</i>	<i>21,852.87</i>	<i>110,573.30</i>	<i>247,937.40</i>	<i>10,000.00</i>	<i>257,937.40</i>
		4295	<i>Other unmentioned material expenditure</i>	<i>23,733.82</i>	<i>1,825.38</i>	<i>52,560.80</i>	<i>78,120.00</i>	<i>1,000.00</i>	<i>79,120.00</i>
43			Depreciation expenditure	0.00	0.00	0.00	0.00	0.00	894,914.00
	431		Depreciation	0.00	0.00	0.00	0.00	0.00	894,914.00
		4311	<i>Depreciation</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>894,914.00</i>
44			Financial expenditure	101,355.92	14,247.50	73,943.42	189,546.83	8,000.00	197,546.83
	443		Other financial expenditure	101,355.92	14,247.50	73,943.42	189,546.83	8,000.00	197,546.83
		4431	<i>Banking services and transaction services</i>	<i>43,980.03</i>	<i>5,548.99</i>	<i>24,270.42</i>	<i>73,799.44</i>	<i>3,000.00</i>	<i>76,799.44</i>
		4432	<i>Negative exchange rate differences and currency clause</i>	<i>300.00</i>	<i>100.00</i>	<i>300.00</i>	<i>700.00</i>	<i>300.00</i>	<i>1,000.00</i>
		4433	<i>Penalty interest</i>	<i>26,713.65</i>	<i>6,286.25</i>	<i>22,829.86</i>	<i>55,829.76</i>	<i>3,000.00</i>	<i>58,829.76</i>
		4434	<i>Other unmentioned financial expenditure</i>	<i>30,362.24</i>	<i>2,312.25</i>	<i>26,543.14</i>	<i>59,217.63</i>	<i>1,700.00</i>	<i>60,917.63</i>
45			Donations	65,572.65	11,788.15	54,639.21	132,000.00	0.00	47,562,491.25
	451		Current donations	65,572.65	11,788.15	54,639.21	132,000.00	0.00	132,000.00
		4511	<i>Current donations</i>	<i>65,572.65</i>	<i>11,788.15</i>	<i>54,639.21</i>	<i>132,000.00</i>	<i>0.00</i>	<i>132,000.00</i>
	452		Capital donations	0.00	0.00	0.00	0.00	0.00	47,430,491.25
		4521	<i>Capital donations</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>0.00</i>	<i>47,430,491.25</i>
46			Other expenditure	4,140.39	744.33	3,450.03	8,334.74	600.00	8,934.74
	461		Fines, penalties and compensation for damages	4,140.39	744.33	3,450.03	8,334.74	600.00	8,934.74
		4612	<i>Penalties, storage charges and other</i>	<i>3,934.33</i>	<i>707.28</i>	<i>3,278.33</i>	<i>7,919.94</i>	<i>500.00</i>	<i>8,419.94</i>
		4614	<i>Agreed fines and other compensations for damage</i>	<i>206.06</i>	<i>37.04</i>	<i>171.70</i>	<i>414.80</i>	<i>100.00</i>	<i>514.80</i>
			TOTAL	31,114,266.77	5,523,688.36	25,083,009.37	61,720,964.49	3,705,000.00	118,751,369.74

The 2010 Investment Plan of the Croatian Post and Electronic Communications Agency

in HRK

INVESTMENT DESCRIPTION	FREQUENCIES	ADDRESSES AND NUMBERS	OTHER TASKS	ELECTRONIC COMMUNICATIONS - TOTAL	POSTAL SERVICES	HAKOM'S PLAN FOR 2010 - TOTAL
I. Facilities	3,944,337.72	17,472.99	78,189.29	4,040,000.00	25,000.00	4,065,000.00
A) The construction of HAKOM centres and CMS	3,944,337.72	17,472.99	78,189.29	4,040,000.00	25,000.00	4,065,000.00
<i>I.A.1 Procurement of premises for HAKOM's headquarters</i>	<i>279,337.72</i>	<i>17,472.99</i>	<i>78,189.29</i>	<i>375,000.00</i>	<i>25,000.00</i>	<i>400,000.00</i>
<i>I.A.2 Construction of HAKOM centre in Rijeka</i>	<i>1,095,000.00</i>	<i>0.00</i>	<i>0.00</i>	<i>1,095,000.00</i>	<i>0.00</i>	<i>1,095,000.00</i>
<i>I.A.3 Construction of CMS Veliki Bokolj</i>	<i>1,270,000.00</i>	<i>0.00</i>	<i>0.00</i>	<i>1,270,000.00</i>	<i>0.00</i>	<i>1,270,000.00</i>
<i>I.A.4 CMC Split</i>	<i>300,000.00</i>	<i>0.00</i>	<i>0.00</i>	<i>300,000.00</i>	<i>0.00</i>	<i>300,000.00</i>
<i>I.A.5 Construction of CMC Osijek (preliminary works)</i>	<i>1,000,000.00</i>	<i>0.00</i>	<i>0.00</i>	<i>1,000,000.00</i>	<i>0.00</i>	<i>1,000,000.00</i>
II. Measurement and IT equipment	25,660,831.08	27,829.40	148,423.52	25,837,084.00	0.00	25,837,084.00
A) Procurement of measurement equipment for CMS and HAKOM's centres	25,200,000.00	0.00	0.00	25,200,000.00	0.00	25,200,000.00
<i>II.A.1 Modernisation of the measurement system</i>	<i>23,000,000.00</i>	<i>0.00</i>	<i>0.00</i>	<i>23,000,000.00</i>	<i>0.00</i>	23,000,000.00
<i>II.A.2 Equipment for measurement vehicles</i>	<i>2,200,000.00</i>	<i>0.00</i>	<i>0.00</i>	<i>2,200,000.00</i>	<i>0.00</i>	
B) Procurement of IT equipment	460,831.08	27,829.40	148,423.52	637,084.00	0.00	637,084.00
III. Furniture	289,337.72	17,472.99	93,189.29	400,000.00	0.00	400,000.00
IV Investments into software	1,346,838.42	1,890,909.72	3,434,851.86	6,672,600.00	0.00	6,672,600.00
V. Means of transport	1,100,000.00	0.00	0.00	1,100,000.00	0.00	1,100,000.00
VI Development projects and expert studies	1,591,357.44	96,101.46	7,062,541.10	8,750,000.00	100,000.00	8,850,000.00
VII. Other equipment	137,435.42	8,299.67	44,264.91	190,000.00	0.00	190,000.00
TOTAL	34,070,137.80	2,058,086.23	10,861,459.97	46,989,684.00	125,000.00	47,114,684.00

Explanation of HAKOM's 2010 Expenditure Plan

The Financial plan of the Croatian Post and Electronic Communications Agency (hereinafter: HAKOM) for 2010 consists of the Plan for the Necessary Funds for Financing of HAKOM, HAKOM's Revenue Plan, HAKOM's Expenditure Plan and HAKOM's Investment Plan.

The Plan for the Necessary Funds for the Financing of HAKOM shows the necessary funds, that is, the total planned expenditure increased by investment costs and reduced by expenditure not affecting cash flow (depreciation, capital donations and EU pre-accession funds).

The Revenue Plan consists of the division of revenue into revenue from fees for frequencies, revenue from fees for addresses and numbers, revenue from gross revenue of operators of electronic communications networks and services, revenue from fees from gross revenue of postal service providers, revenue from compliance, revenue from the EU pre-accession funds and other revenue.

The part of expenditure and investments for other HAKOM's tasks will be financed from revenue from compliance and other revenue, and the planned revenue from fees from gross revenue of operators of communications networks and services has been reduced for that amount.

The 2010 Expenditure Plan is presented differently than the previous years due to changes in the accounting plan of non-profit organisations and for the purpose of more transparent and clearer presentation.

Pursuant to the Electronic Communications Act and the Postal Services Act, the funds necessary for the operation of the Agency are collected separately for the electronic communications sector and separately for the post and courier services sector. HAKOM also keeps separate accounting for the above-mentioned sectors. The necessary funds for the financing of postal and courier services will be ensured from fees from gross revenue of providers of postal services.

In 2008, HAKOM earned a surplus amounting to 27,168,914.57 which is still waiting for allocation. HAKOM proposes that the mentioned funds be transferred into the State Budget of the Republic of Croatia with a view to promoting the analogue to digital switchover strategy in the Republic of Croatia. The item of capital donations in the Expenditure Plan has been increased for that amount.

The possible surplus of collected funds in 2009 compared to HAKOM's Annual Financial Plan for 2009 will be planned through the 2010 Financial Plan amendments under item I.A.1 of the Investment Plan - Procurement of business premises for HAKOM's headquarters.

The Agency's expenditure for 2010 has been planned on the basis of actually expected expenditure in 2010. Expenditure was divided into expenditure for the management of the radio frequency spectrum, expenditure for addressing and numbering space management, expenditure for management of postal and courier activities and expenditure for other HAKOM's tasks. Expenditures of HAKOM's joint services were divided into the above-mentioned expenditure depending on their share in total expenditure.

Depreciation expenditure, expenditure from capital donations and a part of expenditure for

intellectual and personal services to be financed from EU funds were not allocated through expenditure for basic activities because they do not represent cash outflow but funds have been approved for that purpose. This expenditure has only been added to total HAKOM's expenditure to satisfy accounting rules. Therefore, the sum of total expenditure for electronic communications and expenditure for postal services does not equal HAKOM's total expenditure.

The total amount of EU funds envisaged for HAKOM's projects amounts to approximately HRK 28,000,000. The EU's contribution amounts to 75%, while HAKOM must ensure 25% of funds. A smaller part of the project will be realised already in 2009 which is why the 2010 Financial Plan contains the amount of HRK 25,000,000 as revenue from EU accession funds.

Planned expenditures related to employees include expenditures for their salaries and contributions, and for payments in kind, that is, the gross expenses for salaries. The total amount for salaries in 2010 did not change compared to 2009 in spite of the increase in the number of employees in 2009 and the planned increase in the number of employees in 2010.

On 1 January 2008 the Agency had 144 employees, and by the end of 2009 reporting period there were 158 employees in the Agency.

HAKOM will try to carry out the prescribed activities:

- a) by increasing the efficiency through the improvement of process and the staff training
- b) by promoting employees working in the expert service on the most complex tasks falling within the scope of the Agency.
- c) by employing new professionals.

A project focused on modelling and optimising of HAKOM's business processes has started and the analysis of the necessary human resources has been completed. In the majority of cases HAKOM has at its disposal a sufficient number of trained employees for performing the tasks, but certain activities require the strengthening of human resources.

In this sense, HAKOM needs to focus on:

- modelling and redefining business processes,
- strengthening market analysis,
- strengthening communications networks, connected to competence development, that is, the activities of the „Looking to the Future“ project and the development of broadband networks,
- ensuring the implementation of the project of cost accounting models,
- improving regulation of the postal services market,
- strengthening HAKOM 's IT components linked to the e-Agency project.

Heads of HAKOM have employed mostly highly educated and very young employees who by working in HAKOM gained experience and became experts in their fields thus meeting the requirements for promotion laid down in the Ordinance on the systematization of jobs within HAKOM. We believe that the HAKOM should take care of its experts through the rewards system in order to keep the key experts in the Agency and in order to motivate them to carry out their tasks successfully and to stay in HAKOM.

Material expenditures consists of reimbursement of cost to employees, fees for members of expert teams, expenses for material and energy, expenses for services and other unmentioned expenses. Reimbursement of costs to employees has been planned at the level of 2009 assessments. As regards the professional training of employees, the plan is primarily to organize task groups and training of employees. The reasons for the planned organization of task groups in 2010 are presented in the Agency's annual work and development plan (regulatory workshops, organization of WGSE meetings). In accordance with its own position and also in line with the opinions and recommendations of the CARDS project consultants, HAKOM invests in the knowledge and training of its employees in order for them to acquire know-how necessary to carry out and develop HAKOM's activities. In our opinion this is one of the necessary conditions for the development of HAKOM as a regulatory authority. The granting of approvals for graduate and postgraduate education of HAKOM's employees is also planned. The remaining planned expenses pertain to courses, seminars, conferences and congresses. The fees for members of expert teams include fees for members of Committees, i.e. the fee for the work in the Consumer Protection Commission.

Expenditures for material and energy have been planned at the level of 2009 assessments.

Expenses for the services of current and investment maintenance include expenses for the maintenance of HAKOM's equipment (equipment for the control of the radiofrequency spectrum) and expenses for the maintenance of software tools. Expenses for information and marketing services are increased due to the planned extension of the scope of activities of the public relations department, and HAKOM's commitment to make its work as transparent as possible to the public. Expenses for the renting of business premises are planned on the basis of lease agreements.

Intellectual and personal services include consultancy services (related to technical and conceptual matters), advisory services related to the calculation of the fee for free constructed electronic communications infrastructure and associated facilities, translation services, notary services, audit services and other intellectual services.

Expenses planned for insurance premiums include the insurance of motor vehicles, real estate, equipment and employees.

Capital donations are planned under class 45, subgroup 452, section 4521. Capital donations are laid down in accordance with the Decision of the Government of the Republic of Croatia. They are expenditures financed from the balance of funds from the previous years (surplus of revenue over expenditure from 2005, 2006 and 2007). The surplus from 2008 has not been allocated and its spending and manner are subject to a Government's decision. Funds for the financing of these expenses already exist, but the expenses will be incurred in 2010 and are presented in class 45.

The Rationale for Agency's 2010 Investment Plan

I. Facilities

Related to HAKOM's Annual Work Programme - activities **3.10-3.12**

II. Measurement and IT equipment

Modernization of the measurement system

Related to HAKOM's Annual Work Programme - activity **3.14**

IT equipment

Related to HAKOM's Annual Work Programme - activities **6.15-6.23**

III Furniture

Related to HAKOM's Annual Work Programme - activities **6.15-6.23**

IV Investments into software

Project „e-Agency” and „e-business“

Related to HAKOM's Annual Work Programme - activities **6.9-6.14**

Other software

Related to HAKOM's Annual Work Programme - activities **2.6, 2.9, 2.12, 2.13, 2.26, 5.9**

V Vehicles

Related to HAKOM's Annual Work Programme - activity **3.13**

VI Development projects and expert studies

“Looking to the Future” project

Related to HAKOM's Annual Work Programme - activity **6.7**

"Cost models" project

Related to HAKOM's Annual Work Programme - activity **2.4**