Professional paper

EXTRABUDGETARY CIVIL PROTECTION FUND

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Abstract:
Extrabudgetary funds represent a specific financing mechanism that enables the targeted collection and allocation of resources for specific purposes. The Civil Protection System Act of 2015 stipulated that the Republic of Croatia should establish an extrabudgetary civil protection fund through a special law to secure financial resources for protection and rescue in major accidents and disasters. A special law was supposed to regulate the establishment and operation of the extrabudgetary civil protection fund, but this was never implemented. The extrabudgetary civil protection fund could play a key role in ensuring the security and resilience of the community in the face of emergency events that can escalate into major emergencies and disasters. The extrabudgetary civil protection fund can also offer support in the preparation and implementation of disaster risk reduction activities, as well as to assist local government units in carrying out civil protection measures and activities within their jurisdiction. This paper aims to demonstrate the importance, role, and challenges associated with managing the extrabudgetary civil protection fund. Through the conducted research, the paper will present financial indicators related to the planning and expenditure of funds to determine the priorities for the development of civil protection that can be financed through the extrabudgetary civil protection fund.

Keywords: *civil protection, funding, development, projects, prevention, operational activities.*

1. Introduction remarks

Behind every civil protection activity, there is always an invoice that someone needs to pay. Financial aspects are often overlooked during the implementation of various civil protection activities, measures, or operational actions, as they are not immediately seen as priorities. However, decision-makers must always understand whether an activity can be financed through the regular civil protection budget or whether the necessary funds have not been planned in the regular budget. In such cases, it is essential to have access to alternative funding sources that can cover the costs incurred by civil protection activities.

The civil protection system in the Republic of Croatia encompasses a wide range of activities aimed at protecting people, property, and the environment from threats and risks. Financial resources are crucial for implementing these activities, and an extrabudgetary fund can provide an additional, stable and predictable source of financing, as well as supplement to

existing budgetary fund, which, at the local and regional self-government levels, are often insufficient for emergency activities. Such funds enable rapid action, as the resources are immediately available for procuring essential equipment, mobilizing operational forces, and providing urgent assistance.
Extrabudgetary funds are financial instruments established to support specific public needs outside the regular national or local budgets. They allow for more flexible and targeted resource allocation, particularly in sectors where strategic or emergency investments are required. In the field of civil protection, the importance of a reliable and sustainable source of financing is critical, especially considering the increasing frequency and intensity of disasters caused by natural hazards and human activities. Traditional budget cycles do not align with the unpredictable nature of disasters. An extrabudgetary fund, free from annual constraints, could act as a financial buffer, enabling immediate support for civil protection activities.

This paper aims to present an importance of the extrabudgetary civil protection fund as a key tool in strengthening the local resilience against various threats and risks. Its effectiveness depends on international best practices, transparent and accountable management, the assurance of stable sources of financing, and cooperation of all relevant stakeholders and operational forces within the civil protection system. Through continuous improvement and adaptation, such a fund can significantly contribute to the safety and quality of life of citizens, as well as to the overall strengthening of the civil protection system in the Republic of Croatia.

2. International context of funding for disaster risk management

International community, especially United Nations Disaster Risk Reduction and European Commission continually emphasizing the importance of strengthening local level for disaster resilience. This localized approach recognizes that well-organized and informed communities are the first and often the most effective responders in an emergency. Significant disaster losses can be prevented when communities are properly trained and equipped. By promoting inclusive education, awareness campaigns, and regular trainings, strengthens local capacities and reduces dependency on external assistance. According to UNDRR, governments play a critical role by allocating a minimum share of budgetary resources to disaster risk reduction activities, specifically those that build local capacity. Funding should support early warning systems, response teams, safe shelters, and education programs tailored to local risks such as floods, earthquakes, or wildfires. Investments in these areas yield high returns by minimizing damage and saving lives. A resilient community is one that not only survives a disaster but recovers quickly and adapts to future risks. Governments must recognize the value of community knowledge, leadership, and coordination by providing sustainable finance support trough extrabudgetary funding. (UNDRR, 2024)

European Commission puts a special emphasis on funding for disaster risk management. EU supports a wide range of activities aimed at strengthening disaster prevention and preparedness, fostering the exchange of knowledge and expertise, promoting good practices and networking, and advancing research and innovation in disaster risk management. According to European Commission, between 1980 and 2020, disasters caused by natural risks led to an average annual economic loss of €12 billion within the EU, affecting close to 50 million people. These figures are projected to rise sharply due to the accelerating impacts of climate change, particularly through increased frequency and severity of floods, wildfires, and extreme heat events.

Investing in disaster risk reduction is not only essential for saving lives and reducing impacts, but also economically sound. According to a joint study by European Commission and the World Bank, investments in resilient infrastructure yield high returns. The benefit-cost ratio typically ranges between 2:1 and 10:1, depending on the hazard type. This means that for every euro invested, up to ten euros may be saved in future disaster costs. Strategic investment in preparedness and prevention, particularly for floods, earthquakes, wildfires, and heatwaves, offers not only protection against mounting risks but also substantial economic benefits. (DG ECHO, 2024)

Federal Emergency Management Agency preparedness grants are a key part of the United States approach to building national resilience to disasters and emergencies. These grants provide federal funding to states, territories, local governments, tribal nations, and nonprofit organizations to support planning, training, equipment, and exercises that enhance the nation's ability to prevent, respond to, and recover from all hazards. In practice, FEMA preparedness grants have helped build interoperable communication systems, regional coordination centres, public alert systems, and local emergency operations plans across the United States. (FEMA 2021)

International examples shown the importance of various financial mechanisms which support disaster risk management activities from national to local level with goal to strengthen local prevention and preparedness, and to support disaster response operations.

3. Legal and Institutional Framework - Croatia

In May 2014 east part of the Republic of Croatia was affected by floods which trigger for the first-time declaration of disaster for Vukovarsko-Srijemska County. Response activities lasted for one month and included all relevant stakeholders from all levels of protection and rescue system. During second part of June, National Protection and Rescue Directorate led the process of lessons learned. Comprehensive analysis report was developed with inputs from all included stakeholders emphasizing all activities that has been achieved (including preliminary financial report) with many suggestions for improvement of the system.

Report emphasised that most central state administration bodies do not plan or are unable to plan sufficiently funds for emergency situations, as well as they do not have the logistical capacity and equipment necessary for disaster response operations. Report proposed to establish a "Fund for emergency situations", which would contain the funds necessary to cover the needs of operations as well as the costs of extraordinary interventions in the event of major accidents and disasters. The funds in the Fund would be transferable from one fiscal year to the next and, in accordance with the Decision of the Government, they would be managed by the National Protection and Rescue Directorate. (Government of Croatia, 2014)

Generally, these kinds of funds are created in the aftermath of a previous disaster as part of a more comprehensive statutory authority designed to increase overall disaster preparedness. (Coppola, 2015:415) In August 2015, based on lessons from 2014 floods, and considering other relevant findings for improvement and EU regulation, Civil Protection System Act came into force. Article 47 mandated the Republic of Croatia to establish an extrabudgetary fund to finance civil protection measures during major emergencies and disasters. It was envisaged that a separate law would regulate the Fund legal status, governance, sources of income, allocation mechanisms, and oversight procedures. Despite the clear legislative intent, no such law has been adopted to date. Civil protection financing is still fully reliant on, state and local budget allocations, EU and international project funding, ad hoc transfers or donations during emergencies. This situation raises concerns regarding the predictability, efficiency, and responsiveness of civil protection funding, especially at the local level when facing disaster operations and planning long term development measures and disaster risk reduction activities.

In May 2025, an online survey was conducted for the purposes of this paper via Google Forms. The aim of the survey was to collect primary data from regional bodies (counties) in financing civil protection measures and activities. Seven counties provided valuable feedback in relation to their area of responsibility, which represents a third of regional authorities in the Republic of Croatia, which is a representative sample.

Tabel 1. Overview of research findings

1.	**Challenges in financing civil protection at county level**	
a.	Lack of human resources for project management	57,1 %
b.	Lack of funds	28,6 %
c.	Uneven distribution by sector/administrative areas	14,3 %
d.	Insufficient support from the state budget	0 %
e.	Administrative/legal barriers to withdrawal of EU funds	0 %
2.	**In which areas/activities of civil protection do you plan to invest?**	
a.	Equipping of basic operational forces	85,7 %
b.	Equipping of additional operational forces	14,3 %
c.	Preventive activities	0 %
d.	Planning documents	0 %
e.	Training and exercises	0 %
3.	**What activities (expenditures) to finance through the extrabudgetary civil protection fund?**	
a.	Emergency activities	71,4 %
b.	Co-financing of mandatory participation in the EU project budget	14,3 %
c.	Financing of projects for the development of civil protection systems at the local and regional level	14,3 %
d.	Regular activities	0 %
e.	Temporary employment of young professionals	0 %
4.	**What are the relevant/possible sources for ensuring revenue for the extra-budgetary civil protection fund?**	
a.	Donations for emergency activities	42,9 %
b.	Rescue costs in inaccessible areas collected from insurance	42,9 %
c.	Collection of fines based on provisions of the Civil Protection System Act	14,3 %
d.	Donations for regular activities	0 %
e.	State budget	0 %

71,4% stated to have sufficient financial resources for the regular civil protection system activities in their area of responsibility while only 14,3% stated to have sufficient financial resources to carry out emergency operations. 42,9% are familiar with extrabudgetary civil protection fund provision within the law and not sure at what level of the civil protection system, fund should be established (national or regional or both levels). All regional bodies are implementing development projects related to the civil protection system and they have projects planned (or already in implementation) with the aim of developing the civil protection system in the next five years in their area of responsibility.

Research findings identify that civil protection system requires consistent investment across prevention, preparedness, response. Standard budget mechanisms are often reactive, mobilizing funds only after a disaster occurs. This delays emergency response and constrains proactive risk reduction efforts. An extrabudgetary fund would allow for pre-positioning of resources and rapid mobilization during emergencies. It could finance training, early warning systems, public awareness campaigns, research activities from scientific community and the procurement of specialized equipment. A key issue is the disparity in civil protection capacity between national, regional and local levels. While national institutions are better resourced, many local/regional governments lack the funds and personnel to fulfil their civil protection duties. A dedicated extrabudgetary fund could offer co-financing and grants to support local initiatives like updating risk assessments, training volunteers, or purchasing equipment.

Following the research findings, it is important to have in mind implementation of the Croatian Disaster Risk Management Strategy until 2030. The activities outlined in the Strategy are considered an initial investment in the civil protection development, with long-term financing planned through multiple public sources. Financial mechanisms will be established using both national and EU funds, ensuring continuity and strategic impact. Funding will be drawn from four main sources: the state budget, EU funds and programs, extrabudgetary resources, and the financial assets of state and locally owned companies.

4. Challenges for Fund management

The creation of an extrabudgetary civil protection fund, while conceptually sound and strategically necessary, is not without substantial legal, financial, administrative, and institutional challenges. Moreover, the fund must comply with the broader Public Finance Act and relevant EU regulations on state aid, transparency, and budget discipline. Designing a law that ensures fiscal responsibility, operational flexibility, and independence from political interference is a delicate balancing act.

Croatia has several established public extrabudgetary funds, among which the Environmental Protection and Energy Efficiency Fund is one of the most prominent. Created by law, this fund finances programs and projects aimed at environmental protection, waste management, energy efficiency, and the use of renewable energy sources. It operates independently of the state budget, collecting revenues primarily from environmental fees and special levies. The fund plays a crucial role in co-financing local and national initiatives, as well as EU-supported projects. Its model demonstrates how a well-structured extrabudgetary fund can ensure sustainable financing for targeted public policy objectives outside regular budget cycles.

Fund management must be sustainable and transparent. It is necessary to clearly define both the sources of financing and the decision-making process for the allocation of financial resources. In the prevention phase, financial resources may be made available through calls for proposals aimed at achieving specific objectives, while in the response phase they can support the implementation of priority civil protection measures based on decisions by the competent authorities within the civil protection system. Fundamental challenge lies in the absence of a legal framework to govern the establishment, governance, and operation of the fund. An operational extrabudgetary fund dedicated to civil protection could significantly strengthen a country's resilience and response capacity. One of its primary benefits would be ensuring rapid access to emergency financing, allowing immediate mobilization of resources without delays associated with formal budget reallocations.

Additionally, it could serve as a co-financing mechanism for EU funded projects, enabling regional and local stakeholders to meet matching fund requirements. However, several key challenges must be addressed. First, sustainable and fair sources of revenue must be identified, such as civil protection related fines, insurance contributions, donations or public security related taxes and budget reserve item. The design must also prevent duplication or overlap with existing funds (e.g., Environmental Protection Fund). Effective governance mechanisms are essential, including representation from national, regional, and local authorities. Finally, legal and institutional framework must align with national budgetary regulations.

Establishing and managing an extrabudgetary fund for civil protection would be a strategic step toward building a more resilient and responsive disaster risk management activities. However, its implementation is accompanied by several critical challenges that must be addressed to ensure effectiveness, fairness, and sustainability. One of the foremost challenges is ensuring transparency and accountability in the use of funds. It is essential that all allocated resources are used strictly for their intended purposes. To achieve this, robust oversight mechanisms must be in place, including regular audits, public reporting, and independent evaluations. Without these, the credibility and trust in the fund may be undermined, especially in times of crisis.

Another fundamental issue is the equitable distribution of resources. The fund must be accessible to all stakeholders. If not properly managed, there is a risk that better-connected or wealthier regions might benefit disproportionately. However, coordinating among diverse stakeholders with varying interests and capacities requires careful planning and inclusive governance structures. An extrabudgetary fund for civil protection will offer significant advantages, while its success hinges on overcoming these key challenges through transparent governance, fair allocation, sustainable financing, and inclusive cooperation.

The challenge lies in designing a governance model balancing central oversight with local needs. Effective management requires skilled personnel and transparency. A multi-stakeholder board, audits, public oversight, and clear allocation criteria are essential to ensure trust, accountability, and responsible use of funds at all levels. Ultimately, this fund would institutionalize a culture of prevention and resilience. It could support education, awareness, and research on emerging risks like climate change. It could also promote risk-informed planning and resilient infrastructure. More than a financial tool, the fund would be a strategic mechanism to help local authorities adapt to and prepare for future disasters.

5. Strategic priorities for Fund operations

Through continuous improvement and adaptation, such a fund can significantly contribute to the safety and quality of life of citizens, as well as to the overall strengthening of the civil protection system in the Republic of Croatia. To ensure the maximum effectiveness of a civil protection extrabudgetary fund, several strategic measures should be implemented. Such a fund would play a critical role in strengthening national resilience, supporting disaster risk reduction, and enabling rapid response in disaster. Therefore, to achieve such goals, it is essential to clearly define the priorities and objectives of the fund through the adoption of a legislative framework, providing a framework for decision-making and resource allocation. Clear criteria will help ensure that funds are directed toward high-impact projects and areas of greatest need. The digitalization of processes can significantly improve the transparency and efficiency of fund management. By using digital platforms for tracking allocations, reporting outcomes, and enabling real-time monitoring, decision-makers can reduce administrative burdens and enhance accountability. Learning from the experiences of other countries that have successfully managed similar funds can offer valuable insights into best practices, governance models, and potential pitfalls.

Many governments have set aside in their budgets an emergency relief fund designated to allow for financial liquidity to cover anticipated expenses associated with disasters. (Coppola, 2015:415) Given that local and regional self-government units are legally responsible for implementing civil protection measures, the fund must prioritize municipalities with documented gaps in preparedness and capacity. A primary strategic priority is to enhance local-level capacities, especially in municipalities and counties that face high disaster risks but lack adequate financial and technical resources. Moreover, robust internal and external oversight mechanisms are essential to maintain public trust. This includes independent audits, annual reporting to Government, publicly accessible dashboards of funding allocations and mechanisms for stakeholder inputs.

Combination of strategic planning, digital innovation and international best practices, the civil protection extrabudgetary fund can become a robust and sustainable instrument for enhancing disaster preparedness and local resilience. The extrabudgetary civil protection fund must align its allocations with strategic priorities that promote equity, efficiency, and sustainability. By focusing on local capacity building, risk reduction, technological modernization, co-financing opportunities, and stakeholder engagement, the fund can serve as a transformative tool in Croatia’s civil protection system. Properly targeted investments will not only reduce vulnerability but also foster long-term resilience and institutional readiness across all levels of government.

6. Final remarks

The civil protection extrabudgetary fund could be a key tool for strengthening community resilience to various types of threats. Its effectiveness depends on transparent and accountable management, securing stable sources of funding, and cooperation among all relevant stakeholders. Through continuous improvement and adaptation, such a fund can significantly contribute to the safety and quality of life of citizens.

The implementation of the principle of fiscal responsibility in the civil protection system could ensure that all resources, human, material, financial, and time-related, are used efficiently and rationally. This approach emphasizes the full utilization of existing capacities while avoiding unnecessary expenses, ultimately strengthening the system's long-term sustainability and impact. A cornerstone of this principle is the optimal allocation of resources. Budgetary funds and external donations should be directed based on clearly identified priorities and actual needs, preventing wasteful or politically motivated spending. Funds must flow where they will yield the greatest return in terms of preparedness and resilience. There must be a strategic focus on leveraging existing capacities. Before investing in new infrastructure or recruiting additional personnel, the system should rely on established institutions, current logistics networks, and trained staff. This maximizes efficiency and minimizes redundancy. The principle of fiscal responsibility in civil protection would be closely linked to the efficiency and rationality, all of which contribute to the sustainability of the system and better protection of people, property, and the environment.

Another essential element is to put focus on prevention and preparedness over response. Investing in training exercises, public education, and early warning system, reduces the need for expensive emergency interventions during disasters. Such proactive strategies result in substantial long-term savings. Resource sharing among institutions further supports cost-effectiveness. Coordinated efforts between various stakeholders prevent duplication of equipment and streamline capacity building. Joint training and interoperable systems enhance readiness while reducing overall costs. A cost-effective civil protection system is not just fiscally responsible, it is operationally smarter, more sustainable, and ultimately better at protecting people and communities.

One of the main advantages of a civil protection extrabudgetary fund should be its flexibility. Unlike regular budgetary allocations, these funds are not subject to the same rigid bureaucratic procedures, allowing for faster and more efficient decision-making in times of disaster. This agility is essential when responding to disasters, where delays can result in greater losses. The absence of the legally mandated extrabudgetary civil protection fund represents a missed opportunity in strengthening national disaster risk management framework. Establishing such a fund would provide more reliable, efficient, and targeted financing as well as to reduce pressure on annual budgets during disaster response operations.

The findings from this paper suggest that there is both a financial and strategic justification for establishing the fund. Legislative framework, supported by a detailed financial model and governance plan, should be taken to close this gap and improve the national civil protection system of the Republic of Croatia.

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