RRF 1\textsuperscript{st} Payment request – Croatia

Positive preliminary assessment by the Commission
Timeline of Croatia's RRP implementation

**RRP design and adoption**
- RRP submitted on 14 May 2021
- Approved by COM on 8 July 2021
- Endorsed by Council on 28 July 2021

**RRP Implementation Setup**
- Financing agreement signed on 22 September 2021
- Operational arrangement signed and published on 10 February 2022

**First Payment Request**
- Submitted on 15 March 2022
- Positive preliminary assessment adopted by COM on 10 May 2022
Structure of the positive preliminary assessment

The Annex to the Communication presents the summary of the positive preliminary assessment of each relevant milestone and target, including:

- Context (short description of measure and of milestone/target)
- Description of the evidence provided by the Member State
- Analysis on how the evidence provided duly justifies that the milestone/target is satisfactorily fulfilled
- Final Commission preliminary assessment for each milestone/target:

The Communication:

- Endorses the overall positive preliminary assessment
The Government of the Republic of Croatia shall adopt the multi-annual water and wastewater construction programme, which shall cover the necessary investments, including prioritisation, in order to comply with the requirements of the Urban Waste Water Treatment Directive.

The plan shall also include an assessment of risks and mitigation measures.

Indicative timeline for completion Q4 2021

Assessment

...the Government of the Republic of Croatia has adopted the Programme on 30 December 2021, and it was published in the Official Gazette NN 147/2021.

1. Chapter 6.4 of the programme includes the methodology for prioritization of investments, to ensure compliance with the requirements of the Urban Wastewater Treatment Directive. For water investments, the prioritization is made on the basis of 3 criteria: (1) health risks of water to population, (2) reduction of water losses in the water system, and (3) increasing water quantities for the population. The prioritization list also includes 7 projects from earthquake-affected areas.

Chapter 6.6 of the programme includes an assessment of risks and mitigation measures.

In particular, the programme lists three main risks to implementation:

i. limited information about the current status of water infrastructure, which impacts adequate planning and technical design (very high risk)

ii. limited administrative capacities at national and local level (very high risk)

iii. unexpected changes to the current budget estimates (very high risk)

Following a list of dedicated mitigation measures for each of the main risks, the risks have been reduced from very high to moderate or high.
Example: Evidence provided for Milestone 59: Adoption of the Multiannual Water and Urban Wastewater Treatment Construction Programme

Operational Arrangements (OA)

Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled. This document shall include as an annex the following documentary evidence:

a) copy of the Decision of the Government of the Republic of Croatia adopting the Multiannual Water and Urban Wastewater Treatment Construction Programme with publishing reference to the number of the Official Gazette;

b) link on the website of the Ministry of Economy and Sustainable Development (MINGOR) where the complete version of Multiannual Programme is available;

c) copy of the Multiannual Programme

Evidence submitted by HR (via FENIX):

a) Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (cover note), including:

b) A copy of the Decision of the Government of the Republic of Croatia adopting the Multiannual Water and Urban Wastewater Treatment Construction programme

c) Link to the website of the Ministry of Economy and Sustainable Development where the complete version of Multiannual Programme is available

d) Copy of the Multiannual Programme.

The authorities also provided:

Summary of the Multiannual Programme
Croatia’s first payment request: overview

<table>
<thead>
<tr>
<th></th>
<th>Investments</th>
<th>Reforms</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-repayable support</td>
<td>1</td>
<td>33</td>
<td>34</td>
</tr>
</tbody>
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- The first payment request concerns 33 milestones and 1 target out of 372 M&Ts in Croatia’s plan.
- The first instalment (non-repayable support) covers EUR 700 million (net of pre-financing).
- The milestones are linked to key steps in the implementation of reforms and investments, while the target concerns support for energy efficiency and renewable energy use in industry.
- **Key reforms and investments** covered concern the capacity to design and implement public policies and projects, the fiscal and the anti-money laundering framework, management of state assets, audit & control, as well as measures related to employment and legal framework, the social policy strategic framework, anti-corruption measures, the resilience of the health system and the education system.
Key measures: Green and Digital

Key Investment

Green transition

- [M 46]: 75 companies receiving support for energy efficiency and renewable energy use in industry

Key Reforms

Green transition

- [M 49]: Entry into force of the Alternative Transport Fuels Act
- [M 59]: Adoption of the Multiannual Water and Urban Wastewater Treatment Construction Programme
- [M 81]: Adoption of the Waste Management Act
- [M 45]: Adoption by the Government of an Energy Efficiency Programme for decarbonising the energy sector

Digitalisation

- [M 134]: Establishment of a Unit for Implementation and Management of Digital Transformation Projects in the Ministry of Agriculture

European Commission
Key measures: Social policies

- M[362]: A physical one-stop-shop office for energy renovation and seismic reinforcement set up and operational
- M[302]: Adoption of the National Plan against Poverty and Social Exclusion 2021-2027
- M[312]: Adoption of the National Plan for the Development of Social Services 2021-2027
- [M 265]: Adoption of the revised adult learning legal framework
- M[351]: Adoption of national energy renovation programmes for (i) multi-dwelling buildings, (ii) for buildings that have the status of a cultural good (for the period 2021-30), and for (iii) energy poverty reduction in areas of special state concern (for the period 2021-25)
Key measures: Resilience

### Labour market
- [M 293]: Entry into force of the amendments to the Minimum Wage Act

### Improving public management
- [M 158]: Adoption of the Act on the institutional framework for EU funds

### Anti-Money Laundering
- [M 253]: Complete implementation of the new Action Plan to mitigate identified money laundering and terrorist financing risks based on an updated national risk assessment

### Fiscal Framework
- M[248]: Ensuring the full functionality of the Fiscal Policy Commission
- M[247]: Strengthening the fiscal framework through the adoption of the Budget Act to improve the budgetary processes

### Health
- [M 333]: National Health Development Plan 2021-2027

### Anti-corruption
- [M 232]: Adoption of the new Law on the Prevention of Conflict of Interest
- [M 231]: Adoption of a new anti-corruption strategy for 2021-2030
Audit and control

- A&C system assessed positively during approval of the Plan
- An independent audit authority, the Agency for the Audit of European Union Programmes (ARPA), responsible for carrying out the audits of the Plan

**Four milestones on A&C in the Council Implementing Decision:**

- Provide a legal basis to ARPA for carrying out audits
- Establish the bodies in the implementation system, define their roles, responsibilities and procedures
- Ensure proper administrative capacity through a workload analysis and recommendations
- Upgrade the IT system to allow for collection, storage and monitoring of data in line with the RRF regulation

- Three of the milestones fall under the first payment claim (M 156, 157 and 159) while the one related to IT system falls under the second payment claim (M 160).
- All four assessed as satisfactory fulfilled (formalisation of the fulfillment of the IT milestone to be done for the second payment claim).
Thank you

More information: Commission webpage on the RRF
Reserve slides

State of Play
Timeline and process of payment requests

Submission of the payment request (up to twice a year)
- MS chooses the best moment to submit
- All evidence in FENIX, the RRF IT Tool
- Informal cooperation with Commission ahead of submission

Commission Assessment of the payment request (up to 2 months)
- Evidence-based assessment
- Thorough check of the satisfactory fulfilment of milestones and targets

EFC opinion (up to 4 weeks except emergency break)
- Commission provides positive preliminary assessment
- Economic Policy Committee discussion
- Economic and Financial Committee opinion adopted by consensus

Commission adopts payment decision in comitology (around 2-3 weeks)
- Commission implementing decision takes into account EFC opinion
- Opinion by RRF (comitology) Committee

Commission processes payment (without undue delay)
- As soon as possible based on market conditions
Assessment of milestones and targets

COM assessed the submitted evidence against the CID requirements and the OA annex I

- Supporting evidence corresponds to the list contained in the verification mechanism and further specification, if applicable (OA Annex I)
- Measures taken fulfil the description of the objectives of the measure and the milestone/target criteria (CID description and milestones/targets description)

Croatia submitted evidence in line with the CID and the Operational Arrangements (OA) via FENIX:

- **Summary document** duly justifying how the milestones/targets were satisfactorily fulfilled
  - Recalling the description of the milestones and targets in the CID and the objective of the measure
  - Listing the supporting documents provided
  - Explaining how the evidence provided addresses the requirements set out in the CID
- **All supporting documents** such as: copy of legal acts, official documents, public calls for tender, signed contracts, etc
Croatia’s first payment request: Key measures

Social policies

- M[302]: Adoption of the National Plan against Poverty and Social Exclusion 2021-2027
- M[312]: Adoption of the National Plan for the Development of Social Services 2021-2027

Green transition

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Key Reforms
Next steps

In the implementation of the Croatian RRP
The Disbursement Profile

and associated packages of Milestones and Targets

Payments refer to the timing of corresponding milestones and targets and are usually expected to be paid out one period later.
Looking ahead: 2\textsuperscript{nd} payment request

- 2nd payment request expected still this year, following completion of additional 25 milestones and targets, of which 16 reforms and 9 investment due by end-June 2022.

- To support private sector, measures include establishment of financial instruments, channeled via Croatian intermediate financial bodies, as well as an action plan to reduce non-tax and parafiscal charges and a digital platform for paying fees, which will reduce administrative burden.

- To further support the Croatian Green transition, measures include adoption of the Hydrogen Strategy, construction of the sewage and water supply networks, reduction of administrative procedures for the update of renewable energy infrastructure and a digital platform for food waste prevention. Under the initiative of reconstruction of buildings, the Programme for the Energy renovation of public sector buildings (2021-2030) will be adopted.

- To reduce fiscal costs and improve national budget, encourage the voluntary functional or actual merger of the local government units (LGUs).

- To improve justice system, Bankruptcy Act, the Consumer Insolvency Act and the Code of Criminal Procedure will be amended. There will also be an investment into electronic tools for the State Judicial Council.

- To support social and labour market programmes, a new Social Welfare Act will be adopted, and skills will be developed according to the market needs.