

25 October 2023

Positive preliminary assessment of the satisfactory fulfilment of milestones and targets related to the third payment request submitted by Croatia on 24 July 2023, transmitted to the Economic and Financial Committee by the European Commission
Executive summary

In accordance with Article 24(2) of Regulation (EU) 2021/241, on 24 July 2023, Croatia submitted a request for payment for the third instalment of the non-repayable support. The payment request was accompanied by the required management declaration and summary of audits.

To support its payment request, Croatia provided due justification of the satisfactory fulfilment of 32 milestones and 13 targets of the third instalment of the non-repayable support, as set out in Section 2(1)(1.3) of the Council Implementing Decision of 20 July 2021 on the approval of the assessment of the recovery and resilience plan for Croatia¹.

For two targets (#69 and #353) covering a large number of beneficiaries, in addition to the summary documents and official listings provided by Croatia, Commission services have assessed a statistically significant sample of individual files. The sample size has been uniformly set at 60 which corresponds to a confidence level of 95% or above in all cases.

In its payment request, Croatia has confirmed that measures related to previously satisfactorily fulfilled milestones and targets have not been reversed. The Commission does not have evidence of the contrary. Upon receipt of the payment request, the Commission has assessed on a preliminary basis the satisfactory fulfilment of the relevant milestones and targets. Based on the information provided by Croatia, the Commission has made a positive preliminary assessment of the satisfactory fulfilment of 45 milestones and targets.

The milestones and targets positively assessed as part of this payment request demonstrate significant steps in the implementation of Croatia's Recovery and Resilience Plan. They notably highlight the continuation of the reform momentum in key policy areas. This includes, among other reforms, a revision of the legislative framework in healthcare, science and higher education and upgrade of the research and innovation system, adoption of the new Labour Law and the Waste Management Plan and setting up a new legal framework improving the uptake of renewable energy sources. Milestones and targets also confirm progress towards the completion of investment projects related to energy renovation of buildings, green and digital transition of tourism and the implementation of measures to alleviate the administrative burden on the economy.

By the transmission of this positive preliminary assessment and in accordance with Article 24(4) of Regulation (EU) 2021/241, the Commission asks for the opinion of the Economic and Financial Committee on the satisfactory fulfilment of the relevant milestones and targets.

¹ ST 10687/21

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[non-repayable support]

Number: 1	Related Measure: HR-C[C1.1.1]-R[R1], Continuing the reform of the business and regulatory environment
Name of the Milestone: Adoption of the Strategy for the Evaluation of the Economic Effects of Regulation on the SME sector by the Croatian Government and the accompanying Action Plan	
Qualitative Indicator: Adoption of the Strategy and Action Plan	Time: Q4 2022
Context: Milestone 1 is part of Reform C1.1.1. R1 <i>Continuing the reform of the business and regulatory environment</i> , whose overall objective is to further improve the conditions for investment and doing business in Croatia. Actions under this measure focus on digitising services provided by the public administration to businesses, on reducing administrative costs and barriers stemming from the regulatory framework, and on strengthening the capacity of the public administration to assess the economic impact of regulations on businesses. Milestone 1 requires the adoption of a regulatory policy strategy and an accompanying action plan, which aim at improving the assessment of the economic impact of regulations on the SME sector during the phase of preparation for adoption. Milestone 1 is the first step of the implementation of the reform and will be followed by milestone 8, related to the digitalisation of the SME Impact Assessment Test. Further steps of the reform are linked to milestones and targets under the related Investment C1.1.1 R1-I1 <i>Digitalisation of government and public administration services provided to the business sector (G2B)</i> and Investment C1.1.1 R1-I2 <i>Continuing administrative and fiscal burden relief</i> , respectively. The reform has a final expected date for implementation on 31 December 2024.	
Evidence provided: In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided: i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (Cover note). ii. A copy of the adopted Strategy for the Evaluation of the Economic Effects of Regulation on the SME sector by the Croatian Government (The Strategy for assessing the economic impact of regulation on the SME sector for the period from 2023 to 2027) and of the accompanying Action Plan , and a link to the website of the Ministry of Economy and Sustainable Development where the Strategy and the Action plan can be accessed: https://mingor.gov.hr/UserDocsImages/Internacionalizacija/Dokumenti/Strategija%20za%20pocjenu%20ekonomskog%20u%C4%8Dinka%20propisa%20na%20sektor%20malog%20i%20srjednjeg%20podzetni%C5%A1tva%20za%20razdoblje%20od%202023.%20do%202027.%20godine.doc . The Strategy contains the following annexes (including the accompanying Action Plan): <ul style="list-style-type: none">• List of international assessment reports and documents used in the Strategy (Annex 1 of the Strategy, p. 54),• Action Plan (2023-2025) for the implementation of the Strategy for assessing the economic impact of regulations on the SME sector for the period from 2023 to 2027 (Annex 2 of the Strategy, p. 65, hereinafter referred to as the "Action Plan"),	

- Tabular presentation of Action Plan (Annex 3 of the Strategy, p. 65),
- Tabular template for creating a National Plan (Annex 4 of the Strategy, p. 66),
- Process diagram for the SME test (Annex 5 of the Strategy, p. 67).

The authorities also provided:

- iii. A copy and a link to the **government decision** on adopting the Strategy and accompanying Action Plan (*Odluka o donošenju Strategije za procjenu ekonomskog učinka propisa na sektor malog i srednjeg poduzetništva za razdoblje od 2023. do 2027. godine i Akcijskog plana za provedbu Strategije za razdoblje od 2023. do 2025. godine*, Official Gazette No. 48/2023, published on 5 May 2023, https://narodne-novine.nn.hr/clanci/sluzbeni/2023_05_48_821.html)

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

Focusing primarily on the economic impact of regulation on the SME sector, MINGOR shall adopt a binding Regulatory Policy Strategy for Ministries:

The Strategy for the Evaluation of the Economic Effects of Regulation on the SME sector (hereinafter referred to as “Strategy”) and the accompanying Action Plan (hereinafter referred to as “Action Plan”) were adopted by the Croatian Government on 4 May 2023. The Strategy outlines key priorities and actions in the period from 2023 to 2027 and aims at improving the quality and functioning of the process of ex-ante evaluation of economic impacts of regulations on SMEs.

The adoption of the Strategy and Action Plan is accompanied by a government decision on adopting the Strategy and accompanying Action Plan (hereinafter also referred to as “Decision”) mandating the Ministry of Economy and Sustainable Development (hereinafter also referred to as “MOESD”, or “MINGOR” in Croatian) with responsibility for publishing the Strategy and the Action Plan on its website. The MoESD holds overall responsibility for facilitating and ensuring the implementation of the Strategy and Action Plan. The Decision gives MoESD the authority to appoint bodies responsible for implementing sub-measures in their area of competence, and to coordinate, monitor, evaluate and enforce the implementation of the Strategy and the Action Plan.

The implementation of the Strategy and the Action Plan is subject to an oversight mechanism, in line with the established framework for strategic planning in Croatia. It requires submission by MoESD to the Coordination Body (Ministry of Regional Development and EU Funds) of annual reports on the implementation of the Action Plan (Strategy, Ch. 4.4 Monitoring and Evaluation Framework, p. 51 - 52). Furthermore, a horizontal inter-ministerial Task Force for coordination and monitoring, steered by MoESD, follows the adoption of the Strategy. It is a mechanism for continuous monitoring of the implementation, consisting of representatives of the line ministries, the Government Legislation Office (hereinafter referred to as “GLO”), as well as external stakeholders, by invitation (Cover note, p. 7 and Strategy, Ch. 4.3.2. Coordination mechanisms, p. 51).

The Strategy focuses on the application of the ‘SME Test’ to draft regulations, in particular by-laws containing detailed administrative requirements which affect SMEs. The SME test is a regulatory governance tool designed to assist line ministries in assessing the burdens on SMEs stemming from a particular regulation and engage with key stakeholders. The analysis resulting from the implementation

of the SME Test helps reduce burdens and create more business-friendly regulatory regimes for SMEs (Strategy, Chapter 2.1, European and National Context of the Strategy, p. 13).

The Strategy builds on the existing legal framework which establishes an obligation to carry out the economic impact assessment, including the SME Test (Figure 3 Legal framework for carrying out economic impact assessment on by-laws, p. 53 and Cover note, p. 3). The legal basis for the introduction of the SME Test is the Act on Promoting the Development of a Small Economy (*Zakon o poticanju razvoja malog gospodarstva*, Official Gazette No. 29/02, 63/07, 56/13 and 121/16). It establishes a framework for the assessment of the potential positive and negative impacts of both, draft laws (primary legislation) and by-laws (subordinate legislation) on SME activities (Section III.a).

All subordinate regulations (by-laws, *uredbe* and *pravilnici*) are subject to the SME test (Strategy, ch. 2.2. Regulatory governance in Croatia: major progress, p. 17). Methodological and operational guidelines for the implementation of the SME test are provided in the Regulation on the Implementation of the Impact Assessment Procedure of Regulations for Small Enterprises (SME Test) (Official Gazette No. 43/17, *Uredba o provedbi postupka procjene učinaka propisa na malo gospodarstvo (test malog i srednjeg poduzetništva)*, hereinafter referred to as the “SME Test Regulation”). The mandate of MoESD’s Business Environment Improvement Service (*Služba za unapređenje poslovne klime*, hereinafter referred to as “UPK unit”) as the office entrusted with central coordination and oversight of the implementation of regulatory impact assessments on the economy, including the application of the SME Test, is established in the act which defines the scope of the Ministry’s tasks and competences, adopted by the Government (Regulation on Internal Organisation of the Ministry of Economy and Sustainable Development, Official Gazette No. 97/2020, Articles 57 and 58, Cover note, p. 4). The SME test coordinators appointed in central administration bodies (hereinafter referred to as “line ministries”) are responsible for the coordination of impact assessment in their respective areas of competence (Strategy, Ch. 4.3.1. Partnership for the implementation of the Strategy, p. 47 and Cover note, p. 7).

Regulatory Policy Strategy clearly assigns management and operational responsibilities during the stages of conducting obligatory SME test during the regulatory process:

Key competences during the conduct of the SME test on draft by-laws have been established in practice, based on the SME Test Regulation.

The implementation of the SME Test takes place in two iterations between the UPK unit and the competent line ministry, as described in the Strategy (Figure 2 How does the SME test work, p. 20 and Annex 5 SME Test Process Diagram, p. 67), and set out in the SME Test Regulation (Articles 4 – 9, Annexes 1 and 2). The Strategy also includes a granular table overview of the SME Test process, describing the roles of internal units (Roles and activities of stakeholders in the SME Test process, p. 50). In the initial step, the MoESD/UPK unit assesses the “Preliminary SME Test” (PST) prepared by the line ministry, which screens for potential impacts of regulation on the targeted sector or subsector, taking into account several criteria: expected compliance costs, expected impact on the economic and financial performance, competitiveness and employment and self-employment in SMEs, expected impact on microenterprises, and other possible impacts based on the assessment of the competent line ministry. In the second step, if the PST identifies impact on the SMEs according to at least two criteria, the competent line ministry must draft the “Full SME Test” (FST), based on a mandatory internal and public consultation. The line ministry may proceed with the revised draft FST after obtaining the binding opinion of the MOESD. In case of disagreement between the MOESD and the line ministry, the final

decision is made by high-level governmental preparatory committees (*'koordinacije Vlade'*) composed of high-level officials (Cover note, p. 7).

The Strategy formulates four medium-term priorities, which are focused on optimising the SME Test process throughout the period of the Strategy, adapting the legal and strategic framework to future needs, further strengthening the institutional capacity for the SME Test and the economic impact assessment of regulation, and ensuring engagement of key stakeholders (Ch. 3.2 Medium-term priorities, p. 27 – 37).

The Strategy emphasizes institutional partners in the implementation of the Strategy. The Government Legislation Office contributes with its support and advice, as the unit with overall responsibility for legislative adoption procedures. The Central State Office for the Development of the Digital Society is a partner in implementing the SME Test platform, while the Croatian Bureau of Statistics ensures access and management of data for the impact assessment. The Ministry of Justice and Administration has a role as the central state body responsible for coordination of training initiatives for capacity-building of civil servants, including upgrading their skills and competences for the evaluation of economic impacts of regulation. Furthermore, outside stakeholders are important for the delivery of the objectives of the Strategy. This includes long—standing partner organisations representing SMEs and large companies, such as the Croatian Chamber of Commerce, the Croatian Employers' Association, the Croatian Chamber of Trades and Crafts, as well as other national and international chambers and professional associations active in Croatia (Strategy, Ch. 4.3.1 Partnership for the implementation of the Strategy, p. 47 - 49). The Task Force, mentioned above, is the mechanism for cooperation of state administration bodies and external stakeholders, as the latter can be invited to participate.

Based on the Regulatory Policy Strategy, an Action Plan shall be adopted to organise, plan, coordinate and monitor the implementation by line Ministries or relevant tools and methodologies (primarily for SME test and other economic analyses of regulation, if there is a significant economic impact detected):

The Strategy translates the medium-term priorities described above into corresponding five actions in the Action Plan. These actions together contribute to the implementation of the Specific Objective of the Strategy, *"Improving the effectiveness of the system of assessing the economic impact of regulation on the SME sector"* (Strategy, Ch. 3.3.1 Actions implementing the specific objective, p. 38).

The Action Plan consists of the following actions, and the Internationalisation Directorate, Competitiveness Sector in MoESD is tasked with their monitoring:

i. Action 1: Optimise the SME test methodology for regulatory impact assessment

This action develops a blueprint for the optimisation of the SME Test process. It consists of an in-depth analysis of the existing process flow, focusing on several elements which have been identified in practice as areas of improvement: analytical tools used in the SME Test (such as control checklists, forms, templates, data collection methods, and approaches to stakeholder consultation), inter-institutional and intra-institutional roles and responsibilities, adequacy of the legal framework, and the scope of the impact assessment. Based on an analysis of key challenges, the inter-institutional relations and procedures, the roles of stakeholders, and the methodological tools for carrying out the SME Test are improved (Subactions 1.1. and 1.2).

The operational responsibility for the implementation of this action is assigned to the Business Climate Improvement Service in MoESD and the SME test coordinators in the line ministries. The deadline for the implementation of the action is Q4 2023.

ii. Action 2: Digitalise the SME test process for by-laws

This action consists of steps that are necessary to develop a dedicated online platform for the implementation of the SME Test. It includes drafting of the technical specifications and launch of the public procurement procedure to design and develop the SME Test Platform with the necessary functionalities and resources, including cooperation and information exchange among state administration bodies, online training, communication with external stakeholders, application of administrative cost measurement models, and access to data, best practices, and relevant documents (Subactions 2.1 - 2.3).

The operational responsibility for the implementation of this action is assigned to the Business Climate Improvement Service in MoESD and external IT experts. Involvement of the Central State Office for the Development of the Digital Society, the Croatian Bureau of Statistics and the Ministry of Justice and State Administration is also foreseen. The deadline for the implementation of the action is Q4 2023.

iii. Action 3: Further strengthen the institutional capacity to implement the SME test

This action consists of developing a strategic approach to institutional-level capacity-building, in contrast to the current approach based on ad-hoc training initiatives, by focusing on the development of outcomes-oriented training curricula (Subaction 3.1) and a central database of best practices on the SME Test (Subaction 3.2).

The operational responsibility for the implementation of this action is assigned to the Business Climate Improvement Service in MoESD and the SME test coordinators in the line ministries. The deadline for the implementation of the action is Q4 2023.

iv. Action 4: Continuously improve the regulatory environment for Croatian SMEs

This action consists of updating of the legal basis to enable the digitalisation of the SME process (Subaction 4.1) and encouraging the development of forward-looking and adaptable regulatory approaches which foster a business environment conducive to innovation. The latter includes enabling the implementation of regulatory experimentation initiatives aimed at facilitating market entry and uptake of innovative business models, such as regulatory sandboxes (Subaction 4.2).

The operational responsibility for the implementation of this action is assigned to the Business Climate Improvement Service and legal experts in MoESD, and external IT experts. The deadline for the implementation of the action is Q4 2026.

v. Action 5: Increase the visibility of reforms through a sustainable and effective communication campaign

This action includes efforts to encourage active engagement of SMEs in the SME Test process. It consists of the development of a communication strategy with an action plan to increase the visibility of the platform (Subaction 5.1) and launch of a communications campaign (Subaction 5.2). The operational responsibility for the implementation of this action is assigned to the Business Climate Improvement Service and legal experts in MoESD and external communication experts. The deadline for the implementation of the action is Q2 2024.

The above actions build on the project of digitalisation of the SME Test, to be implemented under a future RRP investment, as the roadmap for improving the planning, monitoring, organisation and

coordination of the SME Test process. These actions equip the UPK unit/MoESD for better monitoring, management and quality control, as a result of a clear delineation of stages, responsibilities and deadlines in carrying out the SME Test proscribed by the digital process flow. The actions benefit the line ministries, by outlining a more efficient and streamlined process, thus increasing the quality and scope of their work. Furthermore, the actions in the Action Plan update guidance manuals, templates and process checklists for the conduct of the SME Test, integrating them into the different stages of the process and facilitating the use of analytical tools for the assessment of regulatory impacts on SMEs. The digitalisation of the process provides the basis for better organisation and transparency of stakeholder consultation. While organising the process better, the Strategy emphasizes that the aim of the SME Test platform is to facilitate use of skills and competences and encourage participation by stakeholders, rather than to merely automate the process (Strategy, Ch. 3.2.2. Optimisation of the SME test methodology, p. 31).

Furthermore, in line with the description of the measure, **the adoption of the Strategy and the Action plan shall improve economic impact assessment procedures used in the public administration to better support innovation and the adoption of new business models:**

The actions set out in the Strategy and Action Plan improve the implementation of the broader economic impact assessment which is applied to primary legislation (laws, *zakoni*) as part of a comprehensive impact analysis of laws, by improving the methodology, tools and resources applied to the conduct of the SME test which are an integral part of this process. This improves the ex-ante analysis of barriers to business innovation in the legislative process (Strategy, Ch. 2.2 Regulatory governance in Croatia: major progress, p. 16, Cover note, p. 3 – 6 and Regulatory Impact Assessment Act, Official Gazette, No. 44/2017, Article 11 (6), Article 13(7) and Article 16(4)).

The Strategy contributes to supporting innovation and adoption of new business models by affirming the public administration’s commitment to advancing regulatory policies and tools for economic impact assessment (Strategy, chapter 1.1 Link to Croatia’s National Development Strategy for 2030, National Recovery and Resilience Plan 2021-2026 and other relevant strategic planning acts, p. 9) and fostering an enabling and simplified business environment for small and medium enterprises (Strategy, Ch. 3.1.1., An effective regulatory system for the business environment of the future, p. 26 - 27). Action 4 in the Action Plan focuses on developing and testing of innovation-friendly regulatory regimes.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 7	Related Measure: HR-C[C1.1.1]-I[R1-I2], Continuing administrative and fiscal burden relief		
Name of the Target: Implementation of measures in the Action Plans to alleviate the administrative burden on the economy 2018, 2019, 2020			
Quantitative Indicator: % (Percentage)	Baseline: 61,02	Target: 95	Time: Q4 2022
Context:			
Target #7 is part of Investment C1.1.1 R1-I2 Continuing administrative and fiscal burden relief, whose objective is to improve the business environment in Croatia. This measure includes action plans adopted by the government, which commit to reduce the cost of compliance with regulatory requirements.			

Target #7 concerns the implementation of the 2018, 2019 and 2020 Action Plans for the reduction of administrative burden. The Council Implementing Decision requires reaching at least 95% of burden reduction set out in the aforementioned action plans, through optimisation and digitalisation of the administrative processes identified as the most burdensome in cooperation with the business community. The CID emphasizes areas of fisheries, phytosanitary and veterinary control, tourism and hospitality industry, waste management, social welfare, scientific activities, and judicial affairs among areas in which cost reduction should be implemented.

Target #7 is the second target of the Investment C1.1.1 R1-I2 Continuing administrative and fiscal burden relief, and it follows the completion of Target 6, related to the implementation of the Action Plan to reduce non-tax and parafiscal charges 2020. It will be followed by Targets 10 and 11, both related to the implementation of a new Action Plan on administrative burden relief and Target 9, related to the implementation of a further Action Plan to reduce non-tax and parafiscal charges. The investment has a final expected date for implementation on 31 December 2025.

Evidence Provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note), including the following Annexes:
 - **Explanatory report**, submitted as a separate document,
 - presenting the total cost reduction envisaged on the basis of the measure listed in the Action Plans 2018, 2019 and 2020 and justifying how the measures have been established in cooperation with representatives of the business community, chambers and professional associations with reference to meetings with the stakeholders
 - **Primary evidence** for each specific measure justifying how these have led to the envisaged 95% cost reduction, consisting of:
 - links to Official Gazette for documents subject to publication in the Official Gazette, included in the Cover note and
 - documents not subject to publication in the Official Gazette, submitted as separate documents, such as, user guides, rules of procedure, technical specifications, and additionally screenshots:
 1. Evidence AP2020 Administrative procedure 2.1 Screenshots and List of Participants
 2. Evidence AP2020 Administrative procedure 2.2 eMPP-1-letak
 3. Evidence AP2020 Administrative procedure 2.2 Interna korisnicka dokumentacija
 4. Evidence AP2020 Administrative procedure 2.2 Korisnicka dokumentacija
 5. Evidence AP2020 Administrative procedure 2.2 Kratke upute za korištenje eMPP-1
 6. Evidence AP2020 Administrative procedure 2.2 Objava za medije nove e-usluge HZMO-a e-MPP1_05-01-2021
 7. Evidence AP2020 Administrative procedure 2.2 Popis aktivnosti i dokaza
 8. Evidence AP2020 Administrative procedure 2.2 Pravilnik o postupku i nacinu kontrole
 9. Evidence AP2020 Administrative procedure 2.2 Uputa za rad e-Kontrola HZMO
 10. Evidence AP2020 Administrative procedure 2.2 Upute za rad eMPP-1
 11. Evidence AP2020 Administrative procedure 2.2 Izmjene i dopune Pravilnika o vodenju matricne evidencije HZMO NN 145 2020

12. Evidence AP2020 Administrative procedure 2.4 bolovanja-ws_v9.1
13. Evidence AP2020 Administrative procedure 2.4 eposlovanje-flow
14. Evidence AP2020 Administrative procedure 2.4 Screenshots
15. Evidence AP2020 Administrative procedure 2.4 Bolovanja.svc.wsdl_sigmsg Bolovanja.svc.wsdl
16. Evidence AP2020 Administrative procedure 2.4 Bolovanja.svc_msg-sam Bolovanja.svc_req
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19. Evidence AP2020 Administrative procedure 2.5 Funkcionalna specifikacija
20. Evidence AP2020 Administrative procedure 2.5 Izvješće_Kalendar placanja obveznih naknada_MINGOR
21. Evidence AP2020 Administrative procedure 2.7 Screenshots
22. Evidence AP2020 Administrative procedure 2.9 Activity 5
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25. Evidence AP2020 Administrative procedure 2.10 RE Izvješće za ERM II_dostava_EK
26. Evidence AP2020 Administrative procedure 2.10 RE Zahtjev EK za dostavom dopune dostavljenih dokaza o provedbi mjera (NPOO)
27. Evidence AP2018 Measure no. 43_1
28. Evidence AP2018 Measure no. 43_2

The authorities also provided:

- ii. **Summary Excel overview**, providing an overview how the Target 7: Implementation of measures in the Action Plans to alleviate the administrative burden on the economy 2018, 2019, 2020 (95%) was fulfilled, including the cost reduction on the level of individual measures in the action plans and formulas for cumulation of the achieved cost reduction,
- iii. **Examples** of minutes and questionnaires related to the stakeholder consultation for target measures:
 1. Freshwater fisheries questionnaire, related to the Action Plan 2018
 2. Phytosanitary policy focus group, related to the Action Plan 2018
 3. Phytosanitary policy questionnaire group, related to the Action Plan 2018
 4. Movement of foreigners questionnaire, related to the Action Plan 2019
 5. Movement of foreigners focus group, related to the Action Plan 2019
 6. Waste management focus group, related to the Action Plan 2019
 7. Waste management questionnaire, related to the Action Plan 2019
 8. Social welfare questionnaire, related to the Action Plan 2019
 9. Social welfare focus group, related to the Action Plan 2019
 10. Phytosanitary policy questionnaire, related to the Action Plan 2019
 11. Veterinary control focus group, related to the Action Plan 2019
 12. Veterinary control questionnaire, related to the Action Plan 2019
 13. Administrative procedure 2.1 focus group, related to the Action Plan 2020
 14. Administrative procedure 2.2 questionnaire, related to the Action Plan 2020
 15. Administrative procedure 2.2. focus group, related to the Action Plan 2020
 16. Administrative procedure 2.4. questionnaire, related to the Action Plan 2020

- 17. Administrative procedure 2.4. focus group, related to the Action Plan 2020
- 18. Administrative procedure 2.5. focus group, related to the Action Plan 2020
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- 21. Administrative procedure 2.9. questionnaire, related to the Action Plan 2020
- 22. Administrative procedure 2.9. focus group, related to the Action Plan 2020
- iv. **2018 Action Plan** to alleviate the administrative burden on the economy, submitted to the Government of the Republic of Croatia by the Ministry of Economy, Entrepreneurship and Development on 20 February 2018, Class: 330-01/18-01/128, Reg. No: 526-12-01/2-18-5
- v. **Government Conclusion on the acceptance of the 2018 Action Plan** to alleviate the administrative burden on the economy, adopted on 8 March 2018, Class: 022-03/18-07/73, Reg. No: 50301-25/05-18-3
- vi. **2019 Action Plan to alleviate the administrative burden on the economy**, submitted to the Government of the Republic of Croatia by the Ministry of Economy, Entrepreneurship and Development on 27 December 2018, Class: 330-01/16-01/299, Reg. No: 526-12-01/1-18-92
- vii. **Government Conclusion on the acceptance of the 2019 Action Plan** to alleviate the administrative burden on the economy, adopted on 3 January 2019, Class: 022-03/18-04/420, Reg. No: 50301-25/27-19-6
- viii. **2020 Action Plan to alleviate the administrative burden on the economy**, submitted to the Government of the Republic of Croatia by the Ministry of Economy, Entrepreneurship and Development on 27 April 2020, Class: 330-01/19-01/456, Reg. No: 526-12-01/1-20-186
- ix. **Government Conclusion on the acceptance of the 2020 Action Plan** to alleviate the administrative burden on the economy, adopted on 30 April 2020, Class: 022-03/20-07/76, Reg. No: 50301-25/06-20-3

Analysis:

The Commission considers that there is a clerical error in the text of the Council Implementing Decision as regards the description of the measure and has undertaken the assessment on a revised basis. Specifically, the implementation of the 2017, 2018, 2019 and 2020 Action Plans for the reduction of administrative burden is mentioned in the description of the measure. However, the description of the target refers only to the 2018, 2019 and 2020 Action plans. The description of the target is in line with the technical exchanges between the Commission and the authorities prior to the adoption of the Council Implementing Decision, which confirm that the measure concerns solely the 2018, 2019 and 2020 Action plans. This is because the target is to be achieved starting from a baseline of completed measures at the time of the adoption of the Council Implementing Decision, effectively encompassing the implementation of measures from the more recent Action Plans, mostly the 2019 and 2020 Action Plans. Furthermore, while the Croatian Recovery and Resilience Plan recalls administrative cost reduction efforts in four Action Plans, the 2017 Action Plan is singled out as a pilot project. Against this background, the justification and substantiating evidence provided by the Croatian authorities cover all constitutive elements of the milestone.

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the target.

Implementation of administrative burden reduction measures identified in the 2018, 2019 and 2020 Action Plans, amounting to at least 95% of the envisaged cost reduction:

The three Action Plans each consist of a list of actions aimed at providing administrative burden relief (hereinafter referred to as “measures”). Each measure represents an administrative obligation, which imposes administrative burden on the entities subject to the obligation, expressed as a monetary value (in HRK, predating introduction of the euro in Croatia). The amount of cost reduction which is to be achieved by implementing a measure is set in the adopted Action Plans, on the level of each measure. Full implementation of three action plans would lead to HRK 1,939,393,458.41 of administrative burden relief, or 100% of the ‘envisaged cost reduction’.

The target of 95% is to be achieved from the baseline of 61.02% of already achieved cost reduction. In particular ahead of the adoption of the Council Implementing Decision (CID), as of 1 July 2021, 61.02% of the envisaged cost reduction was reported as implemented by the relevant competent bodies, constituting the baseline value specified in the CID (Explanatory report, p. 1). The baseline reflects the cost reduction achieved through the implementation of 326 measures in three action plans (hereinafter referred to as “baseline measures”), amounting to HRK 1,183,364,439.58 of administrative relief, or 61.02% of HRK 1,939,393,458.41.

Three out of the 326 baseline measures have not been implemented by the time of this assessment (Explanatory report, p. 2), reducing the actual amount of cost reduction achieved as part of the baseline by HRK 12,979,215.52. Therefore, HRK 1,170,385,224.07 of envisaged cost reduction was achieved as of 1 July 2021, ahead of adoption of the CID, or 60,35%. This figure is considered a baseline for the assessment.

In line with the above, to reach the target of 95%, the evidence provided must demonstrate achievement of no less than 34,65% of the envisaged cost reduction, or HRK 671.999.833,34, on top of the baseline for the assessment.

The authorities provided evidence of implementation of 67 measures towards the achievement of the target (hereinafter referred to as “target measures”), implemented after 1 July 2021, as well as an overview cumulating the achieved cost reduction through the implemented target measures (Summary Excel Overview). The implementation of the target measures resulted in HRK 734,541,454.21 of administrative relief, or 37.87% of the total planned administrative burden reduction (Cover note, p. 2 and Explanatory report, p. 1).

Added to 60,35%, this ratio amounts to the achievement of 98,22% of the envisaged cost reduction, meeting the target of 95% of envisaged cost reduction specified in the Council Implementing Decision.

The implementation of each target measure is substantiated by documentary evidence which shows the administrative obligation in relevant regulations before and after the implementation of the measure. Digitalisation measures are substantiated through the submission of manuals, technical specifications, and other relevant documents, and through screenshots and links demonstrating their functionalities.

Reduction of administrative burden in the areas of fisheries, phytosanitary and veterinary control, tourism and hospitality industry, waste management, social welfare, scientific activities and judicial proceedings:

The target measures cover the areas of fisheries, phytosanitary and veterinary control, waste management and social welfare. The target measures also cover the movement of foreigners. The action plans encompass additional areas not mentioned in the Council Implementing Decision, such as customs, taxes, energy, health, construction, transport and communication. Tourism and hospitality industry, scientific activities and judicial proceedings are covered by measures in the action plans implemented as part of the baseline.

The 2018 Action Plan includes the following implemented cost reductions in the areas emphasized in the Council Implementing Decision, with relevant achieved cost reductions (Excel overview data and Cover note):

- Fisheries, HRK 737,697.57 planned, the same amount reported achieved through 23 baseline measures and 4 target measures.
- Phytosanitary control, HRK 521,453.74 planned, HRK 326,402.77 reported achieved through one baseline measure and one target measure 310,730.34.
- Tourism and hospitality, HRK 23,902,096.45 planned, the same amount reported achieved through 12 baseline measures.

The 2019 Action Plan includes the following envisaged cost reductions in the areas emphasized in the Council Implementing Decision, with relevant achieved cost reductions reported as implemented by the authorities (Excel overview data and Cover note):

- Phytosanitary control, HRK 103,375.29 planned, HRK 59,604,630.71 reported achieved through two baseline measures and four target measures.
- Veterinary control, HRK 586,716.82 planned, HRK 583,501.13 reported achieved through two target measures and seven baseline measures.
- Waste management, HRK 95,234,739.38 planned, HRK 82,083,312.64 reported achieved through seven target measures and 22 baseline measures.
- Tourism and hospitality, HRK 2,431,086.10 planned, none reported achieved.
- Social welfare, HRK 59,605,932.77 planned, HRK 59,501,255.42 reported achieved through 38 target measures and two baseline measures.
- Scientific activities/education, HRK 24,441.90 planned, HRK 2,870.12 reported achieved through one baseline measure.
- Judicial proceedings/judiciary, HRK 178,736,536.26 planned, HRK 169,467,444.93 reported achieved through 13 baseline measures.

The 2020 Action Plan includes the following envisaged cost reductions in the areas emphasized in the Council Implementing Decision (p. 1), with relevant achieved cost reductions reported as implemented by the authorities (Excel overview data):

- Judicial proceedings, HRK 462,000.00 planned, HRK 254,000.00 reported achieved through 1 target measure.

The Action Plans for administrative burden relief shall optimise and digitalise the administrative processes identified as the most burdensome for the private sector. All burden relief measures shall be established in cooperation with representatives of the business community, chambers and professional associations:

More than 47 focus groups were held with the participation of more than 300 entrepreneurs during the implementation of the project, collecting over 530 questionnaires with suggestions for

administrative burden reduction (Explanatory report, p. 5). The evidence provided includes examples of meeting minutes and questionnaires from each of the three Action Plans related to the areas highlighted in the Council Implementing Decision, showing how the measures have been designed in cooperation with the stakeholders. Outcomes of the meetings with the stakeholders are also presented in the Explanatory report.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 23	Related Measure: HR-C[C1.1.1]-I[R5-I1], Investment in equity and quasi-equity financial instruments	
Name of the milestone: Creation of an equity and quasi-equity financing instrument (PE)		
Qualitative indicator: Publication of the Agreement between the competent ministry (MINGOR or MINFIN) and HBOR for investments in VC funds, the increase of existing PE funds developed in cooperation with the EIF and/or the development of new funds and/or co-investments		Time: Q4 2022
<p>Context:</p> <p>The objective of this investment is to ensure a faster development of private companies that are unable to obtain financing from traditional financial institutions, through (co)-investment in active or forthcoming venture capital funds and in private equity funds, with particular focus on financing the start-up and growth stages of innovative and scale-up Small-and-Medium sized enterprises (SMEs).</p> <p>Under this milestone, a financial instrument is set-up, aimed at increasing or reaching the maximum size of private equity and venture capital funds active in the Croatian market and setting up new funds and/or co-investments.</p> <p>Milestone #23 is the first step of the implementation of the investment. It will be followed by target #24, related to investments made in equity and quasi-equity instruments. The investment has a final expected date for implementation in Q2 2026.</p>		
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (Cover note); ii. A copy of the Funding Agreement signed on 30 December 2022 by the Ministry of Economy and Sustainable Development, the Ministry of Finance and the Croatian Bank for Reconstruction and Development (HBOR) on the set-up of the financial instrument. It comprises three annexes related to: 1) the Investment policy of the Financial Instrument including the selection criteria, 2) a list of applicable legal framework and legally relevant documents, 3) a risk analysis for equity and quasi-equity investments. 		

Analysis

The justification and substantiating evidence provided by Croatia's authorities covers all constitutive elements of the milestone:

The Funding Agreement (*Hereinafter referred to as "Agreement"*) was signed on 30 December 2022 by the Ministry of Economy and Sustainable Development (hereinafter referred to as MINGOR, in charge of the RRP measure), the Ministry of Finance (*hereinafter referred to as MoF, RRP authority*) and the Croatian Bank for Reconstruction and Development (HBOR). It was published on the website of both Ministries on 30 December 2022 (MINGOR) and 4 January 2023 (MoF). Its purpose is to set-up the new investment fund and entrusts HBOR with its management and implementation (Article 7 of the Agreement).

The Agreement lays down the terms and conditions for the use of available funds (including the RRF allocation) and the conditions of implementation of the financial instrument (hereinafter referred to as "*Instrument*"). The terms and conditions of implementation of the financial instrument including the selection criteria that ensure compliance with the 'Do no significant harm' Technical Guidance (2021/C58/01) are described in the Investment Strategy (referred to in below text as "*Strategy*"), which is attached to the Agreement (Annex 1).

The instrument is aimed at increasing or reaching the maximum size of private equity and venture capital funds active in the Croatian market and setting up new funds and/or co-investments. The objective of the investment is to ensure a faster development of private companies that are unable to obtain financing from traditional financial institutions:

The objective of the Instrument is to foster the development of the equity and quasi-equity financing market as a key precondition for diversifying sources of financing on the Croatian market, strengthening equity in the sources of financing for domestic economic operators and making Croatia's financial and economic system more resilient to future market disturbances (Article 1 of the Strategy). The investment will be implemented in new funds and/or co-investments of existing funds (Article 7 (8) of the Strategy).

A Market assessment report commissioned by the European Investment Bank (EIB) and completed in April 2022 identified the needs for equity and venture capital support to the private companies in Croatia, not covered by the financial institutions and the financial markets. It evaluated the potential market gap of EUR 111 million per annum in the period 2023-2026 (EUR 22 million per annum for venture capital and EUR 89 million for growth capital). The new financial instrument set-up under this milestone, with an initial allocation of EUR 29.89 million under the RRF and leveraged by the EIB and the financial intermediaries (see point 4 below), will provide an important contribution to cover this financial gap and to the faster development of the private companies in Croatia.

HBOR shall set up financial instrument, as part of the existing cooperation with the European Investment Fund (EIF):

The Agreement sets out that the Instrument is implemented in cooperation with the European Investment Fund (EIF), building on the long-standing bilateral cooperation between HBOR and the EIF in financial instruments, including equity funds. Article 7(2) of the Strategy empowers HBOR to conclude a specific EIF-HBOR Agreement for this new Instrument, and to authorise the EIF to undertake certain actions based on its own assessments and decisions. The EIF will exercise certain rights and obligations

when implementing the Financial Instrument for the account and risk of HBOR, or ultimately at the risk of the Republic of Croatia, in accordance with the terms and conditions laid down in the EIF-HBOR Agreement and in accordance with the terms and conditions set out in the Agreement (Article 7 (2) of the Agreement).

Financial intermediaries selected by HBOR or the EIF (in the name of HBOR) through a call for expression of interest will implement individual alternative investment funds and the co-investment. HBOR contractually transfers to the financial intermediaries or, where applicable, to the EIF which will transfer to the financial intermediaries, the relevant obligations under the Agreement for the implementation of the financial instrument (Article 9 (17) of the Agreement).

It invests in private equity funds with particular focus on financing the start-up and growth stages of innovative and scale-up SMEs. The support is directed towards 'financially viable' projects:

The financial instrument will support the faster development of private companies that are unable to obtain financing from traditional financial institutions. Investment in the companies ('final beneficiaries') will be conducted via new private equity and venture capital funds and/or co-investment of existing equity and venture capital funds (point 2 of the Strategy).

The eligible final beneficiaries of the financial instrument are MidCap enterprises and Small-and-Medium sized enterprises (SMEs) seeking capital investment (point 2.3.6 of the Strategy). Particular focus is made for equity funds on the financing the start-up and growth stages of innovative and scale-up SMEs (Point 2.3.6 of the Strategy).

Through the Instrument, investment stimulates the development of economic, municipal, transport and social infrastructure, as well as the acquisition of new technologies and systems necessary to increase the efficiency of public sector entities, improve the quality of public services and reduce the cost of public sector financing (Article 1 of Agreement, Section 2.1 of Strategy).

Support is directed towards 'financially viable' projects, the financial viability of which is determined by fund management companies in accordance with the investment policies set out by the EIF and HBOR (Point 2.3.3 of the Strategy). Companies in difficulties are excluded (Article 9(3) of the Agreement, Point 2.3.6 of the Strategy).

In line with the description of the measure, **the initial allocation to the Instrument under the RRF amounts to EUR 29 862 632. Private equity and venture capital funds are set up with a 30% the participation of private investors** in relation to the target size of the individual fund:

The initial allocation to the Instrument under the RRF amounts to EUR 29 862 632 (Article 6 of the Agreement, point 2.2. of the Strategy). **Private equity and venture capital funds are set up with a 30% participation of private investors** in relation to the target size of the individual fund (point 2.3.3 of the Strategy). At least EUR 1 500 000 from the allocation under the RRF will target the support to the start-up phase of the final beneficiaries (Introduction to Section 2 of the Strategy).

Furthermore, the European Investment Fund (EIF) will double the contribution under the RRF to the private equity compartment, as set out in a bilateral agreement with HBOR.

Investments can be used in combination with other forms of financial support from national and EU funds, while respecting the applicable provisions to avoid double funding (Point 3.2 of the Strategy).

The financial instrument is managed separately from other HBOR instruments and other EU instruments (Article 14 (4) of the Agreement).

The supported activities will comply with the ‘do no significant harm’, as per the set of requirements included in the description of the milestone in the CID annex:

The Agreement and Strategy provide that HBOR, the EIF and the financial intermediaries:

- apply the Commission’s **Technical Guidance on sustainability proofing for the InvestEU Fund** (2021/C280/01) (Article 10(2)iii of the Agreement);
- carry out **verification of legal compliance with the relevant EU and national environmental legislation of the projects for all transactions**, including those exempted from sustainability proofing (Article 10(2)ii of the Strategy);
- Ensure that the **final beneficiaries who derived more than 10% of their revenues during the preceding financial year from activities or assets in the exclusion list will commit to adopt and publish green transition plans** (Point 2.3.7 of the Strategy);
- **no support is provided to investments in installations falling within the scope of the EU Emission Trading System (ETS)”** (Point 2.3.7 of the Strategy).

In line with the description of the measure in the CID, HBOR and EIF will favour intermediaries in the selection process of Financial Intermediaries that have or are willing to develop an **Environment and Social Management System** during the implementation of the fund (Point 2.3.4 of the Strategy).

In line with the description of the measure in the CID Annex, **any unused funds or reflow from this instrument is to be used for similar purpose and with the same eligibility conditions with regards to environmental impact** (Art. 17 of the Agreement, Point 6 of the Strategy).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 37	Related Measure: HR-C[C12]-R[R1], Decarbonisation of the energy sector	
Name of the Milestone: Entry into force of legislation and/or regulation to improve uptake of renewable energy sources, including introduction of a premium-based system for the support of renewable energy sources		
Qualitative Indicator: Entry into force of legislation and/or regulation		Time: Q4 2022
Context:		
<p>Milestone #37 is part of reform C1.2. R1, whose objective is to facilitate the decarbonisation of the energy and transport sectors and to support the national contribution to the EU renewable energy target and achieving the 2030 target of 36.6% share of renewable energy sources that was set by the Croatian National Energy and Climate Plan (NECP).</p> <p>Milestone #37 concerns the entry into force of legislation (Revised Electricity Market Act and High-Efficiency Cogeneration Act) and/or regulation to improve uptake of renewable energy sources, including introduction of a premium-based system for the support of renewable energy sources, which shall alleviate barriers and administrative procedures restraining higher uptake of renewable energy sources, including measures to promote the renewable energy self-consumption and renewable energy communities.</p>		

Milestone #37 is the second milestone of the reform, and it follows the completion of milestone #36, related to the publication of an assessment document with recommendations to alleviate barriers and administrative procedures restraining to higher uptake of renewable energy sources. It will be followed by milestone #38, related to the separation of the management of the gas transmission system operator (Plinacro) from state-owned production and supply activities. The reform has a final expected date for implementation of 31 December 2023.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the milestone was satisfactorily fulfilled, with appropriate links, including documentary evidence that the premium-based system for the support of renewable energy sources is fully operational (Cover note);
- ii. Copy of the publication in the Official Gazette (No. 83/2023) and reference to the relevant provisions indicating the entry into force of the Decree on the Promulgation of the Act on the **amendments to the Renewable Energy Sources and High-Efficiency Cogeneration Act** (Ref.: 011-02/23-02/63 / 71-10-01/1-23-2) including the text of the Act;
- iii. Copy of the publication in the Official Gazette (No. 83/2023) and reference to the relevant provisions indicating the entry into force of the Decree on the Promulgation of the Act on the **amendments to the Electricity Market Act** (Ref.: 011-02/23-02/60 / 71-10-01/1-23-2) including the text of the Act.

The authorities also provided:

- iv. Copy of the **Regulation on stimulating electricity production from renewable energy sources and high-efficiency cogeneration** from the Official Gazette (No. 70/2023) (Ref.: 022-03/23-03/42 / 50301-05/14-23-3).

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The Act on amendments to the Electricity Market Act and the Act on amendments to the Renewable Energy Sources and High-Efficiency Cogeneration Act were adopted by the Croatian Parliament, published in the Official Gazette (No. 83/2023) on 21 July 2023 and entered into force on 29 July 2023.

The revised Electricity Market Act and High-Efficiency Cogeneration Act shall alleviate barriers and administrative procedures restraining higher uptake of renewable energy sources, including measures to promote the renewable energy self-consumption and renewable energy communities:

Barriers and administrative procedures restraining higher uptake of renewable energy sources were removed and measures were adopted that promote the renewable energy self-consumption, through the Act on amendments to the *Renewable Energy sources and High-efficiency Cogeneration Act*, as follows:

- The Act removed the unpredictability for the self-consumers created by the pre-existing legislation, which provided that they would be forcefully transferred from the more favourable category of user of the self-supply facility (*korisnik postrojenja za samoopskrbu*) to a less favourable category of end customer with own production (*krajnji kupac s vlastitom proizvodnjom*), if more electricity was injected by them into the grid than that taken from the grid in the previous calendar year. The Act stipulates that the user of the self-supply facility will remain in the same category even if more electricity is injected into the grid than taken from the grid, in the previous calendar year (Article 1 and Article 3 amending Article 51 paragraphs 13, 14 and 15).
- The Act established that if more electricity is injected into the grid than taken from the grid in the previous calendar year by the user of the self-supply facility, the amount that is charged for the purposes of transmission and distribution of electricity including all fees and charges, as well as the income tax, would only be applied for the surplus of electricity injected into the grid (Article 3 amending Article 51 paragraph 16).
- The Act applied the new treatment retroactively to users who may be affected by changes in 2023. End customers with own production who became such, in accordance with Article 51, Paragraph 14 of the Renewable Energy Sources and High-Efficiency Cogeneration Act (Official Gazette No. 138/2021), from the date of entry into force of this Act, become again and retroactively from the date of the application to their case of said paragraph 14 - users of the self-supply facility in accordance with the provisions of this Act (Article 8 paragraph 2).
- The Act facilitates the installation of renewable energy sources generation facility, such as photovoltaics, in multiapartment buildings (Article 3 amending Article 51 paragraphs 20 to 32).
- To achieve effective accounting of self-production, by 1 January 2024, the distribution system operator will ensure that the electricity production is measured in real time at the renewable energy source generation facility of user of the self-supply facility or of end customer with own production (Article 7).
- The Act envisages that the relevant ministry will develop, at the latest by 31 March 2025, a new self-consumption model, which will be applied from 1 January 2026 (Article 8).

Barriers and administrative procedures restraining higher uptake of renewable energy sources were removed and measures that promote the renewable energy communities, through the Act on amendments to the *Electricity Market Act*, as follows:

- The Act removed the geographical limitation according to which an energy community can be formed only on the level of a single local government unit (municipality or a city in case of Croatia), thereby limiting its potential members to this one local government unit. The Act proscribes that the energy community can be formed on the entire territory of Croatia (Article 2 amending Article 26 paragraph 2).
- The Act removed the limitation according to which all members of an energy community had to be connected to a one single transformer station, thereby limiting its potential members to only one neighbourhood in the city, or in the case of a very branched electricity supply network, even to one street or one building (Article 2 amending Article 26 paragraph 20).

Premium-based system for the support of renewable energy sources will be fully operational:

The adoption of a new Regulation on stimulating electricity production from renewable energy sources and high-efficiency cogeneration from the Official Gazette (No. 70/2023) allows for efficient and operational implementation and stimulation of electricity production from renewable energy sources

and high-efficiency cogeneration through a market premium-based system and feed-in price tendering by Croatian Energy Market Operator. The new Regulation includes the following provisions that contribute to a fully operational premium-based system for the support of renewable energy sources:

- New classification of groups of generating installations using renewable energy sources and high-efficiency cogeneration that will be encouraged (floating solar power plants, agricultural - sun power plants, offshore wind farms, environmental and marine power plants, hybrid production plants) and, additionally, classification of energy storage installations (Article 3 paragraph 1).
- Methodology for the calculation of maximum electricity benchmark values and maximum feed-in electricity feed-in prices (Articles 27 to 31).
- A new methodology for calculating reference market prices for electricity that additionally includes a feed-in-tariff correction for biogas plants against variable input costs (Article 34);
- A new improved method of calculating the fees for balancing costs of the balance sheet group based on specific costs determined by the settlement of balancing energy incurred in a one-month charging interval, that is, unit costs per technology group (Article 39).

Furthermore, in line with the description of the measure, the Act on amendments to the Electricity Market Act and the Act on amendments to the Renewable Energy Sources and High-Efficiency Cogeneration Act were adopted based on the results of a thorough analysis of the existing bottlenecks (done under preceding Milestone #36) and following public consultations.

The Council Implementing Decision required the entry into force of revised Electricity Market Act and High-Efficiency Cogeneration Act that shall alleviate barriers and administrative procedures restraining higher uptake of renewable energy sources, including measures to promote the renewable energy self-consumption and renewable energy communities. The Act on amendments to the Renewable Energy Sources and High-Efficiency Cogeneration Act entered into force on 29 July 2023, in accordance with Article 9 of the Act on amendments to the Renewable Energy Sources and High-Efficiency Cogeneration Act of 21 July 2023. However, Article 1, Article 3 amending Article 51 paragraphs 13, 14 and 15, and Article 5 amending Article 61 paragraph 1 points 12, 13 and 14 of that Act will enter into force on 1 January 2024, in accordance with Article 9 of the Act on amendments to the Renewable Energy Sources and High-Efficiency Cogeneration Act of 21 July 2023. All the latter provisions entering into force in January 2024 are related to the (reversal of the) transfer happening from a more favourable category of user of the self-supply facility (such as owners of small photovoltaic on private single family homes) to a less favourable category of end customer with own production (primarily intended for owners of larger self-production facilities such as companies), if more electricity is injected into the grid than taken from the grid in the previous calendar year. Whilst this constitutes a minimal temporal deviation from the requirement of the Council Implementing Decision, the delay between the publication of this law and the actual application of the relevant provisions is considered both limited and proportional, notably because the transfer from the category of the user of the self-supply facility to the category of end customer with own production, in case more electricity was injected into the grid than taken from the grid in the calendar year 2023, would only occur between 1 and 31 January 2024, and only possible after the data for the whole of 2023 could be gathered, which evidently cannot be done before the end of the year. Moreover, Article 8 paragraph 2 envisages a retractive provision according to which end customers with own production who became such, in accordance with Article 51, Paragraph 14 of the Renewable Energy Sources and High-Efficiency Cogeneration Act (Official Gazette No. 138/2021), from the date of entry into force of this Act (that is from 29 July 2023), become again and retroactively from

the date of the application to their case of said paragraph 14 - users of the self-supply facility in accordance with the provisions of this Act. This demonstrates the certainty of application and the beginning of legal effects as of 1 January 2024. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 60	Related Measure: HR-C[C1.3]-R[R1], Implementation of the water management programme	
Name of the Milestone: Amendments to the legal framework in the water sector		
Qualitative Indicator: Entry into force of four legal amendments to: i) Service Areas Regulation; ii) Regulation on Evaluation of Performance of Water Operators; iii) Regulation on the methodology for determining the pricing of water services; iv) Regulation on specific conditions for the provision of water services, which will reform public water operators.		Time: Q4 2022
<p>Context:</p> <p>Milestone #60 is part of reform C1.3 R1, whose objective is to consolidate and reduce the number of water providers to improve their efficiency and governance. This reform is designed to support long-term sustainability of infrastructure investments, with an overarching goal to consolidate the water sector and improve water management across Croatia.</p> <p>Milestone #60 requires the entry into force of amendments to four bylaws: i) the Services Areas Regulation; ii) the Regulation on performance evaluation of water operators, including establishment of the benchmarking system; iii) the Regulation on the methodology for determining the pricing of water services; and iv) the Regulation on specific conditions for the provision of water services, in order to create the legal preconditions for consolidation of water operators.</p> <p>Milestone #60 is the second milestone of the reform C1.3 R1 and it follows the completion of milestone #59 related to the adoption of the Multiannual Water and Urban Wastewater Treatment Construction Programme. It will be followed by target #61 related to the integration of water service providers and target #62 related to the reduction of losses in public water supply systems. The reform has a final expected date for implementation in December 2023.</p>		
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document justifying how the milestone was satisfactorily fulfilled (Cover note) ii. Copy of the publication of the Service Areas Regulation, published in Official Gazette (No. 70/23) on 29 June 2023. Link: https://narodne-novine.nn.hr/clanci/sluzbeni/2023_06_70_1160.html iii. Copy of the publication of the Regulation on Evaluation of Performance of Water Operators, published in Official Gazette (No. 70/23) on 29 June 2023. Link: https://narodne-novine.nn.hr/clanci/sluzbeni/2023_06_70_1162.html 		

- iv. **Copy of the publication of the Regulation on the Methodology for Determining the Pricing of Water Services**, published in Official Gazette (No. 70/23) on 29 June 2023) Link: https://narodne-novine.nn.hr/clanci/sluzbeni/2023_06_70_1163.html
- v. **Copy of the publication of the Regulation on Specific Conditions for the Provision of Water Services**, published in Official Gazette (No. 70/23) on 29 June 2023. Link: https://narodne-novine.nn.hr/clanci/sluzbeni/2023_06_70_1161.html

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The Services Areas Regulation, the Regulation on performance evaluation of water operators, the Regulation on methodology for determining the pricing of water services and the Regulation on specific conditions for the provision of water services shall be amended to create the legal precondition for consolidation of water operators. Furthermore, in line with the description of the reform, the milestone shall address the fragmentation of public water providers in Croatia in order to improve their efficiency and governance and contribute to improving the long-term sustainability of infrastructure investments:

All four regulations have been adopted by the Government on 28 June 2023 and published in Official Gazette on 29 June 2023 (No. 70/23). The Service Areas Regulation entered into force on 15 July 2023 as stipulated in Article 47 of the latter. The Regulation on Evaluation of Performance of Water Operators (as stipulated in Article 10), Regulation on the for Determining the Pricing of Water Services (as stipulated in Article 55) and Regulation on Specific Conditions for the Provision of Water Services (as stipulated in Article 14) entered into force on 16 July 2023.

The Service Areas Regulation creates legal prerequisites for the consolidation of all water operators by establishing territorial boundaries for 41 service areas, listing cities and municipalities that form one service area and are therefore under the jurisdiction of one single integrated public provider (Articles 2 – 45). The Regulation also defines a taking-over water provider company for each service area, which will merge all current public providers operating in local self-government units that are within the scope of service areas as determined by the Regulation (Articles 2 – 43). Overall, the Regulation contributes to achieving the objective of the milestone and addresses the fragmentation of water operators, as it provides a legal basis for the mandatory integration of water operators.

The milestone description requires that the Regulation on performance evaluation of water operators shall also include the legal basis for the creation of mandatory benchmarking system of utility companies, made publicly available. Furthermore, in line with the description of the reform, the amendments shall introduce a benchmarking system for monitoring and reporting the operational and financial performance of water service suppliers:

The Regulation on performance evaluation of water operators creates legal prerequisites for the consolidation of all water operators. It establishes the legal basis for the benchmarking system in the water sector, by defining key performance indicators, mandatory collection and evaluation of data, as well as publication of the performance indicators of water service providers (Article 1) as a mechanism for evaluating and comparing their work for the purpose of improving all aspects of their operations. Concretely, the Regulation prescribes key indicators on the basis of which the performance of water service providers is evaluated, as stipulated in Articles 3(1) and 8 and Annexes 1 and 2. The Council for

Water Services, as the independent regulator, is tasked with maintaining a database of key indicators of each water company, as well as their comparative analysis in electronic form, as stipulated in Article 3(2). Water service providers are obliged to provide the Council for Water Services with data regarding their performance by independently entering data into the web application (Article 3), based on guidelines for data collection which shall be adopted by the Council for Water Services within six months from the entry into force of this Regulation (Article 3(3) in line with Article 7). The web application will be established by the Council for Water Services within eight months from the entry into force of this Regulation (Article 6). Values of key performance indicators at the level of each water service provider, as well as the results of a comparative analysis of key indicators will be publicly available on the website of the Council for Water Services (Article 3(5) of the Regulation), allowing for comparison and making the benchmarking system publicly available. These provisions set the legal basis for the creation of the publicly available benchmarking system, while the set implementation deadlines are considered limited and proportional because these activities are aligned with actual mergers of utility companies and encompass the development, hand in hand, of a web application and accompanying guidelines to make it fully operational. This aspect is in any case beyond the scope of the milestone, which only requires that the Regulation includes the legal basis for the creation of mandatory benchmarking system.

Further to this, in line with Article 8, before having the web application in full operation, the Council for Water Services shall provide the water operators with forms containing key performance indicators from Annex 2 of the Regulation, and water operators are required to fill in and submit those forms to the Council for Water Services. Article 8(2) stipulates that the Council for Water Services will make those key performance indicators publicly available on its webpage, thus enabling comparison and benchmarking. Therefore, the amended Regulation not only creates the legal basis for the creation, but already implements a mandatory and publicly available benchmarking mechanism which allows stakeholders and the public to view and compare key performance indicators of all water operators.

A total of 81 key performance indicators are listed in Annex 1 of the Regulation on performance evaluation of water operators, as integral part of the newly established benchmarking system. Among those, the list includes 22 operational indicators and seven service quality indicators necessary for the evaluation of the standard and quality of water services provided to service users, the impact on public health and environmental protection (such as affordability of the water price, infrastructure leakage index, continuous availability of water services, sanitary quality of water for human consumption, achievement of required parameters of wastewater quality after treatment).

23 financial indicators will monitor revenues, operational costs (OPEX), debt information and overall financial stability of the water service suppliers.

Additional indicators regarding employment (16), asset management (4), energy efficiency (5) and depreciation costs (4) will provide comparable data on efficiency of operations of water service suppliers.

The *Regulation on performance evaluation of water operators* shall include a legal basis for ensuring that at least summaries of annual audited reports of utility companies are made publicly available:

This is achieved by Article 3(6) of the Regulation, which stipulates that the Council for Water Services will publish on its website summaries of water service providers' annual audited financial reports, prepared in accordance with accounting regulations.

Regulation on methodology for determining the pricing of water services creates legal preconditions for consolidation of water operators by regulating the methodology for determining the prices of water services and relevant water fees. The Regulation lays down the basic methodological rules (Article 4), tariff areas (Article 5), defines in detail justified and unjustified operational and capital expenditures (Articles 6-18), the calculation of permitted regulatory revenue from the price of water services (Article 19) and development charge (Article 36), while the calculation of elements for determining the price of water services and the development charge shall be defined in the guidelines of the Council for Water Services which will be adopted by 31 October 2023 (Articles 45 and 51). The Regulation also stipulates rules on determining the fixed and variable parts of the price of water services (Articles 20-27) and prices for services conducted between water providers (Articles 28-30). For the purpose of determining the price of water services and the development charge, the Regulation introduces the regulatory method of revenue cap instead of the 'cost plus' method used so far (Articles 2 and 4). Articles 46, 47 and 50 also create legal preconditions for consolidation of water operators by establishing processes and deadlines for establishing a single water tariff in a newly defined service area. The final deadline for tariff harmonisation has been set to 30 June 2026 (articles 46 and 47), with possible exceptions in cases of significant tariff differences in distribution areas. Extension of the initial deadline may be granted upon water operator's requests, subject to Council for Water Services' approval of water operator's action plan. Article 50 stipulates that decisions on the price of water services prepared according to this Regulation can enter into force after 1 January 2024, because they refer to water operators which will be formed after the consolidation of water operators. The limited and proportional delay in the actual application of provisions regarding single tariffs within merged service areas is justified by the comprehensiveness and difficulty in implementation. This aspect is in any case beyond the scope of the milestone, which only requires that regulations create the legal precondition for consolidation of water operators.

Article 3 of the **Regulation on specific conditions for the provision of water services** lays down specific conditions for the integrated public provider to start operating (temporary licence) and for performance efficiency (permanent licence). The public water operator can obtain a temporary licence if it meets conditions related to the number and qualifications of key employees. Other than the company manager and deputy company manager, the Regulation in Article 4 stipulates that key employees must work in organisational units which are established to perform essential activities such as development and maintenance of water infrastructure, management of drinking water and wastewater treatment technologies, benchmarking, public procurement, investment, physical protection and cybersecurity, accounting and finances, customer support, environment protection. This Regulation also lays down specific conditions for performance efficiency which have to be met by public water service providers to obtain a permanent licence to operate. Article 6 stipulates that the integrated public operator must meet 13 performance efficiency indicators out of the 81 specified by the Regulation on evaluation of performance of water operators. Article 7 requires water operators to ensure continuous professional training for all key and other employees. Articles 9-12 regulate which evidence is required as proof of compliance with the specific conditions and the procedure to determine compliance with specific conditions for start of operations and efficient performance. Therefore, this Regulation also creates preconditions for the implementation of reform in the sector of water services, as it specifies specific conditions to be met by the integrated public operators to obtain a licence to operate after the integration. Prior to the Regulation, water services were also provided on an exceptional basis by non-licensed public operators that did not meet the conditions of adequacy of staff skills required for key staff posts.

The Consolidation of water utility companies aims to improve investment capacity of the water sector, by improving their financial capacity by cross-subsidizing investments between smaller and larger towns, as well as by strengthening the technical and human capacities. The four amended regulations establish the legal framework to consolidate the number of water providers in order to improve their efficiency and governance, as they lay down methodologies for monitoring operational performance and water tariff setting, while also improving performance data collection and transparency of work, which contributes to the improvement of the long-term sustainability of investments in water and wastewater infrastructure. Also, publicly available performance information enables consumers and stakeholders to compare the performance of individual public providers with others operating in Croatia. Overall, this improves their efficiency and governance and contributes to improving the long-term sustainability of infrastructure investments. Ultimately, the target set the legal preconditions to improve the efficiency of the water service providers across Croatia and in the long term it is expected to contribute to improving the long-term sustainability of infrastructure investments, once the reform is fully completed.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 69	Related Measure: HR-C[C1.3]-I[R1-I2], Public water supply development programme		
Name of the Target: Water metering devices installed at water abstraction sites			
Quantitative Indicator: Number	Baseline: 0	Target: 526	Time: Q4 2022
<p>Context:</p> <p>The investment aims to achieve renovation and rehabilitation of 956 km of public water supply networks, especially in rural, mountainous, and demographically disadvantaged areas, and purchase and installation of metering devices on water abstractions, to ensure drinking water and improved public water supply systems for around 45 000 people. The investment helps reduce water losses in the public water supply systems.</p> <p>Target #69 consists of at least 526 metering devices installed at water abstraction sites, used for measuring water quantities.</p> <p>Target #69 is the second target of the investment, and it follows the completion of target #68, related to public water supply network constructed or reconstructed. It will be followed by target #70, related to works contracts concluded for water supply projects, target #71 and target #72, related to public water supply network constructed or reconstructed, target #73, related to population with improved access to water supply and #62 C1.3. R1, which aims to reduce water losses in public water supply systems by 7% at national level by Q2 2026. The investment has a final expected date for implementation in Q2 2026.</p>			
<p>Evidence Provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled, with appropriate links to the underlying evidence (Cover note); ii. An overview table as an Annex to the summary document, with references on documentary evidence for 539 water metering devices. 			

In the context of the sampling analysis, additional evidence provided for a sample of random 60 units which includes:

- iii. **Sampling overview** table with references on documentary evidence for selected 60 water metering devices;
- iv. **Reports** of completion co-signed by supervising engineer, Croatian Waters authorized representative, beneficiaries project manager and the public utility company authorized representative verifying that water metering devices have been installed and are operational for all 60 units;
- v. **Project main designs** which contain relevant parts of the technical specifications of the project proving alignment with the description of the target and investment for all 60 units.

Authorities also provided:

- vi. Six signed **works contracts**, following public procurement.
- vii. **Grant agreement**

Analysis:

The justification and substantiating evidence provided by the Croatian authorities cover all constitutive elements of the target.

At least 526 metering devices are installed at water abstraction sites, for measuring water quantities. Furthermore, in line with the description of the measure, the metering devices ensure the tracking and rational use of water resources:

An analysis of the summary document and annexed overview table indicated that 539 water metering devices have been installed and are operational at water abstraction sites across the country, in order to measure water quantities. Concretely, evidence of instalment of 539 metering devices for measuring water quantities is verified by reports of completion co-signed by supervising engineer, Croatian Waters authorized representative, beneficiaries project manager and the public utility company authorized representative. Information on the name of the PDF document on the report of completion for each water metering device is earmarked in column J of the overview table annexed to the cover note. In addition, the overview table annexed to the cover note for each of the 539 metering device provides information on relevant public utility company (column B), water intake structure code (column C), water abstraction site (column D), local government unit and settlement where the location of the water intake structure is (columns E and F) and project main designs which contain relevant parts of technical specifications which prove alignment with the description of the target and investment, earmarking references to relevant chapters (column H).

Following the selection of a random sample of 60 water metering devices, Croatia submitted a report of completion and project main design for each device which contains relevant parts of the technical specifications of the project. The analysis of the documentation shows that evidence presented corresponded to the sample of installed 60 water metering devices selected by the Commission. Specifically:

- Each report of completion contains evidence that the specific metering device has been installed and is functional, and as such is verified by signatures of the four entities as elaborated above. Each report contains information on the public utility company, water abstraction site, water intake structure code and indicates the local government unit and settlement where the location of the water intake structure is.

- Project main designs contain both mechanical and electrical parts and the chapter on technical description of metering device, which proves that installed measuring devices measure water flow at water abstraction sites. For 19 metering devices (procured within groups 1, 2 and 3) there are two separate documents provided: mechanical part of detail design and electrical part of detail design, whereas for 41 metering devices (procured within groups 4, 5 and 6) mechanical and electrical detail design are provided in one document.

The evidence provided for the sample of 60 water metering devices confirmed that installation of devices has been completed in line with the technical specifications and resulted in the signed reports of completion. Based on matching information regarding the location of the water intake structure, water abstraction site and water intake structure codes within provided documentation, it is proven that every technical specification is linked to the respective report of completion, which confirms that sampled 60 metering devices with measuring capabilities have been installed. Since the authorities reported installation of 539 metering devices, while the target requires 526 metering devices, with the 60 sampled metering devices proven to be installed and functional, it is concluded that the target has been over-achieved.

The completion of equipping abstraction sites with metering devices allows for improved recording, collection, processing, and control of data on water abstraction volumes, ensuring accurate tracking of water flow. This significantly improves availability and reliability of data concerning water losses in the water supply systems, thus contributing to the rational use of water.

Furthermore, in line with the description of the measure, financing of metering devices shall be provided by the Recovery and Resilience Facility jointly with the Croatian Waters:

The Recovery and Resilience Facility jointly with the Croatian Waters provided financing for this measure. Maximum support by RRF is 80% while Croatian Waters as beneficiary for this project provide 20% of total eligible expenditure. Grant Agreement in Article 3 stipulates total eligible expenditure, as well as amount of granted RFF funds (page 7). Also, in Article 9.3 (page 13) of the Grant Agreement it is stipulated that RRF funds represent 80% of total eligible expenditure. Furthermore, in Annex I – Application Form that is constituent part of Grant Agreement, in Budget summary (page 39 of the Grant Agreement) also provides for amounts of total eligible expenditure, intensity of support, amount of RRF funds and Croatian Waters funds.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 74	Related Measure: HR-C[C1.3]-I[R1-I3], Disaster risk reduction programme		
Name of the Target: Works contracts concluded for flood protection projects			
Quantitative Indicator: Number	Baseline: 0	Target: 20	Time: Q4 2022
Context:			
The objective of this investment is to improve flood protection measures for 20 000 inhabitants by prioritising nature-based solutions by revitalising watercourses, connecting abandoned sleeves and creating secondary wetland habitats, as well as removing invasive species. It consists of a flood risk reduction programme that focuses on reduction of flood risks of largest Croatian rivers of the Danube			

River basin. The flood protection measures entail defensive embankments with broad inundation areas along watercourses.

Target #74 consists in at least 20 contracts concluded for flood protection projects by the end of 2022, which shall ensure that projects will be implemented in line with the relevant environmental framework.

Target #74 is the first target of the investment. It is followed by target #75 which consists of at least 13 kilometres of built flood protective structures, target #77 related to the construction of at least 65 kilometres of flood protective structures, target #79 related to the construction of at least 77 kilometres of flood protective structures built and target #80 related to the protection of at least 20 000 residents benefiting from improved flood protection measures. Targets #76 and #78 relate to investments into revitalisation of watercourses, hence are not linked to target #74 despite being part of the same investment. The investment has a final expected date for implementation by 30 June 2026.

Evidence Provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (cover note)
- ii. **Detailed overview table** which points to concrete documentary evidence submitted by the authorities that proves compliance with the Council Implementing Decisions requirements
- iii. **Package of supporting documentary evidence for eighteen projects.** The documentation contains the following evidence for each of the projects:
 - **Copy of the contract award notice**
 - Extract from **technical specifications**
 - **Environmental impact assessment decision** and (where applicable) Opinion of the competent nature authorities and Analysis of the compliance of the assessed impacts and/or the mitigation measures identified for projects in relation to the re-considered site specific conservation objectives of the Natura 2000 sites
 - **Environmental impact assessment study**
 - **The Grant Agreement** with supporting annexes
 - **Copy of the works contract**, with annexes (where applicable)
 - **DNSH compliance checklist**
 - **Quality Assessment Form**

The authorities also provided:

- iv. Extract from the draft Multiannual program for the construction of regulation, protection and land reclamation water facilities for the period until 2030
- v. **Call for proposals:** *'Financing of disaster risk reduction projects in the water management sector under the National Recovery and Resilience Plan 2021-2026'*, published on 16 December 2021 (reference number: NPOO.C1.3.R1-I3.01), link to the call: <https://fondovieu.gov.hr/pozivi/21>
- vi. **Annexes, forms and declarations** related to the Call for proposals.
 - Draft grant agreement
 - Call for proposals' Instructions for applicants

- Quality assessment checklist form
- Application form
- Applicant/partner declaration on validity of provided information, avoidance of double funding and fulfilment of pre-conditions to participate in the call
- Expenditure, project and activities eligibility checklist form
- Administrative applicant/partner checklist form
- DNSH compliance checklist form

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the target.

The target description requires at least 20 works contracts concluded for projects in the flood protection sector, related to contracts to be awarded by the end of 2022. Furthermore, in line with the description of the measure, the flood risk reduction programme will focus on reduction of flood risks of largest Croatian rivers of the Danube river basin:

By 31 December 2022, 20 works contracts for projects in the flood protection sector have been signed, thus achieving the target value. Evidence on signed contracts and dates of their signature have been provided through copies of the contracts and their award notices (columns E and F of the detailed overview table point to concrete documentary evidence on this for each project, whereas column E indicates the concrete page number of the conclusion date within contract award notice). A total of 17 contracts relate to flood protection works in the Sava and Drava rivers, within the Danube River basin (Figure 3.1. "Flood hazard map of low, medium and high probability", page 34 of the draft Multiannual program for the construction of regulatory and protective water structures and structures for reclamation until 2030, *hereinafter referred to as: "Multiannual program"*). In addition, three contracts concern flood protection measures in the Adriatic River Basin. Locations and basin affiliations are indicated in Chapter 11.2. "Projects of protection against adverse effects of water" of the Multiannual program, and as such listed in column U of the overview table for each project. The location of the works for all contracts is also indicated in technical specifications and grant agreements. Concluded contracts are therefore aligned with the overall objectives of the flood risk reduction programme recalled in the measure description.

The target description requires that tender criteria shall focus on nature-based solution measures and green infrastructure. The contracts shall ensure that projects will be implemented in accordance with the EU acquis and environmental regulations and the annexes to Commission Delegated Regulation (C(2021)2800 final) supplementing Regulation (EU) 2020/852. It is expected that this measure does no significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852, taking into account the description of the measures and the mitigating steps set out in the recovery and resilience plan in accordance with the DNSH Technical Guidance (2021/C58/01). All activities shall comply with the requirements of EU water legislation as incorporated into the Croatian law. Environmental impact assessment shall be conducted in compliance with authorization procedures under EIA in accordance with Directive 2011/92/EU and with screening and/or appropriate assessment pursuant to Article 6(3) of the Habitats Directive. Evidence shall be provided that the project does not have a significant effect of the integrity of the Natura 2 000 sites concerned. Furthermore, in line with the description of the measure, the flood

protection measures will entail defensive embankments with broad inundation areas along watercourses, in line with nature-based solutions and principle of ‘give space to rivers’.

The Council Implementing Decision required that **tender criteria shall focus on nature-based solution measures and green infrastructure.** The Ministry of Economy and Sustainable Development launched a restricted call for project proposals: “Financing of disaster risk reduction projects in the water management sector under the National Recovery and Resilience Plan 2021-2026.”, published on 16 December 2021. On the official link of the Call publication and on page 6 of the Call for proposals’ Instructions for applicants, which are binding for all applicants, it is stipulated that its objective is to implement investments relating to disaster risk reduction that increase the efficiency of water and flood risk management, primarily using, wherever possible, so-called green measures, which directly protect the lives, health and property of the population.

As explained above, a broader term “green measure” has been used to determine the focus of the Call, which encompasses nature-based solutions, green infrastructure and application of green materials. Whilst this constitutes a formal deviation from the requirement of the Council Implementing Decision, this deviation is minimal, since the broader term “green measures” encompasses and covers the term from the target description and the call shall implement flood risk reduction investments primarily using, whenever possible, measures including nature-based solutions and green infrastructure. Therefore, the different wording in the call did not have an effect on the outcomes of the call and concluded contracts. As of this, this minimal deviation does not affect the progress towards achieving the investment that the target represents. On this basis, it is considered that this constitutive element of the target is satisfactorily fulfilled.

The national water agency, the Croatian Waters, was the only eligible applicant to the Call, as the nationally designated entity for implementation of flood protection investments in the country, in line with national legislation (Article 130 of the Water Act, Official Gazette No. 66/19, 84/21, 47/23). Therefore, Croatian Waters proposed all projects submitted in response to the call. A quality assessment procedure was performed by the Project Approval Committee for each project which has been retained for a concluded contract. Compliance of submitted projects with all relevant EU water and nature acquis, Recovery and Resilience Plan, national strategic and programming documents in the water management sector and the DNSH principle requirements has been assessed and approved by the Project Approval Committee, as described in its Quality Assessment Form (*hereinafter referred to as: “QAF”*) for each project. The Committee assessed proposed projects with regard to green infrastructure (as per definition in COM/2013/0249 final, corresponding pages of technical specifications and quality assessment forms for each project earmarked in column S of the overview table, section 1.5 of the QAF), compliance with Environmental Impact Assessment (*hereinafter referred to as: “EIA”*) procedures, including potential impact on Natura 2000 sites (corresponding evidence provided earmarked in columns I, J and M of the overview table, sections 1.3 and 2.3 of the QAF and explained in detail below), compliance with relevant DNSH regulatory framework (corresponding quality assessment form and DNSH checklist filled by applicant earmarked for each project in columns O and N, Section 2.3 of the QAF), as well as alignment with the requirements of the water legislation (corresponding evidence provided earmarked in columns L and M, Sections 1.3 and 1.5 of the QAF and explained in detail below). The detailed overview table and its content have been verified against the accompanying evidence.

Based on the evidence provided, submitted projects and concluded contracts relate to mature projects that aim at swiftly implementing climate adaptation measures through the improvement of flood protection in the country. With the primary objective of improving flood protection for inhabitants in the Danube river basin, several projects **entail defensive embankments with broad inundation areas along watercourses, in line with nature-based solutions and principle of ‘give space to rivers’**. In addition, some contracts involve works to improve defensive embankments without nature-based solutions or green infrastructure, as they are located in urbanized areas with higher population density, with limited choice of available technical solutions.

The authorities provided for each project EIA screening decisions and EIA studies as evidence **showing that EIAs were conducted in compliance with authorization procedures under EIA in accordance with Directive 2011/92/EU and with screening and/or appropriate assessment pursuant to Article 6(3) of the Habitats Directive**. EIA screening decisions are indicated in column I, while EIA studies are indicated in column M of the overview table for each project. For projects with building permits issued after 4 December 2020, an opinion of the competent nature authorities and an analysis of the compliance of the assessed impacts and/or the mitigation measures identified for projects in relation to the re-considered site specific conservation objectives of the Natura 2000 sites were provided (indicated in column J of the overview table for each project). EIA decisions were integrated in the project main design as annexes to tendering procedure, meaning that all works contracts integrate these specific requirements in a view of the site-specific conservation objectives and possible mitigation measures. The abovementioned documents also provide evidence that **projects do not have a significant effect on the integrity of the concerned Natura 2000 sites**, which was additionally checked and confirmed by the Project Approval Committee within sections 1.3 and 2.3 of quality assessment forms for each project. The EIA, amongst other elements of the procedure, consists of the assessment of potentially significant effects on Natura 2000 sites by the relevant authority for nature protection, including, where appropriate, the assessment of the potential effects of the project on the conservation objectives of the ecological network site. Final confirmation of the performed appropriate EIA procedure is the EIA screening decision.

The **compliance of activities with the requirements of the EU and Croatian water legislation** has been considered by the relevant water authority as a consisting part of the EIA procedure, confirming thus compliance also with the Water Framework Directive. The evidence is provided through EIA screening decisions. Concretely, each EIA decision contains a paragraph indicating that the relevant authority has examined the impact of the project on the water body status on the basis of the expert-based EIA study and consequently gave its opinion as evidenced in the EIA decisions. The provided EIA studies for all projects contain sections regarding the impact of the interventions on the condition of the water bodies, as indicated in column M of the detailed overview table. Therefore, the EIA decision for each project confirms the examined impact on the water body status, indicating alignment of all activities with water legislation.

Further to this, in order to be eligible, projects had to be compliant with the do no significant harm principle, as required within Chapters 3 and 4.1-2 of the Call for proposal’s Instructions for applicants (pages 11-13, in line with Chapter 1.1, page 4), which is an integral and binding part of the Call for proposal documentation, in line with the DNSH Technical Guidance 2021/C58/01 and relevant DNSH regulatory framework. In line with chapter 5.1 of the Call for proposal’s Instructions for applicants (page

16), the Application form (Annexed to the Grant Agreement and legally binding for applicants) and self-assessment questionnaire for applicants on compliance with the DNSH principle had to be filled out and submitted for each project. Application forms and DNSH checklists filled out by applicants have been provided and indicated in columns D and O of the overview table for each project application respectively. Each project proposal has been examined against those criteria by the Project Approval Committee within section 2.3 of the QAF, in line with the Call for proposal's Instructions for applicants. With all documentary evidence provided, together with complete checks against all elements of the DNSH checklist, it was assured that **measures subject to these concluded works contracts give a substantial contribution to at least one of the six environmental objectives and do not cause significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852, taking into account the description of the measures and the mitigating steps set out in the recovery and resilience plan in accordance with the DNSH Technical Guidance (2021/C58/01).** Furthermore, all works contracts were concluded based on documentation which had to comply with all general and/or specific environmental measures emerged from the conducted Environmental Impact Assessment process. Also, the EIA decision is necessarily contained in the project main designs, as an obligatory annex to tender documentation which was the basis for both approving projects within this Call for proposals and for concluding works contracts. Additionally, and as explained above, all applications were checked and approved by the Project Approval Committee which assessed their compliance with relevant EU acquis and DNSH criteria as required by the target description. Therefore, by adhering to the Call for proposal's criteria and having all requirements approved by the Quality Assessment Committee, all **contracts ensure that projects will be implemented in accordance with the EU acquis and environmental regulations and annexes to COM Delegated Regulation (C(2021)2800 final) supplementing Regulation (EU) 2020/852.**

Overall, the evidence assessed confirms that all concluded contracts are apt to achieve the goals of the measure of improving flood protection measures for the inhabitants of Croatia, with a focus on reduction of flood risks of largest Croatian rivers of the Danube river basin, while being compliant with EU and national acquis in the water and environmental legislation, including the Habitats Directive, Natura 2000 sites protection and DNSH requirements, as recalled above, while the contracts include projects based on nature based solutions and green infrastructure wherever this was technically possible.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 75	Related Measure: HR-C[C1.3]-I[R1-I3], Disaster risk reduction programme		
Name of the Target: Flood protective structures built			
Quantitative Indicator: Number	Baseline: 0	Target: 13	Time: Q4 2022
Context:			
The objective of this investment is to improve flood protection measures for 20 000 inhabitants. It consists of a flood risk reduction programme that focuses on reduction of flood risks of largest Croatian rivers of the Danube River basin. The flood protection measures will entail defensive embankments with broad inundation areas along watercourses.			

Target #75 consists in the construction of at least 13 kilometres of flood protective structures built to protect against the harmful effects of water.

Target #75 is the second target of the investment, and it follows the completion of target #74 related to concluded works contracts for flood protection projects. It will be followed by target #77 related to the construction of 65 kilometres of flood protective structures and target #79 related to the construction of 77 kilometres of flood protective structures built. The investment has a final expected date for implementation by 30 June 2026.

Evidence Provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (cover note);
- ii. **Detailed overview table on the achievement of the target**, which points to concrete documentary evidence submitted by the authorities within the package of supporting evidence that proves compliance with the Council Implementing Decisions requirements;
- iii. **Package of supporting documentary evidence for projects**. The documentation contains the following evidence for each of the projects:
 - The **Grant Agreement** with supporting annexes,
 - **Technical specifications**,
 - **Supervising engineer's report**
 - Documents regarding the requirements of the EIA and/or appropriate assessment pursuant to Article 6(3) of the Habitats Directive;
 - **Works contract** with annexes (where applicable)
 - **Quality assessment form**
 - **DNSH compliance checklist**
 - **Map** of project's area

The authorities also provided:

- iv. **Draft Multiannual program** for the construction of regulatory and protective water structures and structures for reclamation until 2030;
- v. **Use permits** for four projects.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the target.

At least 13 km of flood protective structures built in order to protect against the harmful effects of water:

The authorities provided evidence that at least 13 kilometres of flood protective structures were built. The evidence provided refers to 13.73 kilometres of flood protective structure which were built in eight project locations. The number of built kilometres per project has been verified by submitted supervising engineer reports and, as such, the number of kilometres is marked in column R of the detailed overview

table, while reference to concrete pages of supervising engineer's report for each project are in column Q, referring to the provided copy of the supervising engineer's report for each project.

The technical specifications for each project, based on which works have been done, indicate that the built flood protective structures protect against harmful effects of water and improve the functionality of the flood protection system. This was confirmed for all projects by the Project Approval Committee, which examined the technical specifications, that are a constitutive part of the main design within work contracts. The provided exact chapters of the technical specifications and the quality assessment forms representing this evidence are referenced in columns M and N of the overview table for each project. Additionally, the authorities have presented information regarding the number of residents who will be safeguarded from the adverse impacts of water as a result of the flood protective structures built. Included in the evidence provided, and referenced in the overview table's column Q, are maps indicating flood scenarios for high, medium, and low probability occurrences within the project's scope area. These maps also display the estimated number of residents as of 2018 who, thanks to the project's implementation, will benefit from reduced flood risks. The overview table and its content have been verified against the accompanying evidence.

Furthermore, in line with the description of the measure, the flood risk reduction programme will focus on reduction of flood risks of largest Croatian rivers of the Danube river basin, and flood protection measures will entail defensive embankments with broad inundation areas along watercourses by prioritising nature-based solutions and principle of 'give space to rivers':

Seven projects with constructed flood protection structures reduce flood risks of the Sava and Drava rivers within the Danube River basin (Figure 3.1. "Flood hazard map of low, medium and high probability", page 34 of the draft Multiannual program for the construction of regulatory and protective water structures and structures for reclamation until 2030, *hereinafter referred to as: "Multiannual program"*). In addition, one project is part of the Adriatic River Basin District, aiming to reduce flood risks in smaller torrent basins partly in urban, semi-urban and rural areas (C1.3.R1-I3-00011 "Ričina in Zadar"). Locations and basin affiliations are indicated in Chapter 11.2. "Projects of protection against adverse effects of water" of the Multiannual program, and as such listed in column L of the overview table for each project. The locations of each contract are also indicated within the technical specifications and grant agreements.

Based on the evidence provided in the technical specifications and the quality assessment forms conducted by the Project Approval Committee for each project, as referenced to in columns M and N of the overview table, the completed works relate to mature projects that swiftly implement climate adaptation measures through the improvement of flood protection in the country. With the primary objective of reducing flood risks for inhabitants in the Danube river basin, several projects entail defensive embankments with broad inundation areas along watercourses, in line with nature-based solutions and principle of 'give space to rivers'. In addition, some works improve defensive embankments without nature-based solutions or green infrastructure, as they are located in urbanized areas with higher population density, with limited choice of available and efficient technical solutions. At the same time, those structures provide an important contribution to flood protection in Croatia, as they improve flood protection systems to ensure an acceptable level of risk for residentially and economically significant areas, in line with water and nature acquis and national strategic and programming documents in the water management sector. Accordingly, all the 13.73 kilometres of

flood protective structures built achieve the measure description of protecting inhabitants from flood protection and contribute to climate change adaptation by entailing nature based solutions and green infrastructure wherever this was technically possible.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 76	Related Measure: HR-C[C13]-I[R1-I3], Disaster risk reduction programme		
Name of the Target: Revitalised watercourses			
Quantitative Indicator: Number	Baseline: 0	Target: 2	Time: Q4 2022
<p>Context:</p> <p>The objective of the investment is to improve flood protection measures for 20 000 citizens by prioritising nature-based solutions, which includes regeneration and protection of the Mirna River area, Vransko and Trakošćan lakes and removal of invasive species in the protected Neretva Delta. This investment encompasses watercourses revitalization, connection of abandoned sleeves and creating secondary wetland habitats, as well as removing invasive species.</p> <p>Target #76 requires at least two kilometres of restored watercourses including revitalisation of abandoned sleeves, permanent river and sleeve contact and investment in related infrastructure.</p> <p>Target #76 is the first step of the implementation of the sub-measure of the investment, and it will be followed by target #78 which requires 16 kilometres of revitalised watercourses. This part of the investment has an expected date for implementation in December 2024.</p>			
<p>Evidence Provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled with links to the underlying evidence (Cover note). ii. Package of supporting documentary evidence for project Stara Drava - Bilje. The documentation contains the following: <ul style="list-style-type: none"> • The Grant Agreement with supporting annexes, • Technical specifications (ELNSD-96/2020), • Report of the person authorised for contract monitoring • Supervising engineer’s report • Environmental protection study, Opinion of the competent nature authorities in relation to the re-considered site specific conservation objectives of the Natura 2000 ecological network, and Screening decision <p>The authorities also provided:</p> <ol style="list-style-type: none"> iii. A detailed overview table on the achievement of the target. iv. Decisions on the appointments of person authorised for contract monitoring and supervising engineer; v. General Conditions of service contracts for preventive, regular, and emergency flood and ice defence; vi. As-built elaborates for Phase I and Phase II. 			

vii.	Elaborate on Stara Drava sediment removal
Analysis:	
<p>The justification and substantiating evidence provided by the Croatian authorities cover all constitutive elements of the target.</p> <p>At least 2 km of restored watercourses including revitalisation of abandoned sleeves, permanent river and sleeve contact and investment in related infrastructure:</p> <p>Based on the evidence provided, the target was exceeded by Stara Drava – Bilje retention revitalisation project, as three kilometres of watercourses have been restored. Revitalized three kilometres refer to revitalisation of an abandoned sleeve of the River Drava, Stara Drava. The technical description of the project (sections B1.1 and B1.2) clarifies that Stara Drava is a remnant of the former riverbed of the Drava River which now serves as a main recipient of the reclamation drainage of southwest part of Baranja. However, the water flow in Stara Drava has been slowed down by large amounts of accumulated sediment in retention due to the process of eutrophication. To revitalize the watercourse, works hence focused on removing vegetation and humus from the sleeve bottom, complemented by rehabilitation and stabilisation of the coast with wooden logs. Removal of sediment reduced the biological load, increased the water volume in the sleeve and ultimately led to improvement of ecological conditions in the retention. Completed works will have a long-term positive impact on the conservation of bird habitats and the conservation of their populations.</p> <p>In line with the national legislation, the authorised person for contract monitoring issued a “Report of the authorised person for contract monitoring” proving that three kilometres of watercourses were revitalised (page 8) and earmarked as such in column L of the detailed overview table. This report also confirms the different types of completed works, that the water volume increased and that all works were conducted in accordance with the technical specifications (pages 5-8). Abovementioned elements were additionally verified as stated in the certificate written by the appointed supervising engineer (page 2 of the supervising engineer report). The supervising engineer carried out a verification of the documentation listed in the Report of the authorised person for contract monitoring, conducted a field inspection and confirmed that, until 31 December 2022, total watercourse was revitalized in the length of 3 km.</p> <p>Evidence that the three kilometres declared under project Stara Drava – Bilje revitalize a sleeve is visible within two documents: As-built elaborate for Phase I on page 2 indicates the map of this particular phase where works were conducted on the Stara Drava sleeve, while maps in the Elaborate on Stara Drava sediment removal (pages 43-45) represent the overview situation with visible surrounding channels and the position of the River Drava relative to the sleeve. This is further evidenced in the elaboration of the initial status of the project area within the technical specifications (sections B1.1 and B1.2).</p>	
Commission Preliminary Assessment: Satisfactorily fulfilled	

Number: 83	Related Measure: HR-C[C1.3]-R[R2], Implementation of sustainable waste management
Name of the Milestone: Adoption of the Waste Management Plan of the Republic of Croatia for the period 2023-2029	

Qualitative Indicator: Publication of the Croatian Waste Management Plan 2023-2029 in the Official Gazette of the Republic of Croatia	Time: Q4 2022
<p>Context:</p> <p>The reform aims to create a new legal framework to facilitate waste prevention, reuse, and recycling, in order to accelerate the transition to circular economy. This reform is designed to support the implementation of sustainable waste management.</p> <p>Milestone 83 requires adopting a Waste management plan for the period 2023-2029 aligned with objectives of the Waste Management Act and the Circular Economy Action Plan and that specifies a target of at least 55% for waste recycling, sorting, reusing and repairing by 2025 and a target for collection and recycling of biowaste.</p> <p>Milestone 83 is the third and final milestone of the reform and it follows the completion of milestone 81 related to the entry into force of the Waste Management Act and milestone 82 related to the revision of the Waste Management Plan of the Republic of Croatia for the period 2017-2022.</p>	
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (cover note); ii. Copy of the publication of the adopted Croatian Waste Management Plan 2023-2028 in the Official Gazette (No. 84/2023), as adopted by the Government’s decision and published on 22 July 2023. Link: https://narodne-novine.nn.hr/clanci/sluzbeni/2023_07_84_1334.html; iii. Explanatory report demonstrating how the actions foreseen in the plan contribute to achieving the objectives of the reform; iv. Results of public consultations with links – https://mingor.gov.hr/postupci-strateske-procjene-nadlezno-tijelo-je-ministarstvo-gospodarstva-i-odrzivog-razvoja/4037 and https://esavjetovanja.gov.hr/ECon/MainScreen?entityId=22873; <p>The authorities also provided:</p> <ul style="list-style-type: none"> v. Report on the consultation with the public on the Proposal for the Waste Management Plan of the Republic of Croatia 2023-2028 in which remarks and answers are stated. 	
<p>Analysis:</p> <p>The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.</p> <p>Adoption and publication of Croatia’s waste management plan for the period 2023-2029 in conjunction with the new objectives laid down in the Waste Management Act and the Circular Economy Action Plan, following public consultations:</p> <p>The Waste Management Plan of the Republic of Croatia for the period 2023-2028 (<i>hereinafter referred to as “Waste Management Plan”</i>) was adopted on 28 June 2023 by the Government and entered into force on the same day, as stipulated in Article 3 of the Government’s decision. The Plan was published on 22 July 2023 in the Official Gazette (No. 84/2023).</p>	

The Commission considers that there is a clerical error in the description of the milestone in the Council Implementing Decision regarding the duration of the Waste Management Plan and has undertaken the assessment on a revised basis. In the Council Implementing Decision it is stated that the Waste Management Plan's duration is 2023-2029. However, the Croatian Recovery and Resilience Plan and additional evidence from the technical exchanges with the Commission services demonstrate that the relevant period is 2023-2028. This is also supported by the fact that the previous Waste Management Plan of the Republic of Croatia was also adopted for a six-year period from 2017 to 2022. Furthermore, Article 109 of the Waste Management Act (Official Gazette No. 84/21) regulates that the Government shall carry out an evaluation of the Waste Management Plan at least once every six years. This 6-years period is therefore considered relevant for the fulfillment of this milestone.

Against this background, the justification and substantiating evidence provided by the Croatian authorities cover all constitutive elements of the milestone.

The Waste Management Plan shall be adopted in conjunction with the new objectives laid down in the Waste Management Act:

The Waste Management Plan sets out new objectives set out in Chapter VII, Articles 54, 55, 56, 57, 58, 59, 60, 61 and 62 of the Waste Management Act. All those objectives are listed and analysed in Chapter 4 and Table 25 of the Waste Management Plan. Measures and activities for the implementation of the Waste Management Plan and the connection of measures and activities with the fulfillment of goals are defined in Chapter 12, while the relationship between the goals, measures and activities for achieving the EU goals as defined in the Waste Management Plan is shown in table 66.

The Waste Management Plan shall be adopted in conjunction with the Circular Economy Action Plan:

Measures for the implementation of the Circular Economy Action Plan have been provided in Chapter 12 and 12.2 of the Waste Management Plan, concretely under Objective 2 on waste packaging, Objective 3 on waste plastic products for single use, Objective 4 on construction waste, Objective 5 on waste vehicles, Objective 6 on waste batteries and accumulators, Objective 7 on electrical and electronic equipment waste, Objective 9 on improving the waste management system of all specific waste categories not covered by Objectives 1-8.

Chapter 12.2. of the Waste Management plan, in the description of measure 6 states that it also includes textile waste. In addition, textile waste is included in table 66 under Objective 9 on improving waste management systems of other specific categories of waste with the associated Activity 6.1. "Analysis of existing systems for managing special categories of waste in the system of extended producer responsibility", including an action plan for the future development of this waste management system.

The relationship between the objectives, the measures to achieve the EU targets defined in the Waste Management Plan and the Circular Economy Action Plan is presented in Table 66, as well as in Chapter 15.6 on waste prevention measures and Table 75 of the Waste Management Plan which contains an overview of waste prevention measures and links to specific goals. The Waste Management Plan also stipulates activities that support construction waste within the circular economy, such as Activity 6.6. "Analysis of the required number, location and capacity of areas for disposal of construction waste containing asbestos", Activity 8.1. "Creation of instructions for the selection and removal of hazardous construction waste", Activity 8.2. "Creation of Instructions for the application of criteria for end of waste status for construction waste", Activity 8.3. "Construction and equipment of recycling yards for

construction waste on the mainland and islands". Also, Activity 1.2. of the Waste prevention program, which is an integral part of the Waste Management Plan, stipulates the creation of Instructions on the possibilities of reusing non-structural parts of the building such as doors and windows.

The Waste Management Plan's measures and activities ensure the strengthening of circularity and the reduction of waste generation by applying the principles of sustainability in the entire value chain, from the design of sustainable products, strengthening the position of consumers and public contracting authorities towards more efficient models of separate waste collection, its reuse and high-quality recycling.

The Waste Management Plan shall be adopted following public consultations:

The public consultation for the Waste Management Plan was carried out from 27 February until 30 March 2023. Evidence on this is provided on the national public consultation website (e-Savjetovanje): <https://esavjetovanja.gov.hr/ECon/MainScreen?entityId=22873>. A total of 286 objections were received, of which 60 objections were accepted, 20 objections were partially accepted, 145 objections were not accepted, and 61 objections were acknowledged.

The plan shall specify a target of at least 55 % for waste recycling, sorting, reusing and repairing by 2025:

Table 25 in Chapter 4 of the Waste Management Plan specifies the target to recover through recycling and preparation for reuse and repair of at least 55% of the mass of municipal waste by 2025, while the measures and activities to achieve this goal are determined in chapters 12 and 12.1 of the Waste Management Plan, further supported by measures and activities stipulated in Chapter 15.6 and Table 76 of the Waste Management Plan. In chapter 8 of the Waste Management Plan, it is further emphasized that Croatia is committed to the related objectives of this Plan as stated in chapter 4 and in table 25, which proves full commitment of the authorities to the achievement of this target by 2025.

The plan shall specify a target for collection and recycling of biowaste:

Table 25 in Chapter 4 of the Waste Management Plan specifies the target to improve the system for collection and recovery of biowaste in order to separately collect and recycle 36% of biowaste from municipal waste, while the measures and activities to achieve this goal are determined in Chapter 12 and 12.1. of the Waste Management Plan, further supported by measures and activities stipulated in Chapter 15.6 and Table 76 of the Waste Management Plan.

The positive assessment of the Commission regarding the fulfilment of this milestone does not prejudice any future assessment of the Waste Management Plan in accordance with other provisions of Union law in particular EU waste legislation or, Regulation (EU) 2021/1060.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 84	Related Measure: HR-C[C1.3]-I[R2-I1], Waste disposal reduction programme		
Name of the Target: Reduction of the share of municipal waste sent for disposal (49%)			
Quantitative Indicator: % (Percentage)	Baseline: 66	Target: 49	Time: Q4 2022

Context:

Target #84 is part of investment C1.3 R2-I1 which aims to put in place the necessary infrastructure to reduce landfilling and promote recycling, especially to focus on the construction and equipping of facilities for separately collected bio-waste, sorting facilities and sorting sites.

Target #84 specifically requires reducing the share of municipal waste sent for disposal to 49%. This waste disposal reduction shall come as a result of investments in specific necessary infrastructure. This is linked to investment programme for separate collection and recycling infrastructure in reform C1.3 R2 and, as per description of the measure, this link allowed the authorities to determine the use of any other funding, including from Union programmes.

Target #84 is the first step of the implementation of the investment, and it will be followed by target #85, related to reduction of the share of municipal waste sent for disposal to 41% aiming to reach the final objective of the target #89 which is to reduce to 30% the share of municipal waste sent for disposal. The measure C1.3 R2-I1 has costed investments linked to later targets #86 and #87 which are related to facilities building and their operationalisation and target #88 related to the operationalisation of fixed/mobile waste sorting sites, all three to be completed by Q3 2025. Those investment's targets shall be implemented through grants to municipalities and companies through an open call and with prioritising mature projects. These investment projects will ultimately be captured by the final target #89. The investment has a final expected date for implementation in Q2 2026.

Evidence Provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the target was satisfactorily fulfilled (cover note);
- ii. **National Report** on Municipal Waste 2022, version dated July 2023 (revised on 2 September 2023);
- iii. **National Report** on Municipal Waste 2022, version dated February 2023;
- iv. **Quality Report** and metadata of the official data on municipal waste for 2022;
- v. **Annex 1** - Estimation of municipal waste disposal rate for January – August 2023, based on real data;
- vi. **Annex 2** - Municipal waste collected by towns and municipalities- raw data 2022;
- vii. **Annex 3** - Raw data from Waste Management Information System on door-to-door collection and civic amenity sites for January – August 2023;
- viii. **Annex 4** - Raw data from Waste Management Information System on mobile civic amenity sites for January – August 2023;
- ix. **Annex 5** - Raw data from Waste Management Information System on Waste Management Center Bikarac and Composting plant Clip Bio Plus for January -August 2023.

The authorities also provided:

- x. **Annex 6** – infrastructure project Waste Management Permit for Waste Management Center Bikarac, indicating treatment capacities;
- xi. **Annex 7** - infrastructure project Waste Management Center Bikarac evidence on the date of starting operations;
- xii. **Annex 8** – infrastructure project Waste Management Permit for composting plant Clip Bio Plus, indicating treatment capacities;

- xiii. **Annex 9** - Infrastructure project composting plant Clip Bio Plus evidence on the date of starting operations;
- xiv. **Annex 10** - Investments in 2023 by towns and municipalities not covered by sample
- xv. **Annex 11** – Recalculation of disposal rate 2022;
- xvi. **National Report** on Municipal Waste 2022, version dated February 2023;
- xvii. **23 Excel** sheets containing data for 23 cities for comparison of January-July 2022 - 2023 performance and projection for 2023 on municipal waste generation and separate collection, with included raw data;
- xviii. **Annex 15** with corresponding related-evidence - responses on infrastructure project delays, indicating start of operations;
- xix. **Annex 15-6**_Babina Greda civic amenity site - Certificate of Registration as recycling yard as of 14 January 2022;
- xx. **Annex 15-11**_Maruševec_civic amenity site - Certificate of work completion as of 4 August 2022;
- xxi. **Compiled document** indicating only August 2023 data for 23 cities on municipal waste generation and separate collection, accompanied by supporting raw data;
- xxii. **Annex 29** - Raw data from Waste management information system on municipal waste collection and treatment in 2022;
- xxiii. **Annex 30** - Quality Report for 2023 data on municipal waste;
- xxiv. **Annex 32** - Municipal waste collected by cities and municipalities in 2022 – detailed version
- xxv. List of **examples of waste treatment projects** started operations in 2021, 2022 and 2023
- xxvi. **Extracts from use permits** issued for 38 infrastructure projects.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities cover all constitutive elements of the target.

The share of municipal waste sent for disposal shall be reduced to 49%.

The Ministry of Economy and Sustainable Development's website published the base for computing the relevant indicator for this target within the National report on municipal waste for 2022 from July 2023 (revised on 2 September 2023). Data collection and verification procedures, as well as metadata and compilation procedure of national municipal waste statistic, including calculation of the landfill rate, were collected in line with EU waste legislation and Eurostat guidelines on compilation and reporting of data on municipal waste, as explained in detail in the Quality Report and cover note.

The National Report on Municipal Waste (*hereinafter referred to as: "NRMW"*) for 2022 uses a methodology which reflects recent changes in EU legislation and includes impurities and non-targeted materials that are separated within sorting process (*hereinafter referred to as: "impurities"*) in the landfilled amount. However, the baseline and goal for this target were set in the CID using a methodology which does not include impurities in the landfilled amount. Accordingly, it has been necessary to process the data provided in the National Report on Municipal Waste, using additional official data provided by the authorities to provide a result using the same calculation methodology which was applied for setting the baseline and the 49% goal.

In order to show achievement of the target, beyond the National report on Municipal Waste for 2022 which covers landfilling until 31 December 2022, Croatia provided evidence, using both available data and

estimates where data is only available at annual frequency, showing that progress in separate collection and reduction of landfilling at national level has been made until August 2023, such that the 49% target value has been achieved.

Concretely, the authorities provided information on landfilling result from January 2023 to August 2023 using the performance data of 128 local government units (municipalities and cities) and of two larger infrastructures that started their operation in 2023. These municipalities and cities represent 47.55% of nationally generated waste in 2022 and a significant amount of Croatia's population (64%) and cover all parts of Croatia. The collected data is heterogenous, as it includes cities and municipalities that have both well developed and less developed municipal waste management systems.

Using the collected data referred to above, the authorities estimated the current landfilling rate at the national level by using coefficients determined on the basis of historical annual data, relative to the total amounts of generated, separated and landfilled municipal waste at the national level. The final estimation of national landfilling rate also took account of the impact of two treatment facilities that started to operate in 2023.

Based on the methodology and data described above for computing national values, the estimated amount of generated municipal waste for the period January - August 2023 is 1,076,369 tonnes. The amount of municipal waste sent for disposal in observed period is estimated at 526,729 tonnes, so that the landfilling (disposal) rate accounts for 48.94%, hence lower than the target of 49% set in the CID. The calculation in detail is shown in Annex 1 of the evidence provided by the authorities, while the supporting raw data is found in Annexes 2-9 and Annex 29.

The outcome reflects improvement in the separate collection of municipal waste rates, as it emerges from the average of the 128 sampled cities and municipalities. Annex 1 indicates that their average municipal waste separate collection rate during 2022 was 19.4%, while during January to August 2023 it stands at 22.2%. Notably, the three largest Croatian cities (where significant amounts of waste are generated) have improved their separate collection rates in the same period from 26.7% to 29.6%.

The reduction in municipal waste sent for disposal is as a result of investments in infrastructure to reduce landfilling, including the establishment of re-use centres, the construction of sorting facilities for separately collected municipal waste, the construction of bio-treatment facilities for separately collected bio-waste, the construction and equipment of civic amenity sites and recycling yards for construction waste, the acquisition of equipment for the separate collection of useful fractions of municipal waste.

The implementation of the investments under measure C1.3 R2-I1, which milestone #84 falls under, are covered by targets #86, #87 and #88 of the Council Implementing Decision, all of which have a deadline of Q3 2025 and, therefore, cannot contribute towards the achievement of this target in Q4 2022.

For this reason, the description of the measure provides that the investment programme for separate collection and recycling infrastructure, which is defined in reform C1.3 R2 of the Council Implementing Decision, "shall determine the use of any other funding, including from Union programmes." This approach ensures that the RRF costs are separated from other investments, which may be used to demonstrate the fulfilment of this target 84. In this respect, the revised Waste Management Plan for the

period 2017-2022 (Official Gazette No. 1/2022, Chapter 9) and Waste Management Plan of the Republic of Croatia for the period 2023-2028 (Official Gazette No. 84/2023, Chapter 13) identify activities that are supported by the Recovery and Resilience Facility and European Structural and Investment Funds (hereinafter referred to as: “ESI funds”) by the way of Croatia’s 2014-2020 and 2021-2027 cohesion policy programmes, alongside national and beneficiary co-funding. In addition, the 2023-2028 Waste Management Plan clarifies in Chapter 13 that the resources from the cohesion policy programme 2014 – 2020 are used for previously approved projects until the end of 2023.

Croatia provided sufficient evidence to demonstrate that the reduction in municipal waste sent for disposal was a result of investments into various waste treatment infrastructures across the country. Annex 10 to the cover note contains a more detailed list of investments in 2023. In this context, the authorities have also provided examples of several infrastructures co-financed by ESI funds becoming operational in 2021, 2022 and 2023 such as civic amenity sites Babina Greda, Maruševec (as evidenced in Annexes 15-6 15-11 and related use permits) Okučani and Vrbovsko (as evidenced in use permits and Annex 15), and sorting plant in city of Varaždin (as evidenced in use permit and Annex 15) Annex 15 also indicates investments in and the launch of operations of a number of related infrastructure investments in the course of 2022 and 2023, co-financed by ESI funds. Composting plant Clip bio plus (as evidenced in Annex 9 and related use permit) co-financed by ESI funds, is also an example of investments in infrastructure to reduce landfilling.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 99	Related Measure: HR-C[C1.4]-R[R2], Reform of the railway sector	
Name of the Milestone: The National Plan for the Development of Railway Infrastructure and the National Management Plan for Railway Infrastructure and Service Facilities		
Qualitative Indicator: The National Plan for the Development of Railway Infrastructure and the National Management Plan for Railway Infrastructure and Service Facilities adopted by the Croatian Government		Time: Q4 2022
<p>Context: The objective of this reform is to increase the competitiveness and efficiency of the rail sector in order to provide better services to passenger and freight customers and increase Croatia’s economic competitiveness.</p> <p>Milestone #99 concerns the adoption by the Croatian Government of the National Plan for the Development of Railway Infrastructure that shall determine projects and activities necessary for the development of railway infrastructure, and of the National Management Plan for Railway Infrastructure and Service Facilities that shall determine projects and activities for management, organization of railway traffic regulation and development of railway transport services.</p> <p>Milestone #99 is the second milestone of the reform, and it follows the completion of milestone #98, related to the adoption by the Croatian Government of the Sectoral Policy Letter for the Railway Sector. It will be followed by milestone #100, related to the reorganisation of the management of railway companies and business management. The reform has a final expected date for implementation on 31 December 2025.</p>		
Evidence provided:		

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the milestone was satisfactorily fulfilled, with appropriate links;
- ii. **Decision** by the Croatian Government on the adoption of the National Plan for the Development of Railway Infrastructure for the period until 2030 (Ref: 022-03/22-04/455, 50301-05/16-22-4 from 29 December 2022, published in the Official Gazette No. 156/2022 from 30 December 2022);
- iii. **Copy of the adopted National Plan for the Development of Railway Infrastructure** for the period up to 2023, published on the website of the Ministry of Sea, Transport and Infrastructure in December 2022;
- iv. **Decision** by the Croatian Government on the adoption of the National Plan for the Management of Railway Infrastructure and Service Facilities and the Development of Railway Transport Services for the period up to 2030 (Ref: 022-03/22-04/454, 50301-05/16-22-4 from 29 December 2022, published in the Official Gazette No. 156/2022 from 30 December 2022);
- v. **Copy of the adopted National Plan** for the Management of Railway Infrastructure and Service Facilities and the Development of Railway Transport Services for the period up to 2030, published on the website of the Ministry of Sea, Transport and Infrastructure in December 2022.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

As set out in the Council Implementing Decision, both national plans have been adopted by the Croatian Government on 29 December 2022.

The National Plan for the Development of Railway Infrastructure shall determine projects and activities necessary for the development of railway infrastructure:

Activities necessary for the development of railway infrastructure are included on pages 27 – 33. Annex 1 to the National Plan contains the Action Plan for the implementation and summarized list of the activities necessary for the development of railway infrastructure (pages 44 - 46, Table 9). Key activities relevant for the objective of the reform relate to improving the railway infrastructure management system and maintenance of system infrastructure, improving the legislative and institutional framework for the preparation and implementation of railway line infrastructure projects, preparation and implementation of a programme for the renewal and modernisation of railway infrastructure, energy renovation of sites managed and owned by public railway companies, construction of charging infrastructure for charging vehicles powered by battery, hybrid and alternative energy, installation of infrastructure for the use of renewable and alternative energy sources, construction of infrastructure to integrate rail into public passenger transport at major transport hubs, modernisation of existing railway infrastructure and construction of new railway infrastructure for intermodal transport, and construction of railway infrastructure for access to air terminals.

Railway infrastructure projects of national importance, as well as projects of regional and local importance are included on page 29. Projects of strategic importance for the development of railway infrastructure are included on pages 35 – 36, Table 6. Annex 2 to the National Plan determines specific

projects necessary for the development of railway infrastructure (pages 47 - 51, Table 10). Key projects relevant for the objective of the reform relate to finalisation of railway sections on TEN-T Core Network (such as Zagreb – Dugo Selo), TEN-T Mediterranean Corridor (such as Zagreb – Karlovac – Rijeka) and TEN-T Comprehensive network (such as national border with Hungary – Osijek – national border with Bosnia and Herzegovina), reconstruction and electrification of the railway line on the section Zaprešić – Zabok, upgrading and electrification on the section Vinkovci – Vukovar, but also regional and local projects such as revitalisation of railway lines in Istria and Čakovec – Varaždin – Zagreb.

The National Management Plan for Railway Infrastructure and Service Facilities shall determine projects and activities for management, organization of railway traffic regulation and development of railway transport services:

Projects and activities for management, organization of railway traffic regulation and of railway transport services are included on pages 21 - 27. Projects and activities for development of railway transport services are included on pages 24 - 28. Key projects and activities relevant for the objective of the reform relate to reorganisation of the public railway companies according to OECD guidelines, streamlining of the operations of public railway companies, financial and business restructuring of HŽ Cargo, improvement of passenger rolling stock maintenance services, update of existing and new public service obligation contracts and promotion of rail freight service, improvement of the rolling stock for freight transport, improvement of intermodal transportation services, upgrading of the information system, IT and sales system and upgrading of trains with an IT system, and introduction of integrated passenger transport.

Annex I to the National Plan contains the Action Plan for the implementation, which includes the summarized list of all projects and activities for the management, organization, and development of railway traffic regulation and of railway transport services (pages 35 to 38).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 111	Related Measure: HR-C[C1.4]-R[R3], Maritime and inland navigation reform	
Name of the Milestone: The new Maritime Domain and Seaports Act		
Qualitative Indicator: Entry into force of the new Maritime Domain and Seaports Act		Time: Q4 2022
<p>Context: The objective of this measure is the development of sustainable and efficient maritime and inland waterway transport that shall contribute to increased safety of navigation, ensure the revitalisation of inland waterways, improve transport connectivity of islands, and improve port infrastructure to reduce the negative environmental impact of the transport sector.</p> <p>Milestone #111 concerns the entry into force of the new Maritime Domain and Seaports Act, which shall reorganise the structure of the port system open to public traffic and ensure uniformity in the implementation of the legal obligations to operate public ports, while rationalising management costs.</p> <p>Milestone #111 is the third and last milestone of the reform, and it follows the completion of milestone #109, related to the entry into force of the new Regular and Seasonal Coastal Transport Act, and milestone #110, related to the entry into force of the new Inland Navigation and Ports Act.</p>		

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the milestone was satisfactorily fulfilled, with appropriate links (Cover note);
- ii. **Copy of the publication** in the Official Gazette (No. 83/2023) and reference to the relevant provisions indicating the entry into force of the Decree on the Promulgation of the Maritime Domain and Seaports Act (Ref.: 011-02/23-02/58 / 71-10-01/1-23-2) including the text of the Maritime Domain and Seaports Act.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The new Maritime Domain and Seaports Act shall reorganise the structure of the port system open to public traffic, which aims to ensure uniformity in the implementation of the legal obligations to operate public ports and rationalise management costs:

The Maritime Domain and Seaports Act adopted by the Croatian Parliament was published in the Official Gazette (No. 83/2023) on 21 July 2023 and entered into force 29 July 2023.

The main provisions relevant for ports open for public traffic relate to Articles 86 to 135.

Novelties in the organisation of the ports open for public traffic, and rationalisation of management costs include the following provisions:

- In addition to the obligation to build, manage and use ports open to public traffic that are of county and local importance, the County port authorities are now also authorized and obliged to perform port activities themselves (Article 116).
- In this regard, the county port authority will charge the ships a single port tariff that will include the port charge, which is charged for the use of the port infrastructure, and the port fee, that is charged for the service provided to the ship (Article 124).
- The concession for the performance of port activities is granted exceptionally and primarily for the performance of port activities for which the port authority is not registered. For example, for supplying vessels with propellant fuel, receiving and handing over all types of waste from ships, and for port towing and pushing (Article 126).
- As a concession for the performance of port activities is granted exceptionally (Article 126), the income of the County port authority will increase significantly enabling substantially higher investments in port infrastructure primarily in the operational and communal part of the port, but also reducing ship costs in port, as all the services are provided by the County port authority.
- Furthermore, this Act introduces the concept of a harbour warden (Article 165) who will supervise the enforcement of order in the port, which will enable the County port authority to manage all aspects of the port open to public traffic (Article 170).

The Act ensures uniformity in the implementation of the legal obligations to operate public ports by providing links and references to the Port Service Regulation (EU) 2017/352, and to the Croatian Act on

the Implementation of the Port Service Regulation (EU) 2017/352, published in the Official Gazette (No. 66/2019), which entered into force 19 July 2019 (Article 2). In addition, the Act proscribes that the financing of the Port Authority must be in accordance with the Croatian Act on the Implementation of the Port Service Regulation (EU) 2017/352 (Article 98 paragraph 3). Furthermore, the Act obliges the Port Authority to apply the Croatian Act on the Implementation of the Port Service Regulation (EU) 2017/352 in all concession procedures for port services (Article 108 paragraph 1).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 114	Related Measure: HR-C[C1.4]-I[R3-I3], Construction of new cable ferry 'Križnica', Municipality of Pitomača		
Name of the Target: New cable ferry 'Križnica' operational across the River Drava in the Municipality of Pitomača			
Quantitative Indicator: Number	Baseline: 0	Target: 1	Time: Q4 2022
<p>Context:</p> <p>The aim of this investment is to ensure transport connectivity and encourage the development of less developed regions, such as the Municipality of Pitomača. In addition, the investment shall increase transport capacity and contribute to greening the transport sector.</p> <p>Target #114 concerns the construction of a solar-powered electric cable ferry connecting the mainland to the island of Križnica, in operation with the approval of the Croatian Register of Shipping.</p> <p>Target #114 is the only target in this investment.</p>			
<p>Evidence Provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> i. Summary document duly justifying how the milestone was satisfactorily fulfilled, with appropriate links; ii. Copy of the certificate of completion issued in accordance with the national legislation; iii. Report by a supervising engineer; iv. A copy of approval decision of the Croatian Register of Shipping. <p>The authorities also provided:</p> <ul style="list-style-type: none"> v. Bill of Quantity from the procurement documents from which it is evident that the Contractor of the ferry was obliged to construct the ferry with the electric motor and solar panels; vi. Technical Data Sheet issued by the Croatian Registry of Shipping indicating capacity of the new cable ferry; vii. Certificate of the Ship's Ability for Navigation indicating capacity of the old cable ferry. 			
<p>Analysis:</p> <p>The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the target.</p>			

This investment shall result in the construction of a solar-powered electric cable ferry connecting the mainland to the island of Križnica, in operation with the approval of the Croatian Register of Shipping:

Copy of the certificate of completion confirms that the project has been completed and that the cable ferry is fit for trial navigation. The handover of works in the Republic of Croatia, regardless of whether it is a construction object, floating or fixed, is defined in the Custom on Construction (Official Gazette No. 137/2021). Immediately after the completion of the works, the Contractor informs the Client that the works are finished, and the works are considered finished when all the items stipulated in the Bill of Quantity have been performed. The handover is considered successful if the object's functionality has been proven. In terms of ferry, functionality is determined as being operational. If, during the inspection and handover, any essential requirement for the ferry would not be fulfilled, or partially not fulfilled, it would be returned to the Contractor and the handover would not take place. Since the handover has been performed, it is implied that upon inspection the ferry has been assessed as functional/operational. Therefore, this document confirms that the ferry is operational.

Furthermore, the copy of the certificate of completion states that the works have been performed in accordance with the Contract and the contracted Bill of Quantity. According to the Bill of Quantity (sheet *Elektrika*, row 17 and 115) from the procurement documents, the Contractor of the ferry was required to construct the ferry with the electric motor and solar panels. Based on the Bill of Quantity (sheet *Elektrika*, row 18) the cable ferry also has a portable diesel generator (minimum power of 10kW). The Croatian authorities have clarified and confirmed that this diesel generator is only to be used as a backup in case of emergency.

The report by a supervising engineer confirms that the trial navigation was successfully completed, which allowed for the inspector of the Croatian Register of Shipping regional office to issue a Temporary Certificate of Navigation with a certain period of validity, which was extended until issuance of the permanent Certificate of Navigation.

A copy of approval decision of the Croatian Register of Shipping confirms that the final verification was done, and that the main office of the Croatian Register of Shipping (in the case of inland navigation, it is the office in Zagreb) issued a permanent Certificate of navigation on 26 July 2023.

The investment shall increase transport capacity and contribute to greening the transport sector:

The Technical Data Sheet issued by the Croatian Registry of Shipping lists carrying capacity of 30 tonnes and passenger capacity as 50. The Certificate of the Ship's Ability for Navigation for the old ferry, which was built in 1975 and replaced by the new cable ferry, had a carrying capacity of up to 21,74 tons of cargo, a capacity of 20 passengers. Therefore, the new cable ferry has increased transport capacity. Since the cable ferry is solar-powered electric, it will contribute to greening the transport sector.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 141	Related Measure: HR-C[C1.6]-R[R1], Enhancing the resilience and sustainability of the tourism sector
Name of the Milestone: Adoption of the Strategy for the Development of Sustainable Tourism by 2030 of the Government of the Republic of Croatia	

Qualitative Indicator: Provision on the entry into force of the Strategy for the Development of Sustainable Tourism by 2030	Time: Q3 2022
<p>Context:</p> <p>The reform aims to establish an effective organisational and legal framework for managing the development of sustainable tourism while supporting the green and digital transition of tourism sector. These reform implementations will set the base for future investments in the tourism sector. Investments in inland tourism and extending the tourist season together with the transition to a greener tourism sector will strengthen its sustainability.</p> <p>Milestone #141 concerns the entry into force of the Strategy for the Development of Sustainable Tourism by 2030. The Strategy is a long-term act that will set a more sustainable development model for the tourism sector addressing also socio-economic sustainability, environmental and territorial sustainability.</p> <p>Milestone #141 is the second milestone of the reform, and it follows the completion of milestone #140, related to the development of the scenario analysis. It will be followed by milestone #142 and milestone #143, related to sustainable tourism satellite account and the Tourism Act. The reform has a final expected date for implementation in Q4 2023.</p>	
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Copy of the Sustainable Tourism Development Strategy until 2030 adopted by the Croatian Parliament on 16 December 2022 and published in the on 4 January 2023 in the Official Gazette, No. 2/2023, document 18 in the edition. ii. Summary document duly justifying how the milestone was satisfactorily fulfilled (Cover note). iii. Explanatory report demonstrating how the actions foreseen in the national Strategy contribute to achieving the objectives of the reform. 	
<p>Analysis:</p> <p>The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.</p> <p>The Sustainable Tourism Development Strategy until 2030 (hereafter referred to as “<i>the Strategy</i>”) was adopted by the Croatian Parliament on 16 December 2022 and entered into force on the same date. It was published in the Official Gazette, No. 2/2023 on 4 January 2023.</p> <p>The reform will be implemented in accordance with the public consultation principle, involving a wide range of stakeholders in the overall tourism eco-system, including entrepreneurs, industry associations and academics:</p> <p>The Strategy was prepared in consultation with key stakeholders in the Croatian tourism sector, ministries and other relevant institutions. Stakeholders, NGOs, representatives of scientific and of the local community and numerous citizens gave their comments and recommendations within the framework of thematic workshops, meetings, and surveys. The process of consultation is described in annex 1 pages 67-76 of the Strategy.</p>	

The process of transforming the tourism development model towards sustainability will be implemented through the development of the 2030 Sustainable Tourism Development Strategy, from the point of view of socio-economic sustainability, environmental and territorial sustainability:

In order to achieve these goals, the Strategy identifies four strategic objectives for the development of sustainable tourism in Croatia (page 27 of the Strategy):

1. Year-round and more regionally balanced tourism.
2. Tourism with preserved environment, space and climate.
3. Competitive and innovative tourism.
4. Resilient tourism.

1. To achieve year-round and more regionally balanced tourism, six priority areas were identified that focus on improving and developing balanced and inclusive tourism products with higher added value, creating conditions for the further development of special forms of tourism and more active involvement of the local community. On the other hand, in touristic underdeveloped areas and in Continental Croatia, the focus is set on raising the quality of hospitality services, new tourist attractions and specific forms of tourism. This objective is developed further including with monitoring indicators in section 8.1 of the Strategy pages 27-32.
2. In order to achieve environmental and resource sustainability and reduce the mutually negative impact on them from tourism and climate change, three priority areas were identified to protect and preserve the environment and support nature, with a special emphasis on protected areas and Natura 2000 areas. The Strategy also ensures sustainable development of tourism by improving the implementation of legal regulations related to spatial planning. To ensure tourism with a preserved environment, space and climate, Croatia will carry out a low-carbon development of tourism and an intensified process of adapting tourism to climate change. The Strategy promotes activities leading to greater use of renewable energy sources and greater energy efficiency in accommodation and tourism infrastructure, as well as in transport, which are the largest generator of greenhouse gas emissions from tourism. This objective is developed further including with monitoring indicators in section 8.2 of the Strategy pages 32-34.
3. To improve competitive and innovative tourism, the Strategy identifies five priority areas: (1) business environment, (2) human resources and the labour market, (3) improvement of the structure and quality of accommodation, (4) a stimulating business environment, and (5) encouragement of innovation and digital transformation of tourism. These areas need improvement in order to achieve the successful development of competitive and innovative tourism. This objective is developed further including with monitoring indicators in section 8.3 of the Strategy pages 34-36.
4. To create preconditions for a resilient tourism, the Strategy foresees five priority areas to improve the tourism management system, improve the legislative framework, improve data monitoring system, address the changing trends and need of tourists, and ensure security. This objective is developed further, including with monitoring indicators, in section 8.4 of the Strategy pages 37-39.

Additionally, in Annex 1, the scenario analysis identifies ten key challenges related to the development of sustainable tourism in Croatia and creates four alternative future scenarios to see the implication and impact on these challenges and how they should be developed. The result is a set of comprehensive

guidelines that contribute to the selection of the four strategic objectives and their policy areas in the Sustainable Tourism Development Strategy for 2030 (pages 43-64 of the Strategy).

The Strategy, as a long-term act of strategic planning of national significance, will also pay particular attention to the issues of land use so far, i.e. over-tourism in individual destinations, as one of the key problems of tourism development:

In order to develop balanced tourism, the Strategy encourages the creation of tourism products with higher added value, and the strengthening the entire chain of products and services involved. This ensures the development of an innovative and authentic destination offer that is adapted to climatic and spatial features, historical and cultural heritage, as well as gastronomy and oenology. This significantly contributes to a more even tourism development, the reduction of seasonality and the mitigation of the effects associated with excessive tourism in the most developed tourist areas. The Strategy also encourages the creation of products that contribute to the development of year-round tourism and the reduction of tourism pressure during the peak summer months. A higher quality tourism offers and spreading tourism outside of the main season will also be encouraged through investment support for small and medium-sized enterprises (SMEs), as well as through connecting less visited areas with the most visited ones into a thematic tourism product (page 27-29, Priority Area 1.1. for the Strategic Goal 1. “Year-round and more regionally balanced tourism”).

Improving the implementation of regulations related to spatial planning ensures a sustainable development of tourism with a reduced negative impact of tourism on spatial disparities and a better spatially distributed tourism traffic throughout the year. Planning will take into account carrying capacities, key infrastructural limitations and the consistent application of regulations related to specially protected areas. Rational management of space and other natural resources will raise the quality of life of local population, especially in the busiest tourist destinations (page 32-34, Priority Area 2.2 for the Strategic Goal 2. “Tourism with preserved environment, space and climate”).

The Strategy also provides a response to how to better promote the reduction of uneven regional development in Croatia:

This requirement is addressed through the strategic objective 1 “Year-round and more regionally balanced tourism” and its six priority areas: 1.1. Developing more balanced and inclusive tourism through higher added value tourism products; 1.2. More spatially distributed tourist traffic; 1.3. Development of specific forms of tourism and structured product development; 1.4. Improving domestic and international transport connectivity; 1.5. Repositioning Croatia as a year-long authentic destination of sustainable tourism; 1.6. Creating better living and working conditions through tourism. This objective is developed further including with monitoring indicators in section 8.1 of the Strategy pages 27-32.

To monitor the improvement from an uneven regional development in Croatia, this objective of the Strategy has two monitoring indicators for reference, i) the increase of VAT share in continental part of Croatia and ii) increase in the share of income from tourism in the 1st, 2nd and 4th quarter. The increase in the share of tourism revenue generated in the first, second and fourth quarters is due to the development of specific forms of tourism that are not exclusively connected to the sun, the sea and the coast, as well as the general tendency towards year-round tourism.

In line with the description of the reform, the Strategy contributes to the developing a new model of tourism that offers more diversified tourism products, contributes to the green and digital transition of tourism entrepreneurs, and ensures adherence to circular economy principles:

A new model of tourism that offers diversified tourism products is envisaged under objective 1 “Year-round and more regionally balanced tourism” that focuses on improving and developing balanced and inclusive tourism products with higher added value, creating conditions for the further development of special forms of tourism.

Contribution to the green and digital transition is a key part of the strategy and all investments and objectives contribute to some extent to this. Most notably in strategic objective 2 that tries to ensure tourism activities will preserve environment, space and climate, Croatia will carry out a low-carbon development of tourism and an intensified process of adapting tourism to climate change. The objective promotes activities leading to greater use of renewable energy sources and greater energy efficiency in accommodation and tourism infrastructure, as well as in transport, which are the largest generators of greenhouse gas emissions from tourism. Additionally strategic objective 3, priority area 3.4 “Fostering innovation and digital transformation of tourism” that focuses on the digital, and policy area 3.1 “Strengthening human resources in tourism” that focuses on green and digital skills.

Implementing the concept of circular economy is mentioned under strategic objective 2, focus area 2.1 “reducing the burden on environmental and natural components from tourism” that mentions supporting activities aimed at implementing the concept of circular economy and eco-innovation, in particular in the area of products and services.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 144	Related Measure: HR-C[C1.6]-I[R1-I1], Regional diversification and specialization of Croatian tourism through investments in the development of high added value tourism products	
Name of the Milestone: Launching public calls for the green and digital transition of existing public tourism infrastructure and the development of public tourism infrastructure beyond the main tourist and coastal areas		
Qualitative Indicator: Publication of tender documentation for the green and digital transition of existing public tourism infrastructure and the development of public tourism infrastructure beyond the main tourist and coastal areas		Time: Q3 2022
<p>Context:</p> <p>Milestone #144 is part of investment C1.6.R1-I1, which aims to provide financial support in the form of grants to develop, adapt and upgrade public tourism infrastructure throughout Croatia with a view to increasing energy efficiency and the share of renewable energy sources, support green and digital transition while promoting the tourism products that can generate greater added value in line with the principles of the circular economy. Additionally, the investment should reduce over-tourism in the most developed tourist areas by increasing the attractiveness of less developed tourist destinations, raising the quality of destinations and enabling extended seasons, fostering sustainable forms of tourism and developing tourism infrastructure.</p> <p>Milestone #144 requires the publication of the public calls for the green and digital transition of existing public tourism infrastructure and the development of public tourism infrastructure beyond the main tourist and coastal areas.</p>		

Milestone #144 is the first step of the implementation of the investment C1.6.R1-I1 and it will be followed by target #145 related to full allocation per tender of the budget for the construction and adaptation of public tourism infrastructure for the green and digital transition of existing public tourism infrastructure and the development of public tourism infrastructure outside the main tourist and coastal areas. The investment has a final expected date for implementation in Q4 2025.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the milestone was satisfactorily fulfilled, containing links to the call documentation, which contains the annexes of the grant documentation and shows that the competition is open to applications:
- ii. <https://fondovieu.gov.hr/pozivi/32>
- iii. <https://fondovieu.gov.hr/pozivi/36>
- iv. <https://fondovieu.gov.hr/pozivi/37>
- v. <https://mint.gov.hr/javni-pozivi-i-natjecaji-22753/regionalna-diversifikacija-i-specijalizacija-hrvatskog-turizma-kroz-ulaganja-u-razvoj-turistickih-proizvoda-visoke-dodane-vrijednosti/23233>
- vi. **Copy of the publication of the Call for Proposals:** *'Regional diversification and specialisation of Croatian tourism through development investments high added-value tourism products'* published on 5 October 2022 (reference number: NRRP.C1.6.R1-I1.01).

The authorities also provided:

- vii. **Annexes** to the call for proposals.
 - Annex 1 Draft grant agreement for projects.
 - Annex 3.1 Grant award procedures for group 1 of the call.
 - Annex 3.2 Grant award procedures for group 2 of the call.
 - Annex 3.3 Grant award procedures for group 3 of the call.
 - Annex 4 Rules on the conduct of procurement procedures for non-public entities.
 - Annex 6 State aid identification checklist.
- viii. **Forms** and statements needed for the applicants.
 - Form 1. pdf document of the online application form, with a print screen of the intervention field requirement.
 - Form 2. Declaration by the applicant on compliance with the instructions of the call.
 - Form 3. Declaration by the partner on compliance with the instructions of the call.
 - Form 4. Declaration by the applicant/partner on VAT refundability.
 - Form 5. Applicant/partner's group declaration
 - Form 6. Declaration on state aid and de minimis aid used.
 - Form 9. Declaration by the applicant/partner on the tourism development index capacities.
 - Form 10. Declaration of the applicant/partner for health institution projects.
- ix. **Updated instructions** for the call for proposals:
 - First amendment to the call for proposals.
 - Second amendment to the call for proposals.

- Third amendment to the call for proposals.

Analysis:

The justification and substantiating evidence provided by the Croatia authorities covers all constitutive elements of the milestone.

The call for proposal was published on 5 October 2022 with the start date for receiving project applications from 7 November 2022 until 1 March 2023.

The investment description mentions that: This investment shall include financial support in the form of grants:

The call for proposal published offers financial grant support for public tourism infrastructure in the amount of EUR 123 432 212.

Both the investment and milestone description require that the call supports the green and digital transition as well as investments in energy efficiency. The tender documentation shall specify that investments shall focus on projects that can increase the green and digital quality of tourism infrastructure and reduce the environmental impact and consequently the concentration of guests in the season:

This requirement has been addressed by the call for proposals:

- Section 1.1 "Subject of the Call" (page 6) explains that the tender supports green and digital investments also based on the tourism development index.
- Section 1.2: "Purpose (objective) of the Call" (page 8), mentions that the purpose of the call is to reduce over tourism in most populated areas by increasing the quality of tourism infrastructure in less developed tourism destinations, by fostering sustainable forms of tourism and adapting the tourism infrastructure in line with green and digital standards.
- Specifically defined monitoring indicators that will be achieved by the implementation of the project are included in section 1.2 (pages 10 – 15). The monitoring indicators are linked to green, digital, environment, circular economy, quality of public tourist infrastructure and year-round tourism.
- Section 2.6 that specifically refers to the project eligibility criteria, defined through points 1 (page 41), 4 (page 41), 21 (page 43), 22 (page 44), 23 (page 44) and 33 (page 45/48). There are 33 eligibility criteria for any project, to ensure that, among other, projects that are eligible respect the DNSH criteria, contribute to the green and digital transition and are in line with EU and national strategic documents.
- Section 2.7. "Eligible project activities" precisely defines eligible activities that could be financed through the call (pages 49 – 53). Among the main eligible activities are investments to achieve a higher level of energy efficiency, promote renewable sources, reduction of CO₂, efficient use of energy and water, reduce waste, green and digital technologies and reduce food waste and use of plastics etc.
- Precisely defined award criteria are established for selecting those projects that additionally ensure contributions to the green and digital transition, sustainability of the tourism sector and reduce the concentration of guests in the season (Annex 3.1, pages 13 – 18, Annex 3.2, pages 13 – 18, Annex 3.3, pages 13 – 18). The award criteria allocates points to each project based on its contribution to i) green transition (climate change mitigation, protection of water resources, circular economy, pollution prevention), ii) digital transition (digital services and products), iii) social sustainability (extending the tourism season, job creation, gender equality), iv) economic sustainability and v)

tourism attractiveness (valorisation of cultural heritage destinations, increase the attractiveness of less developed tourism destinations).

The investment description mentions that a further objective of this investment is to reduce over-tourism in the most developed tourist areas by increasing the attractiveness of less developed tourist destinations, raising the quality of destinations and enabling extended seasons, fostering sustainable forms of tourism and developing tourism infrastructure. While the milestone in the Council Implementing Decision, requires that, in the main tourist and coastal areas, according to the Tourism Development Index, only investments in the green and digital transition of existing tourism infrastructure and up to EUR 29 623 731 of the total budget of the investment shall be eligible contributing to the sustainable management of destinations, reducing environmental impacts during the tourist season:

The cap on the investment in main touristic and coastal areas, identified on the basis of the tourism development index category 1 (this category contains the cities and municipalities with the highest tourism development index) , is mentioned on page 18 of the call for proposal, where it is stipulated that “A maximum of HRK 223,200,000.00 (EUR 29,623,731) shall be available in the 1st category of Tourist Development Index (TDI1) for the award of grants under this Call”.

In order to reduce the over-tourism in developed areas and increase tourism services in less developed destinations the call for proposals limits the construction of new tourism infrastructure in developed areas based on the tourism development index. Furthermore, several provisions ensure that in main tourist and coastal areas the investment is in the green and digital transition and only for existing tourism infrastructure. On page 18 of the call for proposal, it is stipulated that the funds are limited in each individual group of projects on the territory of municipalities and cities classified in the highest Tourist Development Index (TDI1). According to the project eligibility criteria, section 2.6 point 27 (page 41), projects that are eligible under the Tourist Development Index category 1 (TDI1) are subject to the condition not to lead to the construction of new tourist infrastructure or the reconstruction of the existing infrastructure that leads to an increase in tourists’ arrivals and/or accommodation capacities. Additionally, in section 2.8 that lists the ineligible project activities, the second criterion specifies that unacceptable activities are “Investment activities in the highest Tourist Development Index (TDI1), which result in an increase in reception and/or accommodation capacities”. The above shows that the call for proposal is in line with the CID requirement that investments shall not increase tourism activity in the main tourist areas, identified in line with the tourism development index, but only favour the green and digital transition of tourism activities in those areas, and in doing so, they foster the sustainable management of destinations and reduce environmental impacts during the tourist season.

Eligibility criteria shall include compliance with the Do No Significant Harm Technical Guidance (2021/C58/01):

The eligibility criteria are defined in point 33 (pages 43 – 46) of the call for proposals where the minimum requirements for each of the six objectives of the EU Taxonomy are specified in line with the Do No Significant Harm Guidance 2021/C58/01.

All the projects must be in line with the DNSH principles and the projects scoring selection criteria additionally ensure that the projects that have the highest score and contribute the most to the green and digital transition and sustainability of the tourism sector will be selected (Annex 3.1, pages 13 – 15, Annex 3.2, pages 13 – 15, Annex 3.3, pages 13 – 15).

Additionally, the description of the investment requires that the call is [...] promoting the tourism products that can generate greater added value in line with the principles of the circular economy:

The award criteria mentioned in annexes 3.1, 3.2 and 3.3 additionally ensure contributions to the green and digital transition, circular economy, sustainability of the tourism sector and reduce the concentration of guests in the season.

Section 2.6, from the call of proposals, regarding eligibility of the project mentions “circular economy, including waste prevention and recycling” among the main six DNSH principles that need to be addressed.

While eligible project activities from section 2.7, from the call for proposals, define main eligible activities linked to circular economy like: reducing waste generation, reducing food waste and reduce use of plastic.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 146	Related Measure: HR-C[C1.6]-I[R1-I2], Strengthening the competitiveness of entrepreneurs and fostering the green and digital transition of the tourism sector	
Name of the Milestone: Launch public calls to strengthen sustainability and boost the green and digital transition of tourism entrepreneurs, with at least 50% of total investments supporting the green transition		
Qualitative Indicator: Publication of tender documentation to strengthen sustainability and foster the green and digital transition of tourism entrepreneurs.		Time: Q3 2022
<p>Context:</p> <p>Milestone #146 is part of investment C1.6.R1-I2, which aims to contribute to the development of sustainable tourism through the green and digital transition by implementing projects, such as increasing energy efficiency, using renewable sources and the circular economy, uptake of innovation and digital technologies and developing environmentally friendly tourism products and resource efficiency.</p> <p>Milestone #146 requires the publication of tender documentation, eligibility, and selection criteria for eligible investment to strengthen sustainability and foster the green and digital transition of tourism entrepreneurs.</p> <p>Milestone #146 is the first step of the implementation of the investment C1.6.R1-I2 and it will be followed by target #147 related to full allocation of funds to strengthen sustainability and foster the green and digital transition of tourism entrepreneurs. The investment has a final expected date for implementation in Q4 2025.</p>		
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document duly justifying how the milestone was satisfactorily fulfilled, containing links to the call documentation, which contains the annexes of the grant documentation and shows that the competition is open to applications: 		

- <https://fondovieu.gov.hr/pozivi/31>
- <https://fondovieu.gov.hr/pozivi/38>
- <https://fondovieu.gov.hr/pozivi/39>
- <https://mint.gov.hr/javni-pozivi-i-natjecaji-22753/jacanje-odrzivosti-te-poticanje-zelene-i-digitalne-tranzicije-poduzetnika-u-sektoru-turizma/23234>

- ii. **Copy of the publication of the Call for Proposals:** Strengthening sustainability and fostering the green and digital transition of entrepreneurs in the sector tourism, published on 5 October 2022 (reference number: NRRP.C1.6.R1-I2.01).

The authorities also provided:

- iii. **Annexes** to the call for proposals:
- Annex 3.1 Grant award procedures for group 1 of the call.
 - Annex 3.2 Grant award procedures for group 2 of the call.
 - Annex 3.3 Grant award procedures for group 3 of the call.
 - Annex 4 Rules on the conduct of procurement procedures for non-public entities.
- iv. **Forms and statements** needed for the applicants:
- Form 1. pdf document of the online application form, with a print screen of the intervention field requirement.
 - Form 2. Declaration by the applicant/partner on compliance with the instructions of the call.
 - Form 3. Applicant group declaration.
 - Form 3.1 Partner group declaration.
 - Form 4. Declaration on state aid and de minimis aid used.
 - Form 5.1 Investment study.
 - Form 5.2 Business plan.
 - Form 6 Self-assessment questionnaire to identify climate and environmental risks and impacts.
 - Form 7 Declaration on the tourism development index capacities.
 - Form 12 Budget savings.
 - Form 13 Declaration on the conformity of the project proposal with the DNSH principle.
 - Form 14 Declaration of approval by the main designer.
 - Form 15 Costs of the green and digital transitions.
- v. **Updated instructions** for the Call for proposals:
- First amendment to the call for proposals.
 - Second amendment to the call for proposals.
 - Third amendment to the call for proposals.

The Commission considers that there is a clerical error in the text of the Council Implementing Decision as regards the description of milestone #146, part of investment C1.6.R1-I2 and has undertaken the assessment on a revised basis. In the description of the milestone, it is stated that at least EUR 29 862 632 have a green and climate contribution. However, in the tagging and costing annex of the RRP, Croatia committed to assign EUR 63 043 334. This latter figure is the one considered relevant for the fulfilment of milestone #146 and investment C1.6.R1-I2. Against this background, the justification and substantiating evidence provided by the Croatian authorities cover all constitutive elements of the milestone.

Analysis:

The justification and substantiating evidence provided by the Croatia authorities covers all constitutive elements of the milestone.

The call for proposal was published on 5 October 2022 with the start date for receiving project applications from 7 November 2022 until 1 March 2023.

The tender documentation shall specify that at least EUR 63 043 334 of the total investments will be awarded to investment focussed on climate change mitigation or adaptation, the digitalisation of activities in line with the criteria of reducing greenhouse gas emissions or energy efficiency and waste reduction, as well as the transition to a circular economy:

To be in line with the green tagging, authorities have committed a more ambitious allocation to the green transition amounting to EUR 82 951 755, as mentioned Chapter 1.2 of the call documentation. The instructions for applicants within Group 1, set out in Chapter 1.2, stipulate that at least EUR 39 292 936 of the investment is directed to micro, small and medium-sized enterprises and EUR 43 658 818 to large enterprises, respectively, leading to a total of EUR 82 951 755 which will be allocated for investments focused on climate change mitigation or adaptation, digitalization of activities in accordance with the criteria for reducing greenhouse gas emissions, energy efficiency and waste reduction, as well as the introduction of circular economy.

According to Chapter 1.2. Purpose of the Call, the call is divided into three groups:

- Group 1: Development of environmentally friendly tourism products, resource efficiency and green and digital transitions, having allocated EUR 135 377 264.
- Group 2: Green and digital transition of small renters and their transformation into entrepreneurs in tourism and hospitality, having allocated EUR 6 636 140.
- Group 3: Fostering the development of products, services and business models in the tourism value chain ecosystems that contribute to the green and digital transitions and to addressing key challenges in the tourism sector, having allocated EUR 23 890 105.

The call for proposals mentions in Chapter 1.2 that the overall investment will be aimed at climate change mitigation or adaptation, digitalisation, activities in line with the criteria for reducing greenhouse gas emissions, energy efficiency or waste reduction, and the transition to a circular economy. The call for proposals ensures this is achieved through eligibility conditions (Chapter 2.8) that are also linked to the six environmental objectives of the DNSH principle. Furthermore Chapter 2.9 sets the project eligible categories for investments. Among the main eligible activities are investments to achieve a higher level of energy efficiency, installing additional energy renewable sources, reduction of CO₂, efficient use of energy and water, reduce waste, green and digital technologies and reduce food waste and use of plastics, green and digital skills, sustainable mobility, digital transformation of business, etc.

Additionally, in Chapters 2.2, 3.2 and 4.2 there are monitoring indicators for each of the three groups that are linked to energy saving, renewable energy capacity installed, alternative fuel infrastructure, amount of CO₂ reduced, employment, green and digital transition, circular economy, companies that received support and year-round tourism.

The contribution to the green transition in the call for proposals is underlined by the following part: The instructions for applicants within Group 1, set out in Chapter 1.2, stipulate that at least EUR 39 292 936 of the investment is aimed for micro, small and medium-sized enterprises and EUR 43 658 818 for large

enterprises, respectively, leading to a total of EUR 82 951 755 which will be allocated for investments focused on climate change mitigation or adaptation, digitalization of activities in accordance with the criteria for reducing greenhouse gas emissions, energy efficiency and waste reduction, as well as the introduction of circular economy.

The authorities set out that the investment is implemented and monitored through several monitoring indicators, eligibility conditions and project eligibility categories for investment:

- Chapters 2.2., 3.2. and 4.2. “Purpose of the Call for Proposals - Indicators that will be achieved through the implementation of the project”, set out indicators related to energy saving, renewable energy capacity installed, alternative fuel infrastructure, amount of CO2 reduced, employment, green and digital transition, circular economy, companies that received support and year-round tourism (pages 19-26, 55-58, 77-79).
- Chapter 2.8. “Project eligibility” puts special emphasis on the criteria under point 23, linked to the DNSH six environmental objectives, and point 31, that requires any investment to have a mandatory green transition activity. (page 43)
- Chapters 2.9., 3.9., 4.9., “Eligible project activities linked to investments” set the eligible actions and activities for projects, among them are activities to achieve a higher level of energy efficiency, installing additional energy renewable sources, reduction of CO2, efficient use of energy and water, reduce waste, green technologies and reduce food waste and use of plastics, green skills, sustainable mobility (pages 44, 71, 92)
- Award Procedure – Award Criteria for Group 1 Contribution to green and digital transition (Annex 3.1. Procedure for awarding grants). The criterion for the green transition includes among other criteria linked to greenhouse gas emission reduction (tCO2), reduction in energy consumption, share of energy produced from renewable sources, water and sea protection, resource efficiency, waste reduction, circular economy, and green skills.
- Award Procedure – Award Criteria for Group 2 Contribution to green and digital transition (Annex 3.2. Procedure for awarding grants). The criterion for the green transition includes among other criteria linked to reduction in CO2 emissions, contributing to the protection of water resources and the sea, contribution to resource efficiency and to circular economy practices and increasing the use of renewable energy.

The contribution to the digital transition is demonstrated by the following parts of the Call for proposal: Through this Call, within Group 1, at least EUR 3 318 070 will be directed to the digital transition of enterprises.

- Chapter 2.2. “Purpose of the Call for Proposals - Indicators that will be achieved through the implementation of the project”, set out indicators related to digital transition, digital skills and supporting the digitalisation of business with a view to increasing the productivity of businesses and improving the positioning of businesses on the tourism market (pages 19-26, 55-58, 77-79).
- Chapter 2.8., “Project eligibility”, puts special emphasis on the criterion under point 32 that requires the project to contain a digitisation activity from the list of mandatory digital transition activities (page 43).
- Chapter 2.9. “Eligibility of the project activities” is aligned with the Purpose and Subject of the call on page 44, Chapter 3.9. on page 71 and Chapter 4.9. on page 92.
- Award Procedure – Award Criteria for Group 1 Contribution to green and digital transition (Annex 3.1. Procedure for awarding grants).

Furthermore, both investment from Groups 2 and 3 are encouraging investment in the digital transition, but without a restriction in the eligibility conditions. The framework of Group 3 encourages investment in development and innovation in ecosystems in the tourism value chain that contribute to the green and digital transition. The framework of Group 2 encourages investments in green and digital transition of small renters and their transformation into entrepreneurs in tourism and hospitality.

Project selection criteria contribute to the green transition, in line with the NRS (National Development Strategy), the Green Treaty for Europe, the sustainability indicators defined in the feasibility study for the creation of a sustainable tourism satellite account of the Republic of Croatia and the guidelines for drawing up the Sustainable Tourism Development Strategy for 2030:

All the documents are mentioned under the Strategic Framework (page 9). Furthermore, in the cover note the authorities mention that the criteria for project selection contribute to the green transition and are in accordance with the National Development Strategy of the Republic of Croatia until 2030, the European Green Deal, the sustainability indicators defined in the feasibility study for the preparation of the Green Satellite Account and the guidelines for the preparation of the Sustainable Tourism Development Strategy until 2030. The above was announced through the selection criteria and call indicators.

The project selection criteria are defined in Annexes 3.1, 3.2 and 3.3. The award criteria are split in four categories: i) contributing to the green and digital transitions, ii) social sustainability, iii) implementation capacity, iv) economic indicators. The minimum amount of points a project needs in order to meet the quality assessment criteria is 50, the maximum possible is 100.

The authorities also mention in the cover note that the direct result indicators from the call (section 2.2 from the call for proposal) are in line with the indicators related to the feasibility study for the preparation of the Green Satellite Account (section 7 of the feasibility study).

The tender documentation specifies that investments will be reflecting the requirements of the applicable intervention areas 047, 047bis from Annex VI and 100 from Annex VII:

Selection and eligibility criteria reflecting the requirements of the applicable intervention areas 047, 047bis from Annex VI and 100 from Annex VII are defined in Chapter 2.8. "Project eligibility" under point 1 (page 36), in Chapter 3.8. under item 1 (page 64) and in Chapter 4.8. under item 1 (page 88). The eligible intervention field shall be demonstrated by means of an application form (Form 1.1, 1.2 and 1.3).

Eligibility criteria shall include compliance with the Do No Significant Harm Technical Guidance (2021/C58/01):

Compliance with the DNSH technical guidance is defined in Chapter 2.8 "Project eligibility" of the call for proposals, under point 23 (page 39) where the minimum requirements for each of the six environmental objectives are specified in line with the Technical Guidance 2021/C58/01. Subsequently, Chapter 3.8. under point 23 (page 67) and Chapter 4.8. under point 17 (page 90) further enforce the DNSH eligibility criteria.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 150	Related Measure: HR-C[C2.1]-R[R1], Strengthening mechanisms for the integration and management of public policies with the professionalisation of strategic planning	
Name of the Milestone: Amendments to the Act on the System of Strategic Planning and Management of Development of the Republic of Croatia and bylaws		
Qualitative Indicator: Entry into force of the act amending the Act on the System of Strategic Planning and Governance for the Development of the Republic of Croatia and the accompanying bylaws		Time: Q4 2022
<p>Context:</p> <p>The measure aims to strengthen mechanisms for coordination and integration of public policies, link currently separate processes and procedures, broaden the scope and application of public policy and regulatory impact assessment processes, and professionalise strategic planning and impact assessments of regulations.</p> <p>Milestone #150 concerns the Amendments to the Act on Strategic Planning and Development Management System of the Republic of Croatia and accompanying bylaws that shall improve the effectiveness of strategic planning and the professionalisation of the preparation of strategic documents. It should also include a basis for job descriptions and competences of civil servants related to strategic planning.</p> <p>Milestone #150 is the first step of the implementation of the reform, and it will be followed by milestone #151 and target #152 related to the Regulatory Impact Assessment Act and digitalisation of the business processes. The reform has a final expected date for implementation on 31 December 2025.</p>		
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (Cover note); ii. Copy of the publication of the amendments to the Law On strategic planning and development management of Croatia, published in Official Gazette (No. 151/2022) on 22 December 2022; entered into force on 30 December 2022; https://narodne-novine.nn.hr/clanci/sluzbeni/2022_12_151_2349.html iii. Decree on guidelines for preparation of strategic planning acts of national importance and of importance for regional and local government, published in Official Gazette (No. 37/2023) on 31 March 2023; entered into force on 8 April 2023; https://narodne-novine.nn.hr/clanci/sluzbeni/2023_03_37_622.html; iv. Ordinances on deadlines and procedures for monitoring and reporting on the implementation of strategic planning acts of national significance and of significance for local and regional government units, published in Official Gazette (No. 44/2023) on 24 April 2023 https://narodne-novine.nn.hr/clanci/sluzbeni/2023_04_44_772.html; entered into force on 3 May 2023 		

- v. **Ordinances** on the implementation of evaluation procedures of strategic planning acts of national significance and of significance for local and regional government units, published in Official Gazette (No. 44/2023) on 24 April 2023; entered into force on 3 May 2023
https://narodne-novine.nn.hr/clanci/sluzbeni/2023_04_44_771.html;
- vi. (No. 44/2023) on 24 April 2023; entered into force on 3 May 2023
https://narodne-novine.nn.hr/clanci/sluzbeni/2023_04_44_773.html.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The milestone 150 requires the amendments to the Act on Strategic Planning and Development Management System of the Republic of Croatia and accompanying bylaws shall improve the effectiveness of strategic planning and the professionalisation of the preparation of strategic documents. It should also include a basis for job descriptions and competences of civil servants related to strategic planning:

The Croatian Parliament has adopted amendments to the Law on Strategic Planning and Development Management of Croatia on 16 December 2022. The Law has entered into force on 30 December 2022. Article 3 was amended with a new provision that stipulates the strengthening of the whole system of strategic planning by continuous capacity building with a purpose of respecting the principles of strategic planning.

The Decree on Guidelines for Preparation of Strategic Planning acts of National Importance and of Importance for Regional and Local Government was adopted by the Croatian government and published in Official Gazette on 31 March 2023. The decree entered into force on 8 April 2023.

Three ordinances were adopted by decision of the Minister of Regional Development and EU Funds on 20 April 2023 and were published in Official Gazette on 24 April 2023 and entered into force on 2 May 2023 (namely, the Ordinance on the Implementation of Evaluation Procedures of Strategic Planning Acts of National Significance and of Significance for Local and Regional Government Units, the Ordinance on Deadlines and Procedures for Monitoring and Reporting on the Implementation of Strategic Planning Acts of National Significance and of Significance for Local and Regional Government Units and the Ordinance on Training in the Field of Strategic Planning.

As relates to the requirements in the description of the milestone in regard to the “**professionalisation of the civil servants related to the strategic planning**”, new provisions were added through Amendments to the Law on strategic planning and development management of Croatia (NN 151/2022).

Article 33 describes in detail the tasks that the Coordination Body performs in the system of strategic planning, while Article 34 describes the scope of work in the units responsible for strategic planning in central state bodies.

Article 34 (a) “Education in the area of strategic planning and development management” was added with the aim to prescribe the accountability and the responsibilities of the Coordination Body. Specifically:

- Provision (1) defines the responsibility of the Coordination Body for the preparation and organization of the education.
- Provision (2) creates the basis for the definition of job competencies in line with the competency framework for civil servants and prescribes that the Minister of Regional

development will adopt ordinances related to the education in strategic planning and development management. Detailed job descriptions and competencies based on this legal basis will be developed through RRP investment C2.1R1-I2 Strengthening capacity in strategic planning and better regulation. Moreover, this provision defines planning of the educational activities.

- Provision (3) defines obligations for the civil servants working in central state bodies and ministries internal units responsible for coordination of strategic planning to attend education and trainings in strategic planning and development management. To ensure the alignment of future job descriptions and competencies required for the activities related to the system of strategic planning with overall competencies framework for employees in public administration, all job descriptions and competencies for strategic planning will be developed in line with the deliverable of the project “Development of Competencies Framework for Employed in Public Administration” (<https://mpu.gov.hr/istaknute-teme/projekti/eu-projekti/razvoj-kompetencijskog-okvira-za-zaposlene-u-javnoj-upravi/22402>).

Trainings will be developed and provided to civil servants with the obligation to attend education activities through RRP investment C2.1R1-I2 Strengthening capacity in strategic planning and better regulation.

The requirement establishing a **basis for job descriptions and competences of civil servants related to strategic planning** is addressed by referring to overall competencies framework in the public administration in article 34 (a), provision (3) of the amendments to the Law on Strategic Planning and Development Management System of the Republic of Croatia (NN 151/2022). Moreover, activities that must be performed by civil servants in the Coordination Body are stipulated by Article 33 of that Law. Finally, Article 34, provision (3) of that Law establishes the legal basis for job descriptions and competencies of civil servants in the internal units responsible for strategic planning in Central State Bodies. The Ordinances on education in strategic planning and development management further develops the core competences of the officials working on the strategic planning and training modules that can provide training for those. The competencies framework referred to in the Article 34 (3) of that Law and the aforementioned Ordinances will serve as a basis for developing job descriptions of the official working in strategic planning.

Regarding requirement in the description of measure on **unifying and standardising strategic policy planning and management processes through the development of written instructions**, the Ministry of Regional Development and EU Funds (*hereinafter referred to as “MRDEUF”*) prepares a set of guidelines for the standardization and unification of strategic policy planning and management processes from the beginning of 2021. All guidelines are published and updated with latest changes to Law and bylaws. All available guidelines are publicly accessible on MRREUF website (<https://razvoj.gov.hr/sustav-strateskog-planiranja-i-upravljanja-razvojem-republike-hrvatske-4570/4570>)

Moreover, the requirement from the description of the measure on **“Establishing joint coordination for continuous evaluation and continuous improvement of public policies”** is covered by the Article 24. of Decree on Guidelines for preparation of strategic planning acts of national importance and of importance for regional and local self-government. The Article establishes Network of strategic planning coordinators. The network consists of representatives of the Coordination body (Ministry of Regional development and EU funds, which manages and coordinates the network), state bodies as well as the regional and local coordinators (mainly local and regional development agencies). This network works on continuous improvements of public policies and share best practices and experiences

as well as the education and training for central and regional/local level officials working on strategic planning tasks. Thereby it contributes to the increased effectiveness of strategic planning.

Establishing partnerships with public scientific institutes and academic institutions to carry out independent public policy evaluation processes:

Within the framework of EU funds implementation for the financial perspective 2014-2020, an Interinstitutional Evaluation Working Group (*hereinafter referred to as "IEWG"*) was established to ensure joint coordination for continuous evaluation and continuous improvement of EU funds and related EU policies in Croatia). IEWG is coordinated by the Coordination Body within the institutional framework for EU Funds implementation and it consists of representatives of Coordination Body, representatives of the relevant Managing Authorities and representatives of strategic planning experts. One of the tasks of the IEWG is establishing and maintaining contacts with the public scientific institutes and academic institutions for the purpose of exchanging experiences and determining quality standards of evaluation.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 161	Related Measure: HR-C[C2.1]-I[R2-I1], Provide assistance to beneficiaries in the preparation of technical tender project-technical documentation		
Name of the Target: Preparation of project technical documentation for green and digital transition projects			
Quantitative Indicator: Number (Amount)	Baseline: 0	Target: 6 370 695	Time: Q4 2022
<p>Context:</p> <p>The objective of this investment is to ensure support from external experts in drawing up project and technical documentation for final beneficiaries in cases where it cannot be provided by the national administration. The investment aims at creating a number of ready-to-go projects addressing green and digital transition. To this end, the investment includes two subsequent targets concerning providing financial support for the preparation of technical and project documentation and then having prepared projects in the next step.</p> <p>Target #161 is the first step of the implementation of the investment, and it concerns awarding EUR 6 370 695 for engaging external support to ministries, national agencies and local and regional authorities in preparation of technical and project documentation for projects in the fields of green and digital transition. It will be followed by the second and last target #162 of the investment, target due in Q4 2025, which will ensure Croatia has at least 100 projects prepared supporting green and digital transition. The investment has a final expected date of implementation in Q4 2025.</p>			
<p>Evidence Provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> i. Summary document duly justifying how the milestone was satisfactorily fulfilled (Cover note); ii. Copies of grant award notification for 57 projects in the area of green transition and digital transformation; iii. Spreadsheet with the following information on each selected project: 1) official reference of the individual award decision from the ministry proving that the project has been subsidized; 			

- 2) name of the project that shall be supported and geographical location; 3) the amount being awarded (excluding VAT); and 4) a brief description of the project;
- iv. **Extract** of the relevant parts of the technical specifications of all 57 projects proving alignment with the description of the target;
- v. Spreadsheet with **description** of 57 projects for which the technical documentation is prepared, including main outputs of the projects.

The authorities also provided:

- vi. **Copy and a link** to publication of the **Call for proposals for the award of the grant for "Preparation of project-technical documentation for digital transformation and green transition projects" under the National recovery and resilience plan 2021 – 2026**, published on 30 December 2021: <https://razvoj.gov.hr/poziv-za-dodjelu-bespovratnih-sredstava-priprema-projektno-tehnicke-dokumentacije-za-projekte-u-podrucju-digitalne-transformacije-i-zelene-tranzicije/4795>;
- vii. **Copy of the instructions for applicants** – “Upute za prijavitelje_NPOO_C2.1.R2.I1.01”
- viii. **Annexes** to the Call for proposal:
- Copy of Annex 1: “Application form”
 - Copy of Annex 2: “Form Declaration by the applicant/partner”
 - Copy of Annex 3: “Grant agreement”

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the target.

EUR 6 370 695 shall be awarded, through decisions on financing for the development of project technical documentation prepared by ministries, national agencies and local and regional authorities to support the green and digital transitions:

The authorities have provided copies of grant award decisions for 57 projects, along with a spreadsheet with the list containing unique identifiers for each of the 57 projects, reference numbers for award decisions, intervention field, location, beneficiaries, partners, awarded amount with and without VAT and a brief description of each project. Provided award decisions and the accompanying spreadsheet confirm that the total of EUR 6 934 121.21, excluding VAT (EUR 8 667 651.51 including VAT) has been awarded by the end of 2022, hence more than the CID requirement.

Authorities have also provided a link to the published call for proposals accompanied by Instructions for Applicants, Application Form, Declaration Form of the Applicant/Partner and grant agreement. The call for proposals, along with the mentioned documentation, was published by the Ministry of Regional Development and EU Funds on 31 December 2021, to address the lack of prepared projects that support green and digital transition (a problem recognised in the national Recovery and Resilience Plan, as explained in Chapter 2 of the instructions for applicants). Therefore, under this call funding would be awarded to local and regional authorities and public entities (co)founded by local and regional government units, for the development of projects related to the green and digital transitions. To be eligible, both applicants and partners in the projects need to be subject to the application of the Public Procurement Act. Pages 9 and 10 of the Instructions for Applicants contain a list of eligible intervention fields divided into fields supporting digital transformation and fields contributing to green transition, and a provision on page 9 states that each of the projects for which the documentation is being developed had to relate to any of those fields. The authorities provided extracts from project

applications containing the description of projects and technical requirements for each of the 57 projects, confirming that eligible activities and key outputs for each of them in fact contribute to green transition and digital transformation, consistently with those instructions. Eligible activities in the field of digital transformation encompass development of project technical documentation for ICT solutions, applications for public services, digitalisation of healthcare, education and training institutions and/or development of digital skills, urban transport, and using digital and communication technologies to improve services in urban and rural areas. Intervention fields addressing the green transition include the preparation of project and technical documentation for energy renovation of public buildings and construction of new energy-efficient buildings, adaptation to climate change measures and prevention and management of climate related and of non-climate risks, civil protection and disaster management systems, infrastructures and ecosystem-based approaches, improving air quality, protection, restoration and sustainable use of Natura 2000 sites, protection of nature and biodiversity, conservation and restoration of ecosystems and related green infrastructure, protecting, developing and promoting natural heritage outside Natura 2000 sites, green infrastructure in urban areas, cycling infrastructure, and rehabilitation of industrial sites. Descriptions, including technical requirements, of all the projects were further summarised in a spreadsheet provided by the authorities.

This investment shall provide beneficiaries with support from external experts with specific knowledge and the necessary mandates to draw up project and technical documentation, which cannot be provided by the national administration:

Instructions for Applicants, provided as supplementary evidence, contain the provision (pages 7 and 12) explaining the subject and the purpose of the Call, confirming that the Call was launched to support public bodies - legal persons with public authority that have the authoritative role and act as project promotor. Preparation of project and technical documentation is the service obtained through the public procurement procedures. Due to identified lack of projects in the area of green transition and digital transformation to be financed under Recovery and Resilience Facility or under Cohesion Policy 2021 – 2027, the authorities decided to provide financial support to encourage preparation of larger number of these projects. Instructions for Applicants indicate the list of documents (page 11) which are eligible under this Call and can only be contracted through the public procurement, as indicated on page 12.

The authorities have also provided Annex 2 of the Instructions for Applicants. The Annex 2 of the Instructions for Applicants requires the beneficiary to confirm that the requested support for project and technical documentation is in line with the principle of additionality and that the beneficiary thereby confirms he does not have manner, scope nor available time to perform the activities applied for (co)financing from RRF, such as the preparation of project and technical documentation (page 2). This is in line with the requirement that the awarded funds shall support preparation of project and technical documentation which (support) cannot be provided by the national administration. Additionally, the authorities have elaborated that part of the project and technical documentation, notably the construction and environmental protection related documentation, can only be prepared and issued by legally authorised persons/entities. The authorities have provided in the summary document the references to articles in legal acts, namely the Act on Spatial Planning and Construction Activities (O.G. 78/15, 118/18, 110/19) and the Environmental Protection Act (O.G. 80/13, 153/13, 78/15, 12/18, 118/18) establishing the mandates for preparing and issuing the aforementioned documentation.

The investment is expected to result in creating a pipeline of ready-to-go projects in the field of the green and digital transitions:

In the general information about the Call on page 3, as well as in Chapter 2: “Call rules and eligibility conditions” on page 7 of Instructions for Applicants, it is noted that the goal of this Call was to ensure a stock of mature and ready-to-go projects in field of green transition and digital transformation that have a prepared project technical documentation and are ready for application for further funding of the implementation from various sources. It is noted, however, that having received the support from RRF for preparation of project technical documentation does not automatically qualify for funding of the implementation of the project. The support would only ensure faster start of the implementation/physical realisation of projects as the beneficiaries of this Call are already prepared to apply for any suitable call for financing the implementation that may be published.

The measure shall provide assistance to beneficiaries for the timely and complete preparation of all the necessary application documents for financing and investments:

Chapter 2.6 of the Instructions for Applicants, on page 14, sets a timeframe for the preparation of projects and technical documentation supported through the Call for Proposals. According to the provision from the Instructions for Applicants, the timely preparation of necessary documentation is ensured as the final preparation deadline for all supported projects is set by the Call as 31 May 2025.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 165	Related measure: HR-C[C2.2]-I[R1-I2], E-State exam		
Name of the Target: 100% of officials of all public institutions required to pass the state exam, digitally pass the state exam, based on a new exam model.			
Quantitative Indicator: percentage (%)	Baseline: 0%	Target: 100%	Time: Q4 2022
<p>Context: This investment aims to establish a new system for passing a state exam by electronic means, ensuring a more objective, appropriate, and valid way of assessing candidates’ knowledge through a standardised written examination.</p> <p>Target #165 concerns the 100% of officials of all public institutions, required to pass the state exam, pass the exam through a fully digitised model. The process of passing the State exam is digitised with a view to making the exam system more transparent, accessible (in multiple locations across the country) and efficient.</p> <p>Target #165 is the only milestone or target of this investment.</p>			
<p>Evidence Provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document – cover note, explaining how the CID requirements have been addressed; ii. description of the IT measures implemented; including handover protocols as certificate of works completion signed by the contractor and the competent authority demonstrating project has been completed and is operational, and: 			

- a.1. Contract signed with developer of the ADI system, with Terms of Reference and Contractors Offer
- a.2. Description of the ADI System
- a.3. Contractors Final Report and Handover Protocol as Certificate of work completion
- a.7.1. Handover protocol activities 1,3,4
- a.7.2. Handover protocol activities 2,5,6,7,8,9

iii. **link** to the platform;

- a.5. Link to the ADI system: <https://adi-mpu.gov.hr/Portal/SigninAD> (NB: Only authorised administrators in Ministry of Justice and Public Administration can sign in the system)
- a.6. Links to all modules and roles with Screenshots

iv. **provisions** put in place to allow for a carrying out the state exam digitally:

- b.1. Ordinance on Taking the State Exams (Official Gazette, No. 70/2020)
- b.2. First amendment of the Ordinance on Taking the State Exams (Official Gazette, No. 29/2021)
- b.3. Second amendment of the Ordinance of Taking the State Exams (Official Gazette No. 39/2022)
- official note by the Ministry of Public Administration confirming that all State exams are carried out digitally: <https://mpu.gov.hr/drzavni-strucni-ispit-22550/22550>

The authorities also provided:

- v. Sample Test tasks
- vi. Screenshots of the Module for the development of test materials
- vii. Exam catalogue
- viii. Screenshots of Database of candidates
- ix. Screenshots of reports related to the implementation and results of the test
- x. Certificate of passing the State Exam issued electronically
- xi. Exam date schedule
- xii. Signing documents procedure
- xiii. Decision on Taking the State Exam in Regional centres
- xiv. Contract for Regional Exam Centre Split
- xv. Contract for Regional Exam Centre Rijeka
- xvi. Contract for Regional Exam Centre Osijek
- xvii. Contract for furniture equipping exam centres
- xviii. Contract for IT equipment of exam centres
- xix. Handover of IT equipment
- xx. Photo of The Central Exam Centre
- xxi. Photo of The Regional Exam Centre Rijeka
- xxii. Contract for e-learning, Offer, Terms of Reference
- xxiii. Handover of activities 1-7, e-learning contract
- xxiv. Contractors Final Report e-learning platform
- xxv. e-learning platform link: <https://edi-mpu.gov.hr/login/>
- xxvi. Screenshots of the ADI system interface

Analysis:

The justification and substantiating evidence provided by the Croatian authorities cover all constitutive elements of the target.

100% of officials of all public institutions, required to pass the state exam, pass the exam through a fully digitised model:

The process of passing the State exam is digitised with a view to making the exam system more transparent, accessible (in multiple locations across the country) and efficient.

On the Ministry of Justice and Public Administration website, an official note was published confirming that all the State Exams are carried out digitally in a new way. As per Article 5 of the Ordinance on taking the State Exam (Official Gazette, No. 70/20; 29/21; 39/22) after 1 November 2022, all procedures related to the application for the State Exam must be and are conducted electronically, by using the State Exam Application (ADI system). As the option to take the test in person in front of the exam commission no longer exist, all civil servants, which have to take and pass the State exam, can only do it electronically. Furthermore, the evidence xi. Exam date schedule demonstrates the first 60 candidates that were registered to take the State exam in 2022.

The investment shall include the development of a software application through which the procedures for developing the test material for the state examination, application for the examination, organisation, conduct and passing of the State exam shall be delivered:

After completion of the public procurement procedure, an Agreement was signed on 21 September 2021 with the selected group of business entities and the Ministry of Justice and Public Administration for the development of the ADI system, which enables the digitalization of all business processes related to the State Exam. The ADI system was then developed as a software application through which the procedures for developing the test material for the State Exam, application for the exam, organisation, conduct and passing of the State Exam are delivered (evidence ii. a.1 to a.3 and iii.a.5).

As indicated in the ii. a.1. page 32-33 and ii. a.2 page 1, the ADI system is connected to various external systems and data sources:

- NIAS – National Identification and Authentication System: enables user login using available credentials.
- RegZAP – Register of employees in the public sector enables retrieval of data of employees in the public sector and automatic filling of the application form. The register also records if the employee has passed the State Exam.
- e-Signature – service for electronic signing and stamping of documents enables electronic signing of decisions and other acts created in the ADI system.
- Centrix – document management application enables registration of received and sent documents from the ADI system and storage of registered documents.
- Active Directory (AD) – Directory service of the Ministry of Justice and Public Administration (MoJPA): enables integrated authentication of system users from MoJPA.

As indicated in the description of the ADI system (ii a.2.) the ADI system is divided into 4 web applications (logical units):

- Application for Candidate Applications is used by candidates to create and send requests for the applications for the State Exam through the e-Citizens portal.
- Application for Administration and Organization is used to manage the system i.e., process candidate applications and register candidates' data. In addition, the application is used to schedule exam and assign candidates to exam dates, organize the exam process, view results and issue the Certificate of passing the exams well as create and organize exam materials.
- Application for Accessing Documents (WebDAV) is used as a service for accessing and processing/signing the documents submitted to the Application for Administration and Organization.
- Application for Taking the State Exam is separate from the other applications and is used on computers as an independent application through which candidates take the exam in State Exam centres, which ensures objective and realistic testing of candidates' abilities and knowledge acquired.

Furthermore, in line with the description of the measure, **the examination certificate shall be made available electronically:**

This is substantiated by the evidence x. Certificate of passing the State Exam issued electronically once the candidate's exam results are available and in case candidate scores more than 50% on each component of the exam.

In line with the description of the measure **the system shall create a database of test tasks and materials, a database of candidates and shall ensure the creation of reports related to the conduct and results of the tests. Such system shall allow for continuous monitoring and improvement of all processes for the development and conduct of state exams:**

As evidenced by ii. a.1. Contract signed with developer of the ADI system, with Terms of Reference and Contractors Offer; ii a.2 Description of the ADI System and ii. a.3 Contractors Final Report and Handover Protocol as Certificate of work completion and illustrated by v. Sample Test tasks; vi. Screenshots of the Module for the development of test materials; vii. Exam catalogue; viii. Screenshots of Database of candidates; ix. Screenshots of reports related to the implementation and results of the test, the ADI system creates a database of test tasks and materials, a database of candidates and ensures the creation of reports related to the conduct and results of the tests. By having digital data bases of the exam materials and candidates results, the administrators and decision makers are much better equipped, in comparison to the old paper and oral based system, to monitor and improve the quality of the exam content and the processes.

The Module for the development of test materials is also an integral part of the ADI system. It is a database of items/tests and enables the refinement of materials, the development of new materials, reviews and proofreading of materials.

Sample exams are published on the website of the Ministry of Justice and Public Administration. It is possible to see the layout of the exam for a test subject and test items. Likewise, the Exam Catalogue for the State Exam is published as a basic document that clearly describes the examination subjects and the process of the State Exam on the website of the relevant Ministry.

Test rooms in 4 test centres in Zagreb, Split, Rijeka and Osijek shall be equipped and made available for the needs to the e-exam as well as the centralised selection system:

After completion of the public procurement procedure, an Agreement was signed between the Ministry and the provider on 7 April 2022 for purchase of 94 All-in-one computers (xviii. Contract for IT equipment of exam centres and xix. Handover of IT equipment) and another Agreement was signed on 8 April 2022 for the purchase of furniture. Office furniture includes 90 one-seater desks, 8 two-seater desks and 98 chairs (evidence xvii. Contract for furniture equipping exam centres). This equipment was purchased for equipping the Central State Exam Centre and three regional State Exam Centres. The candidates already use the furniture and the IT equipment to take the state exam, and in the future, they will use them for the selection procedure exam (related Investment C2.2. R1-I1, RRP).

A Central State Exam Centre was established and equipped in Zagreb, on the premises of the Ministry of Justice and Public Administration in Maksimirska street 63. It is equipped with 31 computers, 32 chairs, 30 one-seater desks, 2 two-seater desks, in a room made available for the needs of e-State Exam (as evidenced by xvii. contract for furniture equipping exam centres and xx. Photo of The Central Exam Centre) as well as for the centralized selection system (related Investment C2.2. R1-I1, RRP). Further three Regional Exam Centres were established (evidence no. xiii Decision on taking the exam in Regional centres):

- Regional Exam Centre Split is established and equipped at the Faculty of Law in Split, Ul. Domovinskog rata 8 (evidence no. xiv. Contract Regional Exam Centre Split),
- Regional Exam Centre Osijek is established and equipped at the Faculty of Law in Osijek, Ul. Stjepana Radića 17 (evidence no. xvi. Contract Regional Exam Centre Osijek),
- Regional Exam Centre Rijeka is established and equipped in the Rijeka Student Centre, Ul. Radmile Matejčić 5 (evidence no. xv Contract Regional Exam Centre Rijeka).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 176	Related Measure: HR-C[C2.3]-R[R1], Digital Croatia Strategy and strengthening inter-institutional cooperation and coordination for a successful digital transition of society and the economy	
Name of the milestone: Digital Croatia Strategy		
Qualitative indicator: Entry into force of the Digital Croatia Strategy		Time: Q4 2022
Context: The objective of this reform is to steer the digital transformation of Croatia’s society and economy for the next decade. It provides a strategic framework, “Croatia’s 2030 Digital Strategy”, setting the frame for investments in the digital transition and defining strategic objectives in the following areas: digital transition of the economy, digitisation of public administration and justice,		

digital connectivity/development of broadband electronic communications networks, development of digital skills and digital jobs. It also sets up a mechanism to coordinate the preparation and implementation of projects supporting the digital transformation of society and the economy at national, regional and local level, with guidelines for clear prioritisation and evaluation criteria for investments.

Under this milestone, the new Digital Croatia strategy is elaborated, approved and entered into force. A coordination mechanism to coordinate the preparation and implementation of projects supporting the digital transformation of society and the economy is set-up, including guidelines for the prioritisation and evaluation criteria of investments.

Milestone #176 represents the only milestone under the reform C2.3.R3-I1 “Digital Croatia Strategy and strengthening inter-institutional cooperation and coordination for a successful digital transition of society and the economy”.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (Cover note);
- ii. **A copy of the publication of Digital Croatia Strategy**, published in the National Official Gazette, OG 2/2023 on 4 January 2023;
- iii. A copy of the **Annex 3 of the Digital Croatia Strategy**: Analysis of the current state and financial framework;
- iv. A copy of the **Decision on the establishment of the Strategic Management Council (National Council for digital transformation)**, published in the National Official Gazette, OG 22/2023 on 24 February 2023;
- v. A copy of the **Decision on the establishment of a working group for the coordination of state information infrastructure and digital transformation projects**, as well as the Decision annex;
- vi. A copy of the **documents elaborated under the Technical Support Instrument project “Development of the coordination mechanism to support e-governance policy coherence” (TSI 21HR28)**:
 - Output 1: Report for improved understanding of the quality of planning and implementation of public ICT/digital projects in Croatia and recommendations for improvement, endorsed on 12 December 2022;
 - Output 2: Final Draft of Action Plan to improve coordination of public digitalisation initiatives, endorsed on 1 March 2023;
 - Output 3: Proposal of digital governance guidelines for the identification, prioritisation and selection of ICT/digital projects, inter-institutional co-ordination, monitoring and evaluation, endorsed on 17 April 2023.

Analysis

The justification and substantiating evidence provided by Croatia's authorities covers all constitutive elements of the milestone:

The Digital Strategy has entered into force:

The Strategy (*hereinafter referred to as "Strategy"*) was adopted by the Croatian Parliament on 16 December 2022 and was published in the Official gazette on 4 January 2023, which is to be considered as its date of entry into force, given that by their adoption, strategies become part of the strategic framework under which the public authorities must make their policy choices and decisions. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

The strategy shall provide a strategic framework, "Croatia's 2030 Digital Strategy", setting the frame for investments in the digital transition and defining strategic objectives in the following areas: (i) digital transition of the economy, (ii) digitisation of public administration and justice, (iii) digital connectivity/development of broadband electronic communications networks and (iv) development of digital skills and digital jobs:

The strategy defines the strategic framework and the vision of the digitalisation of Croatia's society, public administration and economy by 2032, with four strategic objectives (Section 4 of the strategy, p.10-11) as set out in the description of the milestone in the Council Implementing Decision. These objectives are the digital transition of the economy, the digital transformation of public administration, the roll-out of broadband electronic communication networks, and the further development of digital competencies and digital jobs. Under each of the strategic objectives, key impact indicators are set in place, as well as priority areas for public policy action, with information on the competent government structure in charge (at national, regional or local levels as relevant), as well as the estimated budget and the sources of funding (p.11-12 for the 1st objective, p.15 for the 2nd one, p. 20 for the 3rd, and p.24 for the 4th one). Key impact indicator values are provided for the year 2030, in line with the Council Implementing Decision requirements and the European Digital Economy and Society Index (DESI), and for 2032, the last year of implementation of the strategy.

The strategy was prepared based on an analysis of the current state of play, development needs and potentials under the four priority areas, followed by the elaboration of a SWOT analysis. The relevant stakeholders gathered in four thematic working groups (one per strategic priority) were regularly consulted and associated during the process of preparation. A summary of the analysis of the current state of digitalisation of Croatian society and economy is described in the Strategy (Section 3.1), while an analysis of the current state of play and financial framework is presented under Annex 3 of the Strategy.

In line with Section 6 of the Strategy, a mid-term evaluation planned in 2027 will provide the opportunity to take stock of progress against the objectives, identify shortcomings in the implementation of the Strategy, and allow for remedial steps and/or its revision. An ex-post evaluation planned for 2033 will analyse the results and impact of the strategy, as well as the effectiveness and efficiency of its implementation.

The reform also sets up "a mechanism to coordinate the monitoring of the strategy, and the preparation and implementation of projects supporting the digital transformation of society and the

economy at national, regional and local level, with guidelines for clear prioritisation and evaluation criteria for investments”:

The Technical Support Instrument (TSI) project “Development of the coordination mechanism to Support e-governance policy coherence” (TSI 21HR28) completed on 22 April 2023 supported the Croatian authorities in the design of the strategy’s governance system, as well as to increase the coherence in the identification, prioritisation, selection, monitoring and evaluation of digital government projects (project’s outputs 1 and 2), including guidelines for the clear prioritisation and evaluation criteria for investments (project’s output 3).

Based on its recommendations, a comprehensive governance system to implement and monitor the strategy has been established and is operational (Section 7 of the Strategy):

- a) A “strategic management Council coordinating digital policies and departmental priorities in the field of digital transformation” monitors and agrees on strategic issues. It was established on the 24th of February 2023, date of publication of related Decision in the Official Gazette (see evidence document iv above). It held its first meeting on 6 June 2023;
- b) The Working group for the coordination of the State information Infrastructure and Digital Transformation Project” already in place prepared the Digital Strategy and was involved in the preparation and finalisation of the TSI project’s outputs. It ensures that the strategic decisions of the Council are translated in operational decisions. A governmental decision adopted on 19 January 2023 (evidence document v above) updates the list of its members (evidence document v) above)
- c) The “Strategic Planning Coordinator” in the Central State Office for Digital Society (CSODSD) is responsible for the daily monitoring of the implementation of the Strategy, and its reporting;
- d) Relevant stakeholders gathered in an “Advisory Council” will be regularly consulted during the implementation.

Furthermore, following a TSI project that provided initial drafts, the guidelines for clear prioritisation and evaluation criteria of investments were approved by the relevant national authorities on 17 April 2023.

These guidelines clarify (i) the key stakeholders' roles in the planning and managing digital projects in the public sector; (ii) the critical building blocks to implement the proposed coordination mechanism, including prioritisation principles, key performance indicators and critical procedures such as the value proposition and project approval mechanism; (iii) a set of data necessary for the efficient co-ordination, prioritisation, monitoring and evaluation of public digitalisation’s projects (executive summary, page 2). The guidelines set out the evaluation criteria for the selection of projects under the strategy.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 177	Related Measure: HR-C[C2.3]-I[R2-I2], Establishment of a central data repository and business analytics system
Name of the milestone: Set-up of the platforms for the central interoperability system	

Qualitative indicator: Report from the Central Office for the Development of Digital Society (SDURDD) that the platforms are operational and tested for use

Time: Q4 2022

Context:

Reform C2.3-R2 “Improving the interoperability of information systems” is meant to support data-driven decision-making at all levels of the State administration (State and local government units), as well as to improve the online provision of quality public services to businesses and citizens. The information systems used by the public administration in Croatia, comprising currently hundreds of different registers and databases, will be structured and reunited through the completion of two complementary investments. These investments consist in the set-up of a central register and a central interoperable system of the public administration in Croatia (Investment C2.3.R2.I1), and of a central database enabling the use of advanced data analytics for competent authorities (Investment C2.3.R2.I2).

Milestone #177 requires that the platforms for the central interoperability system are set in place, tested for use and made operational. Milestone #177 is the only milestone of investment C2.3.R3-I12 “Establishment of a central data repository and business analytics system”. The investment has a final expected date for implementation in Q4 2022.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (Cover note);
- ii. The list of all **services available in the central national interoperability portal** (<https://ssi.gov.hr/hr/katalog>);
- iii. The **web-link to the platforms for the central interoperability system** (CIS) (<https://ssi.gov.hr/hr>);
- iv. Copy of the **Report from the Central State Office for the Development of the Digital Society demonstrating that the Data Lake system is operational for use by end users**, dated 28 June 2023.

The authorities also provided:

- v. **The web-link** to the Wiki page for the Data Lake, containing a description of governance procedures;
- vi. **Copy of the data lake test book**;
- vii. **Copy of a draft document produced under Technical Support Instrument (TSI) project 21HR28**: Draft of the Action Plan for improved interoperability of digital public services (Output 5);
- viii. **Snapshots on the platforms included in the data-warehouse**, including snapshots of the platform “Talent” (Annex 1 to the summary document).

Analysis

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone:

The central national interoperability portal shall provide a catalogue of all public services:

The portal is a key element to support e-governance policy coherence in Croatia, and to provide faster, higher-quality and cheaper public e-services. It was designed based on the recommendations of the draft Action Plan for improved interoperability of digital public services (Output 5 of the Technical Support Instrument project 21HR28).

The portal constitutes a central place of official information and documents in the domain of interoperability. It provides an updated catalogue of all public services included in the central data warehouse.

One of the interoperable platforms/services provided in the portal is the new central technical platform for secure data exchange “Government Service Bus” (GSB) accessible to the staff of government and public bodies. Through a single connection, the staff can retrieve data from different authentic sources including all state-level fundamental registers, such as the register of births, register of deaths, registers of permanent and temporary residence, or register of veterans. The staff of a public body can also retrieve information on the business process(es) to be implemented by their institutions, as well as the set of data necessary to complete the process. By 31 May 2023, 30 fundamental registers have been integrated in the GSB, and more than 150 state bodies were connected to it, with over 23 million messages (queries/response) in the period from the 1st of January to 14 June 2023.

A central data warehouse (DWH) for government authorities shall be set in place, operational and tested for use. It develops an ecosystem to collect, process, analyse, display and share data, with the view to introducing data analytics. It enables real-time data analysis and shall produce advanced data analytics tools (such as pre-defined business indicators, dashboards and reports on a daily basis), which are expected to significantly improve data-driven decision-making at all levels of the national administration. A part of the data warehouse shall also be accessible to citizens and businesses, with the view to enable the private sector to build and develop value-added services on the data and analytical tools made:

The new portal was put in is operation on 16 May 2023. It can be accessed by the public (citizens, businesses, public authorities) through a web-link. The portal includes the lists of all products of the state information infrastructure, the list of all eCitizens (eGrađani) and eBusiness (ePoslovanje) services, as well as the services available on the central interoperability platform.

The new Data Warehouse system was tested for use by the end users and made operational on 28 June 2023, as confirmed by the Report of the Central State Office for the Development of the Digital Society (document d) above). Evidence documents that the Data Lake is operational and tested for use by end users are a copy of the Data Lake test book and the Wiki page link on its governance procedures, complemented by a snapshots of the implemented technologies (Annex 1 to the Cover note).

The central data warehouse (DWH) for government authorities is expected to improve the data management system by facilitating the collection of data in standardized formats, the processing, analyzing, and sharing of data across State and local public authorities. The “Talend user” platform enables real-time data analysis and produces advanced data analytics tools (such as pre-defined business indicators, dashboards, and daily reports), using the acquired Tableau (see snapshots in Annex 1 to the summary document), which is expected to significantly improve data-driven decision-making

at all levels of the national administration. Through this new eco-system, the user can perform advanced analytics, produce reports, and turn to a data-driven way of working through which decision-making will be based on real data, and not based on assumptions or incomplete information. It is therefore expected to significantly improve data-driven decision-making at all levels of the national administration.

The DWH consists in a blending of technologies and components which allows the strategic use of data. New hardware infrastructure, in particular server, disk arrays and data storage systems (see section 2.1 of the Report from the Central State Office for the Development of the Digital Strategy) as well as a set of software for the data analytical and processing were procured (section 2.2 of the same report). Three IT-solutions were acquired: Talend, Green Plum and Tableau (see snapshots in the Annex 1 to the cover note). Talend can clean, govern, transform, and integrate data from Greenplum DB, a data storage. The platform enables real-time data analysis and produces advanced data analytics tools (such as pre-defined business indicators, dashboards, and daily reports), using Tableau.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 179	Related Measure: HR-C[C2.3]-I[R3-I1], Upgrading the Shared Services Centre	
Name of the target: Upgrade of the State Cloud		
Quantitative indicator: Six new functionalities are operational for use in the State cloud (CDU) and accessible to users		Time: Q4 2022
Context:		
<p>The objective of this investment is to expand the capacity of the State cloud to upgrade it with the development of new functionalities and enable a large increase in the number of its users.</p> <p>Target #179 concerns the addition of six new functionalities in the State cloud (CDU), which are planned to be made operational and accessible to users.</p> <p>Target #179 is the first step in the implementation of the investment C2.3.R3-I12 “Upgrading the Shared Services Centre”. It will be followed by target #180 consisting of the actual increase of the number of users in the shared services centre. The investment has a final date for implementation by Q2 2026.</p>		
Evidence provided:		
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note); ii. Copy of the report from the Central Office for the Development of Digital Society (SDURDD) demonstrating that five out of six new functionalities are operational for use in the State cloud (CDU) and accessible to users, dated 30 June 2023; iii. Certificate of completion for Kubernetes - “A platform for the development, implementation and testing of applications for users” dated 30 June 2023; 		

- iv. **Certificate of completion for SIEM** - "A central information security monitoring system for managing potential security events on the information and communication infrastructure" dated 30 June 2026;
- v. **Certificate of completion for ITSM** - "A platform for ICT support" dated 30 June 2023;
- vi. **Certificate of completion for Web Hosting** - "A platform to easily create and manage the digital content of the websites of the users, with features for intuitive indexation, search and retrieval of content, format, review, publication and discussion forums" dated 30 June 2023;
- vii. **Certificate of completion for Blockchain** - "A platform for the development of blockchain technologies for the State cloud, in line with the European Blockchain Services Infrastructure" dated 30 June 2023;

The authorities also provided:

- viii. **Certificate of completion for servers type1** and server software dated 30 December 2022;
- ix. **Certificate of completion for servers type2** dated 13 February 2023;
- x. **Certificate of completion for high performance storages** dated 18 January 2023;
- xi. **Certificate of completion for high performance object storages** dated 18 January 2023;
- xii. **Certificate of completion for high density storages** dated 28 December 2022;
- xiii. **Certificate of completion for network equipment** dated 14 June 2023;
- xiv. **Certificate of completion for network accessories** dated 24 March 2023.

Analysis

The State cloud connects the state IT infrastructure, enabling the joint management of information and data through a set of cloud functionalities, also named (IT) 'platforms'. It enables its 'users', the state administration bodies and local and regional government units, to function without paper, deliver a greater number of public services, while achieving financial savings, efficiency gains and better transparency.

The justification and substantiating evidence provided by Croatia's authorities covers five of the six functionalities, which are constitutive elements of the RRP Investment and the Milestone. The certificates for completion of the 5 new functionalities were delivered. The Central State Office for the Development of Digital Society, in charge of the project delivered a report dated 30 June 2023 confirming that the 5 new functionalities and the necessary IT equipment are operational for use in the State cloud and accessible to users (see document iii to xiv above).

1. Upgrading of the State cloud infrastructure

The cloud infrastructure capacity has been upgraded as a pre-requisite to the integration of the new functionalities to the cloud. It consisted in the purchase and installation of necessary hardware equipment (for the server and network), and software (for the virtualisation, antivirus and data backup). The certificates of completion for this equipment have been provided by the contracted companies (see documents viii to xiv above).

2. A platform for the development, implementation and testing of applications for users is operational and accessible to users (Kubernetes)

With this new platform, the users gain access to the environment necessary for the design, development, testing and implementation of applications in the cloud, specific to their own needs. It

allows producers of new applications to use techniques and technologies that are "cloud aware", which will result in increased efficiency of using the existing Cloud infrastructure. The certificate of completion for this functionality has been provided by the contracted company (see document iii above).

3. A platform for ICT support is operational and accessible to users (ITSM)

The platform is intended for users that do not have their own ICT service centre. It is designed as a central contact point to address users' questions and problems related to ICT issues, through the use of an Information Technology Infrastructure Library (ITIL) service and the resolution of inquiries by the appropriate authority. The use of this service will reduce costs for local contact centres, reduce communication costs, and standardize the level of ICT services among state institutions. The certificate of completion for this functionality has been provided by the contracted company (see document iv above).

4. A central information security monitoring system for managing potential security events is operational and accessible to users (SIEM)

The central information security monitoring system for managing potential security events collects all events across all devices on the network. The monitoring of the incidents can point to the existence of malicious phenomena before any damage occurs. It is intended for advanced users who have their own departments in charge of ICT security. The certificate of completion for this functionality has been provided by the contracted company (see document v above).

5. A platform to manage the digital content of the websites is operational and accessible to users (Web Hosting)

The platform manages the digital content of the websites enables users to create their own websites and manage their content. It is intended to users who do not have special knowledge of programming and application development; it is based on applications that are easy to use and common with most cloud providers. The certificate of completion for this functionality has been provided by the contracted company (see document vi above).

6. A platform for the development of block-chain technologies for the State cloud is operational and accessible to users (Blockchain)

A national Blockchain network for testing and data exchange between Croatian institutions is developed. It is based on the same principles and technologies as the European Blockchain (hereinafter referred to as "EBSI") system and is connected to it through the installation of 2 nodes. The purpose of this service is that users get a minimal copy of the system on which they can develop and test applications/solutions in accordance with EBSI standards, which can be offered and used in the EBSI system. The certificate of completion for this functionality has been provided by the contracted company (see document vii above).

7. A Biometric Authentication Platform is operational and accessible to users

The Council Implementing Decision required a Biometric Authentication Platform to be operational and accessible to users, which was to be integrated in the existing central system for users' rights and identify management. This integration was intended to increase the level of security for users compared to the previous approach. The development of the Biometric Authentication Platform was halted due to problems in the tendering, including as the tender process was not successfully completed due to no bids meeting the minimum requirements. Given this, the authorities have instead increased the level of security for users by implementing different national and secured authentication systems to ensure

access to the cloud, including MobileID "means". MobileID is based on an Electronic identity card issued in the Republic of Croatia and the ability to access the eCitizen system and all available public e-services with the highest level of security in an easy and user-friendly way. The MobileID uses biometric authentication of a mobile device and thus enables access to public e-services.

The implementation of MobileID is covered by measure C2.3 R3-I5, where due to the issues encountered in the tendering process of the Biometric Authentication Platform, the authorities decided to extend MobileID use also to the State Cloud. Whilst this constitutes a minimal substantive deviation from the requirement of the Council Implementing Decision, the possibility to use different authentication systems ensures access to an equivalent level of security to the Biometric Authentication Platform, ensuring biometric authentication is available. As of this, this minimal deviation does not change the nature of the measure and does not affect the progress towards achieving the investment that the target represents. On this basis, it is considered that this constitutive element of the target is satisfactorily fulfilled.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 195	Related Measure: HR-C[C2.3]-I[R3-I12], Digitalisation of the HZMO archives (eArhiva)	
Name of the milestone: Digital archives of the Croatian Pension Insurance Institute (HZMO)		
Qualitative indicator: HZMO’s handover record of the operating system for managing digital archives	Time: Q4 2022	
<p>Context:</p> <p>The objective of this investment is to digitise the archives of the Croatian Pension Insurance Institute (hereinafter referred to as “HZMO”), with the view to significantly improve the overall performance of HZMO’s work and the cost-effectiveness of archives management, which currently remains largely based on manual search.</p> <p>Milestone #195 requires that a new e-system for managing digital archives (Digital Archives Management System) is set-up and made operational. Milestone #195 represents the initial step of the implementation of investment C2.3.R3-I12 “Digitalisation of the HZMO archives (eArhiva)”, and it will be followed by milestone #196 consisting of the actual digitalisation of 50.000.000 pages of national archives and their indexation in the new digital archives. The investment has a final expected date for implementation in Q2 2026.</p>		
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> i. Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (Cover note); 		

- ii. **Copy of the certificate of completion** from the contractor on the delivery and installation of a disc system for the storage of digitised documents, dated 16 December 2022;
- iii. **Copy of the certificate of completion from the contractor** on the set-up of the Digital Archives Management System of the Croatian Pension Insurance Institute, dated 30 December 2022;
- iv. **Report from the Croatian Pension Insurance Institute (HZMO)** confirming that the Digital Archives Management System is operational for use by end users, dated 27 February 2023.

Analysis

The justification and substantiating evidence provided by Croatia's authorities covers all constitutive elements of the milestone:

The system for managing digital archives (Digital Archives Management System) shall be operational:

According to the final report from the HZMO (Section 3), the Digital Archives Management System became operational for use by end users on 30 December 2022.

The investment shall establish a digital archive management system and a single place for the permanent storage of the archives:

The archives of the Croatian Pension Insurance Institute (HZMO) are currently stored to a large extent in paper form, in 43 locations in 19 cities of Croatia. The Digital Archives Management system is designed to be the single place for the permanent storage, record and management of all documents of the authority, which will be digitised.

For this purpose, two complementary systems were procured and set in operation:

- I. **A new disk system** for the permanent storage of archives. A new disk system was procured, installed, configured and connected to the network infrastructure, and all data were migrated to it. A certificate of completion delivered by the contractor certifies that these activities were completed with success on 16 December 2022.
- II. **A new digital archive management system** to access and manage the digitised documents. The new system was delivered, set in operation and tested. These activities were completed with success by 30 December 2022.

Furthermore, in line with the description of the measure, **the measure is expected to significantly improve the overall performance of HZMO's work and the cost-effectiveness of archives management, which currently remains largely based on manual search**

The digitalisation of the archive is expected to enhance the availability and quality of publicly available information (as all information and data will be stored and made available to the users), improve the protection and storage of archival and registry materials (while paper archives can be damaged, all documents will be stored in a secured system), streamline the administrative procedures for the management of documents (the system is designed/structured taking into account the established management procedures), and overall to improve the overall cost-effectiveness and efficiency of the operations of HZMO (less burdensome and costly archive system, less time dedicated to find the information and process it).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 229	Related Measure: HR-C[2.5]-R[1]-I[6], Stable and resilient IT infrastructure for the Justice Information System	
Name of the Milestone: All courts of first instance are equipped and meet the conditions for hearing remotely.		
Qualitative Indicator: Holding remote hearings in all courts of first instance		Time: Q4 2022
<p>Context:</p> <p>The aim of this investment is to further update and consolidate existing applications to the State Cloud, equip all first instance courts to meet conditions for holding remote hearings and to further develop the information systems infrastructure in the judiciary, in order to ensure full implementation of action plans at national and EU level.</p> <p>Milestone #229 consists of equipping all courts of first instance for remote hearings, as well as to ensure that the conditions for holding remote hearings are met.</p> <p>Milestone #229 is the first step of the implementation of the investment C2.5. R1-16 - Stable and resilient IT infrastructure for the Justice Information System, to be followed by milestone #230 related to upgrades and optimisation of ICT infrastructure in all judicial bodies. The investment has a final expected date for implementation in Q4 2025.</p>		
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note); ii. Detailed lists of the new equipment, equipment for remote hearing and location, where it was installed or distributed: <ul style="list-style-type: none"> • Table 1- List of IT equipment for remote hearings containing: Name of the court (location), type and amount (number) of equipment for remote hearings distributed to first instance courts; • Table 4 – List of IT equipment for remote hearings on six additional courts. iii. Confirmations from first instance courts on delivered equipment for remote hearing - the issue papers (signed by responsible person in courts): <ul style="list-style-type: none"> • Evidence 2.1 - Confirmations from courts for the equipment financed from the State Budget; • Evidence 2.2. - Confirmations from courts for the equipment financed from ESF; • Evidence 2.3. - Confirmations and inventory lists on available IT equipment on six additional courts iv. Table 2 - Data on the number of remote hearings held on first instance courts in 2021; v. Table 3 - Data on the number of remote hearings held on first instance courts in 2022; vi. 62 confirmations signed by presidents of courts proving held remote hearings. <p>The authorities also provided:</p>		

- vii. **Ordinance** on remote hearings, adopted by the Ministry of Justice and Public Administration in December 2022 (Official Gazette, No. 154/2022), which entered into force on 5 January 2023;
- viii. **Guidelines** for remote hearings for the Southeast European Region by the Central European and Eurasian Law Institute (*hereinafter referred to as "CEELI"*).

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

Pre-conditions provided for remote hearings in all courts of first instance shall be operational:

As per the Council Implementing Decision, the milestone requires that all courts of first instance are equipped with the necessary IT equipment and meet conditions for holding remote hearings. Articles 18, 19, 21 and 22 of the Courts Act (Official Gazette, No. 28/13, 33/15, 82/15, 82/16, 67/18, 126/19, 130/20, 21/22, 60/22, 16/23, entered into force on 1 March 2022) define first instance courts as municipal courts, administrative courts, and commercial courts. County courts act as first instance courts when their jurisdiction in first instance cases is prescribed by law, as per Article 19 of the Courts Act. Therefore, courts of first instance in which the preconditions for remote hearings are to be operational are 34 municipal courts, 9 commercial courts, 4 administrative courts, and 15 county courts, and for all of them there is evidence that the pre-conditions provided for remote hearings are operational (Table 1 and Table 4).

The Ministry of Justice and Public Administration established technical, organizational, and legal frameworks to ensure all necessary preconditions for all first instance courts to hold remote hearings, not undermining the right to a fair trial while meeting the requirements for the protection of personal data.

Regarding the legal framework, **Amendments to the Civil Procedure Act** (Official Gazette, No. 80/2022, entered into force in July 2022 (available on link https://narodne-novine.nn.hr/clanci/sluzbeni/2022_07_80_1170.html)). Even before these amendments, the provision of Art. 115 of the Civil Procedure Code provided for the possibility of holding hearings remotely with the use of appropriate audio-visual devices, so there was already a legal basis for conducting remote hearings in civil proceedings in the time of global health crises and post-earthquake conditions. Article 115 of Civil Procedure Code was amended in July 2022 to widen technical solutions for holding court hearings remotely. In addition, the amendments prescribed an obligation of the court, before deciding on holding a remote hearing, to obtain statements from the parties and other participants about holding the remote hearing or presenting individual evidence remotely. It also prescribes that the minister responsible for justice is to issue an Ordinance which will define and standardize the holding of remote hearings in courts in more detail. The **Ordinance on remote hearings** was adopted on 19 December 2022 (Official Gazette, No. 154/2022) and entered into force on 5 January 2023 (article 14). The Ordinance on remote hearings prescribes the preparation activities for holding a remote hearing (Article 6), accessing the remote hearing (Article 7), identification of the participants (Article 8), maintenance of the hearing session (Article 9), presentation of evidence (Article 12), taking witness statements (Articles 9 and 10), resolving technical difficulties (Article 11), signing the hearing minutes (Article 13) and the presence of the public (Article 14).

Amendments to the Administrative Dispute Act, (Official Gazette No. 110/2021, available on link https://narodne-novine.nn.hr/clanci/sluzbeni/2021_10_110_1929.html) entered into force in October

2021 and introduced the possibility of holding remote hearings in administrative disputes before administrative courts. Article 3 of the Amendments to the Administrative Dispute Act, amending Article 37 of the Administrative Dispute Act regulates that the administrative court may order that the hearing is held remotely, with the use of appropriate audio-visual devices, or that evidence can be presented in the course of the remote hearing.

According to the provisions of the **Criminal Procedure Act**, information and communication technologies in criminal proceedings are used widely during the questioning of certain participants at different stages of criminal proceedings. Through the use of audio-video equipment, the defendant can participate in the hearing for deciding on pre-trial detention (Article 129) and in the hearing for conducting evidentiary proceedings (Article 192), among others. With the help of audio-video devices, it is possible to ensure the presence of the parties at the session of the second instance court (Article 475). Amendments to the Criminal Procedure Code, which entered into force on 19 July 2022 (article 49) (Official Gazette, No. 80/2022, available on link: https://narodne-novine.nn.hr/clanci/sluzbeni/2022_07_80_1169.html) further expanded the use of the audio-video link in criminal proceedings in such a way as to enable the possibility to ensure the presence of the parties at the session of the indictment panel (reviewing the indictment) and at the preliminary hearing with the help of the audio-video link, as indicated in Articles 28 and Article 29 of the Amendments to the Criminal Procedure Act, amending Articles 348 and 372 of the Criminal Procedure Act respectively). Additionally, Article 4 of the Act on Amendments to the Criminal Procedure Act expands the catalogue of victims' rights provided for in Article 43 of the Criminal Procedure Act in such a way that the victims of any criminal offense are given the right to propose that they be examined through audio-video link, irrespective of the findings arising from the individual assessment of the situation of the victim and does not jeopardize the right of victims of certain crimes to request interrogation via audio-video devices.

Furthermore, Article 15 of the Act on Amendments to the Criminal Procedure Act amends its Article 139 by providing the possibility to ensure free, undisturbed, and confidential communication between the accused person in pre-trial detention and his defence counsel by means of an audio-video link.

Furthermore, in line with the description of the measure, all courts of first instance shall be equipped and meet the conditions for remote hearings:

The evidence provided by the authorities proves that all first instance courts are equipped with the necessary IT equipment to hold remote hearings. The data on IT equipment for remote hearings on first instance courts is contained in Table 1. This table contains data on the type and amount of distributed equipment for remote hearings for all first instance courts. To achieve this milestone, for a number of courts, 300 additional laptops were purchased under separate procurement procedures, . As proof that courts received the number and model of equipment as it is in the Table 1 (column C, D, E, F), the **confirmations from courts for the delivered equipment** (signed by responsible person in court) are attached as evidence 2.1., 2.2 and 2.3.

For six first instance courts that did not receive new equipment (Municipal court Požega, Municipal court Gospić, Municipal Labour Court Zagreb, Municipal Court in Velika Gorica, Municipal Court in Vukovar and County Court in Slavonski Brod), Table 4 shows the type and number of IT equipment which is adequate for holding remote hearings before the courts in question. In Table 4 the data on IT

equipment is from 2022, unlike the data added to column F in the Table 1 which was data on IT equipment available for remote hearings on these six courts in 2020. The **written confirmations and inventory lists** proving that the number of IT equipment corresponds to the number specified in the Table 4 can be found in evidence 2.3 on confirmations and inventory lists on available IT equipment on six additional courts.

Croatian authorities also provided data and evidence from **first instance courts** on holding remote hearings in 2021 and 2022. Table 2 contains data on the number of remote hearings held on first instance courts in 2021, while Table 3 contains data on the number of remote hearings held on first instance courts in 2022. Data from tables 2 and 3 are confirmed by 62 **confirmations signed by presidents of courts** on holding remote hearings in 2021 and 2022. This evidence proves that not only pre-conditions for holding remote hearings are in place, but that courts are holding remote hearings. It is important to note that holding a remote hearing is not mandatory, but a possibility on which a judge decides. The judge can decide on using remote hearings when the circumstances of the case are such that it is necessary to hold hearing remotely. He or she may also decide against using this option.

By widening the legal framework for using remote hearings and by ensuring technical equipment, the courts are enabled to conduct remote hearings.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 233	Related Measure: HR-C[C2.6]-R[R1], Increasing the efficiency, coherence and openness of authorities in the fight against corruption through digitalisation, enhancing transparency and improving coordination	
Name of the Milestone: Adoption of amendments to the Act on the protection of persons reporting irregularities		
Qualitative Indicator: Entry into force of the amendments to the Act on the Protection of Persons Reporting Irregularities		Time: Q4 2022
<p>Context:</p> <p>The objective of this reform is to improve efficiency, coherence and openness of the authorities involved in the implementation of national anti-corruption policy documents through digitalisation, enhancing transparency and improving coordination. The measure also aims to enhance the effectiveness of the overall anti-corruption policy framework, develop an information platform for clearly informing citizens about the existing legislative framework in the field of corruption prevention and the available tools.</p> <p>Milestone #233 requires amending the Act on the Protection of Persons Reporting Irregularities to i) improve the provisions of the Act, ii) clarify the notion of a confidential person and iii) make provisions for the delivery of a certificate of registration received.</p> <p>Milestone #233 is the third milestone of the reform C2.6-R1 - Increasing the efficiency, coherence and openness of authorities in the fight against corruption through digitalisation, and it follows the completion of milestone #231 on the adoption of a new anti-corruption strategy for 2021-2030 and milestone #232 on the adoption of the new Act on the Prevention of Conflict of Interest. It will be followed by other milestones and targets (#234, #235, #236, #237 and #238) related to the fight against corruption. The reform has a final expected date for implementation in Q2 2026.</p>		

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** justifying how the milestone was satisfactorily fulfilled (Cover note);
- ii. **Copy of the adopted Act on the Protection of Persons Reporting Irregularities** (with entry into force on 23 April 2022) and link to the Official Gazette website (No. 46/2022) where it can be viewed: https://narodne-novine.nn.hr/clanci/sluzbeni/2022_04_46_572.html

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The Act on Protection of Persons Reporting Irregularities shall be amended to improve the provisions of the Act:

The new Act on the Protection of Persons Reporting Irregularities entered into force on 23 April 2022, on the eighth day after its publication in the Official Gazette, which was on 15 April 2022, in accordance with Article 45 of the Act. The 2019 Act on the Protection of Persons Reporting Irregularities (Official Gazette No. 17/2019, *hereinafter referred to as: "2019 Act"*) ceased to be valid after the entry into force of this Act, in accordance with Article 44 of the new Act.

The new Act on the Protection of Persons Reporting Irregularities is aimed to provide the highest possible level of protection to the persons reporting irregularities (*hereinafter referred to as "whistleblowers"*).

The new Act includes additional improvements to the reporting system, such as public disclosure of irregularities (article 26), strengthens the protection of whistleblowers (article 11(1)) as well as related persons (article 11(3)), confidential persons and their deputies (article 11(3)), and improves the mechanism of sanctions (articles 35-38). An additional improvement compared to the 2019 Act is that the new Act establishes that the persons reporting irregularities can immediately turn to the body for external reporting of irregularities, regardless of whether they previously used the option of internal reporting (Article 24).

Definitions of terms have been improved and further expanded for the purpose of the new Act within Article 6. "Irregularities" now encompasses actions or oversights that are illegal and relate to the scope of application and regulations specified in Article 4 of the new Act or are contrary to the aim or purpose of those regulations, while in the 2019 Act it was defined more vaguely without defining the scope of application (Article 3 of the 2019 Act). Furthermore, "report" or "reporting" now mean verbal or written transmission of information about irregularities, as opposed to the 2019 Act, where it was not specifically defined (article 3). The report of irregularities can be submitted in written or oral form.

The new Act uses the term "work environment" which defines the context in which protection is provided to persons reporting irregularities, as opposed to the 2019 Act, where it was not specifically defined (article 3). Other new or changed terms include: "public authorities", "retaliation" (which has replaced previous "harmful action"), "reported person", "further action" (follow-up), "feedback" and "assistant to the reporting person". A "retaliation" means any direct or indirect action or omission in the work-related context prompted by internal or external reporting or public disclosure, which causes or may cause unjustified harm to the whistleblower. The concept of retaliation is further elaborated in Article 9 which, as a main principle, expressly forbids retaliation against the employee. Accordingly, the employer shall not retaliate, attempt to retaliate, or threaten to retaliate against the whistleblower,

related persons, confidential persons and their deputy for reporting irregularities. The prohibition is complemented by corresponding sanctions stipulated in Article 36, paragraph 1, point 4.

The new Act defines “person reporting irregularities” (Article 6 (3)) more broadly than in the 2019 Act (article 3 (2)), as a natural person who reports or publicly discloses information on irregularities that he or she has learned about in his or her work environment. Persons reporting irregularities qualify for protection under the new Act (Article 12) provided that:

- i. they had reasonable grounds to believe that the information on breaches reported or publicly disclosed was true at the time of reporting/disclosure and that such information falls within the scope of the Act.
- ii. they reported the irregularity either internally (via the system established by their employer) or externally (by submitting their report to the Ombudsperson) or made a public disclosure.

Persons who anonymously reported or publicly exposed information about irregularities, who meet the abovementioned conditions and whose identity was subsequently established so they are exposed to retaliation, have the right to protection regardless of the fact that they filed the report anonymously. Whistleblowers are not responsible for acquiring or accessing reported or publicly disclosed information, unless such acquisition or access does not constitute an independent criminal offense (Article 10, paragraph 3).

The rights of “persons reporting irregularities” are more detailed than in the previous Act. According to Article 11 of this new Act, persons reporting irregularities have the right to protection of their identity and the confidentiality of their report, judicial protection, compensation for damage, primary free legal aid in line with the provisions of the special law regulating the provision of free legal aid. Article 11 further regulates that they may be granted secondary free legal aid in accordance with the law regulating the right to free legal aid, emotional support, other support measures as part of the procedures envisaged by the new Act. A “related person” has the abovementioned rights to protection if they provide reasonable assurance showing that retaliation has been committed or attempted against them, or that they have been threatened with retaliation due to their association with the whistleblower. A “confidential person” and his/her deputy have the right to same level of protection if they provide reasonable assurance showing that retaliation has been committed or attempted against them, or that they have been threatened with revenge for receiving a report of irregularities or acting on a received report. Therefore, compared with the 2019 Act, the new law extends the protection, under the conditions explained above, of a “related person” and a “confidential person” to the right to protection of identity and confidentiality judicial protection.

Articles 17-26 of the new Act contain provisions relating to the procedure for reporting irregularities and treatment of the report. Under the new Act, there are three available reporting channels: internal, external, and public disclosure, which are better defined in terms of both procedure and obligations of involved entities in comparison to provisions of the 2019 Act (Articles 14-23). The internal channel entails the reporting of irregularities to the employer. The process is initiated by submitting the information on irregularities to the confidential person. Employers are obliged to regulate with internal by-laws (general acts) the reporting procedure to the internal reporting channel as well as the appointment of the person designated to receive reports of irregularities (that is, the confidential person) and their deputy. The Ombudsperson of the Republic of Croatia performs the mandate of the designated external channel for the reporting of irregularities. The novelty brought by the new Act is that the persons reporting irregularities can immediately turn to the body for external reporting of irregularities, regardless of whether he previously used the option of internal reporting, which provides more flexibility for the person reporting irregularities. Public disclosure of irregularities (Article 26) pertains to the making of the information on irregularities available to the public.

Judicial protection of persons reporting irregularities (Articles 27-33) are slightly improved in comparison to provisions within the previous Act. The essential changes refer to the deletion of

deadline for submitting a request for protection in relation to when the person reporting irregularities found out about the harmful act as well as in relation to when the harmful act was committed. The jurisdiction of the courts has been elaborated in such a way that, in addition to the municipal courts and the Municipal Labour Court in Zagreb, commercial and administrative courts are also competent, depending on whose actual jurisdiction arises the dispute that is the reason for a lawsuit for the protection of persons reporting irregularities.

A novelty in the new Act is the explicit prescription of supervision over the implementation of the new Act, by-laws adopted based on the Act and individual acts, conditions and working methods of supervised employers (Article 34). The supervision is carried out by competent authorities in accordance with special regulations governing inspection and other supervision.

A novelty in the context of sanctions (Articles 35-38) is the introduction of the possibility of imposing misdemeanour sanctions and for initiating malicious proceedings against the whistleblower or related persons. Furthermore, it is also provided that the confidential person and his deputy and any other person who participates in the procedure are liable for violating the obligations of identity protection and confidentiality.

Therefore, it can be concluded that the new law enhances on the provisions of the 2019 Act. The new Law on the Protection of Persons Reporting Irregularities entails several improvements in terms of the protection of reporting persons. Whistleblowers may now choose between internal and external reporting (Art. 23(2)), removing the conditions for external reporting set out in the previous law. It contains an explicit prohibition of retaliation (Art. 9), complemented by corresponding sanctions (Article 36(1)(4)). Moreover, the new law provides for the supervision of its implementation by the competent inspectorate (Article 34).

The Act on Protection of Persons Reporting Irregularities shall be amended to clarify the notion of a confidential person:

The new Act further clarifies the notion of “confidential person”, which is defined in Article 6, point 10 of the Act as a natural person employed by the employer or a third natural person appointed by the employer to receive reports of irregularities, communicate with the applicant, and conduct the protection procedure in connection with the report of irregularities. Therefore, the notion of a confidential person includes not only employees, but also allows for the designation of an external party to operate the reporting channel.

As referred to above, the employer shall adopt a general act which regulates the procedure for internal reporting of irregularities and the procedure for appointing a confidential person and his/her deputy (Article 21, para. 1).

The new Act prescribes the minimum conditions for the procedure for appointing a confidential person and a deputy (Article 20, paragraph 1, point 2). They are appointed upon proposal of the works council or trade union commissioner who took over the rights and obligations of the works council, or at least 20% of the workers employed by the employer if the works council or the trade union commissioner who took over the rights and obligations of the works' council has not been established by the employer. The persons designated by the employers to perform the duties of confidential persons assume the functions set out in Article 22.

A confidential person and his/her deputy shall be entitled to the protection in accordance with Article 11 of this new Act if they provide reasonable assurance showing that retaliation has been committed against them for receiving a report of irregularity or acting on a received report.

The Act on Protection of Persons Reporting Irregularities shall be amended to make provisions for the delivery of a certificate of registration received:

The new Law on the Protection of Persons Reporting Irregularities explicitly provides for the obligation to acknowledge the receipt of a report to the person reporting irregularities within 7 days, both for internal (Art. 22(2)(1)) and external reports (Art. 24(2)).

Article 22, paragraph 2 of the new Act regulates the tasks of a confidential person and prescribes that the confidential person is obliged to receive a report of irregularities and acknowledge receipt of the report within seven days from receiving the report.

The same obligation is envisaged for the Ombudsperson who is a competent authority for external reporting. Article 24, paragraph 2 of the new Act prescribes that the Ombudsman shall, receive a report of irregularity and acknowledge receipt without delay, and in any event within seven days from receiving the report, unless the reporting person specifically requested otherwise, or the competent authority reasonably believes that acknowledging receipt of the report would undermine the protection of the identity of the reporting person.

Furthermore, in line with the description of the measure, the amendments to the Act on the Protection of Persons Reporting Irregularities shall also bring the Act in line with the EU acquis. Article 2 of the new Act indicates that it transposes Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law (hereinafter referred to as: "Directive") into Croatian legislation. Accordingly, the new Act is brought in line with the EU acquis, as incorporates the provisions of the Directive. For example, Article 4 on the scope of application corresponds to Articles 2 and 3 of the Directive, while articles 6 and 11 on defining irregularities and protection of related and confidential persons are in line with Article 4 of the Directive. Also, articles 6 and 9 of the new Act contain provisions that correspond to prohibition of retaliation within Article 19 of the Directive. Articles 6, 19, 23, 24, 25 and 26 are in line with definitions from Article 5 of the Directive. Article 22 of the new Act in paragraph 2 corresponds to Article 9, paragraph 1, point b of the Directive. Article 24, paragraph 2 of the new Act corresponds to Article 11 paragraph 2, point b of the Directive.

The Commission's positive assessment on the fulfilment of this milestone does not prejudice the assessment in any other proceedings regarding the conformity of the national law with the provisions of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 249	Related Measure: HR-C[C2.7]-R[R2], Development of a structural macroeconomic model of the Croatian economy	
Name of the Milestone: HR-C[C2.7]-R[R2]-M[249]: Development of a structural macroeconomic model of the Croatian economy for producing medium-term macroeconomic forecasts, budgetary planning and economic policy analyses.		
Qualitative Indicator: Development and putting into use of a fully functional structural macroeconomic projection model of the Croatian economy to draw up projections underlying the annual budget.	Time: Q3 2022	
Context: The aim of the reform is to develop a structural macroeconomic model of the Croatian economy, which is suitable for producing medium-term macroeconomic forecasts, simulating the effects of economic policies and impact assessments of shocks, and ultimately to strengthen the capacity of the Ministry of Finance to prepare budgetary forecasts.		

Milestone #249 requires the development of the structural macroeconomic model and its use to simulate the effects of economic policies and the impact of shocks on the sustainability of public debt.

Milestone #249 is the only step in implementing the reform C2.7.R2 “Development of a structural macroeconomic model of the Croatian economy”. The reform has a final expected date for implementation in Q3 2022.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the milestone was satisfactorily fulfilled (cover note);
- ii. **A copy of Croatian State Budget for 2023**, with justification that the model was used in section 7.1.

The authorities also provided:

- iii. **Manual** that presents the main features of a structural Macro-Fiscal model developed by the World Bank, October 2022.
- iv. **Research Note - CARMEN (Croatian structural Macro-Econometric model)** – Document made by the Ministry of Finance that describes the macroeconomic model for Croatia - CARMEN. The general structure and model properties are laid out in detail, followed by a description of economic responses to several shocks. Produced on March 2023.
- v. **Invitation to the concluding presentation** of the macroeconomic model.
- vi. **Ministry of Finance presentation** of the model overview, main features and results of two different shocks scenarios.
- vii. **10 training materials** to strengthen the capacity of the Ministry of Finance for preparing budgetary forecasts.
- viii. **Invitations and agendas** for the training mission.
- ix. **Email from 26 November from World Bank** mentioning that a “working” version of the model exists.
- x. **Email from 31 May received from World Bank with the next steps on improving the model.**
- xi. **Email from 13 June received from World Bank with the workshop from 20 June-1 July 2022.** During the workshop the final model was presented and improved.
- xii. **Justification for the general part of the state budget and the financial plans** of extra-budgetary beneficiaries for 2023 and projections for 2024 and 2025, from 14 November 2022.
- xiii. **Copy of the budget act** adopted on 21 December 2021.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities cover all constitutive elements of the milestone.

A structural macroeconomic model of the Croatian economy shall be developed for producing medium-term macroeconomic forecasts, simulate the effects of economic policies and the impact of shocks:

The model was developed since the autumn 2021 and throughout 2022 with help from the World Bank. The reform focuses on the production phase of the model and integrating in the process of the budgetary documents.

By the end of 2022, the development of the model led to the production of a final version of the Croatian Structural Macro-Econometric Model (hereinafter referred to as "CARMEN"), suitable for producing medium-term macroeconomic forecasts, simulating the effects of economic policies and impact assessments of shocks.

The model is suitable to produce medium-term macroeconomic forecast because it is adapted to describe the most important characteristics of the Croatian economy, reflecting its nature as a small open economy, high share of tourism sector in the GDP and high import content in the exports of the economy. In line with the needs of the Ministry of Finance, the model also includes a detailed fiscal sector with relevant expenditure and revenue components, including fiscal rules in line with the Stability and Growth Pact.

The authorities provided as evidence of the characteristics of the model a user guide prepared by the World Bank in October 2022. The user guide provides information on how the model works and how to simulate the effects of economic policies changes and the impact that different shocks have on the economic activity. The guide additionally provides information on the structure of the model (chapter 3) the model interface (chapter 4) and what simulation the model can produce (chapter 5).

Additionally, print screens from the programming part of the model are also available in slide 11 of the presentation of "Ministry of Finance presentation of the model overview".

As proof that the model is operational and it supports the production of medium-term macroeconomic forecasts, simulating the effects of economic policies and the impact of shocks, a research note produced by the Ministry of Finance in March 2023, is provided as evidence. The structure and main features of the model are explained in detail in the Research Note in Chapter: The Model Structure (pages 10-39). The chapter explains that the economic features of the model are: 1) Households meet an inter-temporal budget constraint; 2) Industries maximize their profits subject to factor costs; 3) Government meets its inter-temporal budget constraints; 4) Prices adjust to clear markets 5) Unemployment converges to the sustainable model consistent rate (NAWRU); 6) External balance is achieved; 7) and Inflation converges to a long term rate of 2 per cent per year.

The model is estimated with quarterly data. Most of the data is sourced from Eurostat, the Croatian Bureau of Statistics and Croatian National Bank. The model contains 281 endogenous variables, of which 73 are stochastic equations. The projection horizon is until 2100 and each quarter is updated to reflect new data releases. The section also gives a general understanding of the main linkages in the core model and describes the equations and formulas used for calibrating the model.

The Research Note also includes chapters with results of using the model for impact assessment of shocks and policy analysis in Chapter: Model simulations (pages 47-55). In this chapter four different shock scenarios are simulated: 1) ECB interest rate shock, 2) Oil price shock, 3) Income tax shock, 4) Tourism related shocks.

To show the robustness of the model, a comparison of the model CARMEN forecasts with alternative forecasting approaches and techniques is done in Chapter: Forecast Comparisons (pages 43-46). The results show that for the short-term forecast (the next one or two quarters) the results of the model are below the other forecasting techniques like random walk (RW), a VAR model, or even a moving average. However, as the forecast horizon lengthens (quarter three above), CARMEN outperforms the other models.

A project presentation was held on March 9, 2023, where the team from the Croatian Ministry of Finance presented the main features of the Croatian model at a joint forum with the World Bank, European Commission and Ministry of Finance from Portugal.

[...] and ultimately strengthen the capacity of the Ministry of Finance for preparing budgetary forecasts:

To improve the capacity at the Ministry of Finance, staff participated in three workshops (one lasting for one week and two lasting for two weeks) to familiarize themselves with the theoretical and technical knowledge necessary for the use and further development of the model.

The Ministry of Finance staff was trained in the field of macroeconomic modeling and econometrics. Additionally, the staff received extensive training on programming and debugging necessary for running the model. This is confirmed by the agenda and topics of the three training sessions (workshops) done by the World Bank for the Ministry of Finance, and also supported by the training material provided. During the workshops, the staff received important training materials, including notes, presentations and the EViews programming code for the model.

Additionally, the World Bank prepared 10 training materials to help the staff from Ministry of Finance use the model. Training materials include baseline setting guide, data inputs, importing and transforming data, key equations (summary and theory) modeling notes, model layout and programming shocks.

Furthermore, the model itself as a tool that would increase the capacity and quality to forecast the macroeconomic and fiscal scenarios underpinning the budget.

The initial model shall be developed by the end of 2021 and shall be fully operational by mid-2022, enabling to draw up projections underlying the 2023 budget:

The project for development of the Structural Macroeconomic Model of the Croatian Economy started in second half of 2021, with the first kick-off meeting held in September 2021. According to the email from World Bank, on 26 November 2021, a working model was already developed.

With this initial development in the course of 2021, the version was further improved and upgraded during 2022, to adapt to the structure of Croatian economy and according to the requirements and needs of the Ministry of Finance. Ministry of Finance received training for their staff on the theoretical and technical knowledge necessary for the use and further development of the model. Evidence for this are the workshops done during 2022. In the 2nd workshop from June 2022 the agenda contains revisions of certain parts of the model like the front end, equations and shocks scenarios.

Additionally, the World Bank prepared 10 training materials to help the staff from Ministry of Finance use the model. Training materials include baseline setting guide, data inputs, importing and transforming data, key equations (summary and theory) modeling notes, model layout and programming shocks. According to the email from 13 June, these training materials were presented during the workshop from 20 June-1 July 2022. During this workshop the training took place on an advance fully operational model.

The model was fully operational by the time of the submission of the payment request as evidence by the manual from October 2022, concluding presentation, the research note and the fact that the model was used for budgetary documents for the 2023 budget.

The model "CARMEN" was used for policy analysis and macroeconomic forecasting over the short to medium run. Beyond the evidence provided to show that the model is operational and used for research (see the research note made by the Ministry of Finance described in the previous section), the

authorities have used this model for drawing up the projections underlying the 2023 budgetary figures. In particular, the model was used for calculating the impact of several shocks on the sustainability of public debt. This is reflected in Chapter 7.1 “Fiscal risks and sensitivity analysis of public debt developments”, pages 30 and 31 of the 2023 Croatian State Budget document. Additionally, the model was used in preparing the 2023 Stability Programme, chapter 4.1 “Fiscal risks and sensitivity tests for public debt developments”.

The results of the model shall be used for the preparation of budgetary documents, improving the quality of medium-term budgetary forecasts and thus the sustainability of public finances:

The model was used for the preparation of the State Budget for 2023. Different shocks are simulated in the chapter on the sensitivity analysis of the budgetary forecasts to different assumptions of interest rates and GDP growth (2023 Croatian State Budget justification, chapter 7.1. “Fiscal risks and sensitivity analysis of public debt developments”, pages 30 and 31). In Chapter 7.1 of the State budget justification, the authorities present several scenarios and their impact on the sustainability of the public debt.

The model was used for the preparation of the Stability Programme published in April 2023 indicating that its chapter 4.1 “Fiscal risks and sensitivity tests for public debt developments” was done with the help of CARMEN, while chapter 7.2 of the Stability Program gives details about the macroeconomic model developed. CARMEN was used also for the preparation of the justification for the general part of the state budget and the financial plans for 2023, chapter 7.1 “Fiscal risks and sensitivity analysis of public debt developments” (document from 14 November 2022).

The model improves the quality of the medium-term budgetary forecast due to the more robust results compared to other forecasting models. As mentioned in the research note, chapter: Forecast Comparisons, CARMEN outperforms other models for medium and long-term forecast results. This would lead to more credible and realistic macroeconomic and budgetary forecast.

The model would improve the sustainability of public finances due to its ability to simulate the effects of different shocks and tax policy changes on the level of debt for a long period of time (until the year 2100). This would improve the capacity of the authorities to forecast debt level, improve the quality of the public debt management strategy and further deter the government to adopt or implement proposals and legislative changes that would affect the sustainability of public debt.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 256	Related Measure: HR-C[C2.9]-R[R1], Continuous provision of public procurement training	
Name of the Milestone: Guidance on improving SMEs’ participation in and pooling of public procurement procedures		
Qualitative Indicator: Publication of guidelines on the Public Procurement Portal		Time: Q3 2022
Context: The aim of this reform is to improve the public procurement training system by developing new tools to acquire theoretical and practical knowledge as well as professional skills and competences. Using such tools, it also shall improve the level of participation and success of small and medium enterprises (SMEs) in public procurement.		

Milestone 256 concerns the development and publication of guidelines on the Public Procurement Portal to further encourage the involvement of SMEs in public procurement procedures. It calls for the guidelines to be based on the results of the Structural Reform Support Programme (SRSP) project carried out in Croatia.

Milestone 256 is the first step of the implementation of the reform C2.9.R1 (*Continuous provision of public procurement training*) and it will be followed by milestones 257 and 258, related to the amendment to the Rules on training in public procurement and the integration of a tailored framework for continuous training of procurement officers under ProcurCompEU into the mandatory training and certification scheme for public procurement. The reform has a final expected date for implementation in Q4 2023.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** describing the process of the preparation of the guidelines (M256_cover note);
- ii. **Guidelines for encouraging SME involvement in public procurement procedures** as published on the public procurement portal (<http://www.javnabava.hr/>) on 19 September 2022 (Smjernice MSP).

The authorities also provided:

- iii. **Questionnaire** used to gather feedback on the Guidelines following their presentation to the interested public (Upitnik MSP za naručitelje i ponuditelje).

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

In order to further encourage the involvement of SMEs in public procurement procedures, guidelines shall be developed and published for contracting entities and tenderers to encourage SMEs' participation in the public procurement market:

The Guidelines for encouraging SME involvement in public procurement procedures (hereafter “the Guidelines”) were published on the public procurement portal on 19 September 2022. Following their publication, a series of 10 workshops was held in cooperation with the Croatian Chamber of Commerce. Through the Guidelines and workshops, SMEs received information about tools that are available to them as assistance in the public procurement system. The first goal of the Guidelines for encouraging the participation of SMEs in the public procurement procedures is to point out to SMEs the possibilities of participating in public procurement procedures, to identify support activities that reduce obstacles for SMEs, and to communicate the opportunities offered by public procurement, to ultimately improve their participation in public procurement procedures.

The second goal of these Guidelines is to indicate to the contracting authorities how, within the framework of the legal provisions in the field of public procurement, to encourage the participation of a larger number of SMEs. Pages 48-59 also include a list of most common errors in the public procurement procedures as well as a list of frequent questions and answers, making it easier for both the contracting entities and tenderers to improve participation of SMEs in the processes.

The guidelines shall also include the most important provisions of the Public Procurement Act aimed at making it easier for SMEs to compete for public contracts:

Section II. “Legal and institutional framework of public procurement in Croatia” (pages 30-46) of the Guidelines contains a detailed list of the provisions of the Public Procurement Act which are most relevant for SMEs. The section provides clarifications and explanations on these provisions in a short and concise way, therefore making it easier for SMEs to compete for public contracts.

Cooperation with business associations in providing targeted training to bidders in public procurement procedures shall continue:

The general training programmes, which shall also be open to the bidders, shall raise the level of knowledge and skills in conducting public procurement procedures on the side of the bidders, improving the level of participation and success of SMEs in public procurement.

Section I., Chapter III. “Improving the quality and understanding of the information provided” (pages 14-17) sets out the provisions for cooperation with the Croatian chamber of commerce (HGK) and the American chamber of commerce (AmCham) to provide targeted training to bidders in public procurement procedures. This is based on feedback from SMEs indicating the need for targeted trainings as they find it burdensome and complicated.

The guidance will be prepared based on the result of the Structural Reform Support Programme (SRSP) project:

The Guidance builds on the project “Analysis of the efficiency of the public procurement system in Croatia” (SRSP, carried out in 2021), page 4. The analysis under the SRSP project identified a relatively low level of SME participation in public procurement. Relevant identified shortcomings are addressed under the Guidelines, including section 3.1, by indicating what are the current options and activities implemented in public procurement training, and recommending that contracting entities step up their participation in training and upskilling according to their needs.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 259	Related Measure: HR-C[C2.9]-I[R1-I1], Analysis of the workload of employees of key institutions in the public procurement system	
Name of the Milestone: Publication of independent analysis and concrete recommendations to improve the burden management of all staff of key institutions in the procurement system (MINGOR, SAFU, DKOM)		
Qualitative Indicator: Publication of analysis of the workload of employees of key institutions in the public procurement system (MINGOR, SAFU and DKOM) including an action plan to implement human resources recommendations and measures		Time: Q3 2022
Context:		

The measure aims to provide the basis for developing conditions to maintain an optimal number of highly-skilled and motivated staff within the three main institutions involved in the public procurement system in Croatia.

Milestone #259 concerns the publication of an independent analysis and concrete recommendations to improve the burden management of all staff in the three key institutions by analysing historic trends in workload, developing training needs and providing an action plan to address these needs.

This milestone is the only milestone or target of this investment.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** – duly justifying how the milestone was satisfactorily fulfilled, providing a short overview of how the analysis was carried out and explaining how the underlying reports address the CID requirements (M256_Cover note);
- ii. **Izješće i akcijski plan Analiza radnog opterećenja MINGOR_DKOM_SAFU (Report by Ernst&Young)** - Detailed report and analysis of the workload of the staff in relevant institutions. The detailed report also includes an action plan on how to address the bottlenecks and issues detected for each of the three institutions analysed.
- iii. **Izješće - MINGOR– (Report by the Ministry)** identifying training needs on specific topics such as sustainable procurement and access to SMEs.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

According to the CID:

A comprehensive analysis shall be carried out by independent external experts of the workload of staff of key institutions in the public procurement system included in the EU funds, including the description of the tasks they perform and the necessary competences and compensation system. The published independent report will be based on a comprehensive analysis of roles in the public procurement system and workload, taking into account historical workload data and comparing them with trends in increasing workload:

Based on an open call for the procurement of the Workload analysis for employees of key institutions in the public procurement system of Croatia, an independent external expert company, Ernst&Young (hereafter referred to as E&Y), was contracted to carry out the analysis. E&Y provided the analysis, including the recommended action plans, which was published on the public procurement portal (<http://www.javnabava.hr/default.aspx?id=4021>).

The analysis of the workload of key institutions in the public procurement system was conducted in four phases (Report by the Ministry, page 1):

1. In the first phase, an analysis of the documents defining the internal organization was carried out. Information was collected on the existence of additional internal procedures and/or

manuals, number of employees, annual turnover of employees in the last three years, established staff retention policies and employee evaluation and compensation system.

2. In the second phase, in cooperation with employees from organizational units, a list of jobs and tasks they perform was created. Considering the diversity of the institutions and their specificities, in agreement with the employees, a methodologically adapted approach was developed in the creation of forms for the evaluation of the workload (Report by E&Y Page 17).
3. In the third phase, through interviews and conversations with employees and managers of individual organizational units, additional information was collected on activities and business processes, as well as assessments of the employees themselves.
4. After the interviews, uniform estimates of the time needed to perform the listed processes and tasks within each workplace were corrected (Report by Ernst & Young pages 8-9). Based on the given data and professional judgment, a calculation of the required number of people for each institution was made.

The Analysis was made considering historical workload data (Report by E&Y pages 7,16,42,52,53,82) while the emphasis was placed on recommendations for improving the current situation and future challenges (Report by E&Y pages 15,18,47,58,76,85-89).

A common need of all key institutions, according to the Analysis, is to ensure an appropriate number of employees with specific knowledge suitable to the new needs of the organizations which are fit to face the new challenges (Report by E&Y pages 30,44,48,55,61,75,76,95,96,118).

The recommendations based on the workload analysis cover aspects such as a clearer definition of procedures and improvement of the system of disseminating relevant information to the public. Additionally, emphasis was placed on the implementation of administrative supervision procedures as another tool identified as essential in the Corruption Prevention Strategy for the period from 2021 to 2030 (Chapter 2. Report by the Ministry, pages 12-13).

Including training needs on specific topics such as sustainable procurement and access to SMEs:

The workload analysis has shown that all these institutions train staff on specific procurement topics. The analysis stressed the needs for the following specific topics: green, sustainable, and innovative procurement (pages 29, 68, 111). The analysis also includes recommendations for the training of the staff of institutions on these topics (pages 28, 67, 111). Access to SMEs was not identified as a specific training need under this analysis and was therefore not included in the list of specific training needs. This is also because a dedicated Guidance to improve SME involvement in public procurement procedures was developed under milestone 256 and is in use.

As the Central Finance and Contracting Agency (SAFU) has the role of assessing the correctness and legality of procedures under the EU funds, analysing the workload within SAFU, more precisely within the three Offices that are important in the context of public procurement (the Office for Contracting, the Office for Procurement Verification, and the Office for Legal Affairs), was carried out to detect key knowledge and skills that are necessary in public procurement system for experts working in EU funds (Chapter 4). The analysis identified soft skills, such as how to improve work efficiency, how to manage human resources, communication and presentation skills, as well as IT skills and constructive approaches to problem solving as main skills sought by the employees.

The report shall include an action plan to implement measures and recommendations for improvement to ensure the recruitment and retention of highly skilled personnel. Furthermore, in

line with the description of the measure, this investment shall deliver a workload analysis to determine the number of actors, the required competences of the staff, and the needed improvements to the compensation system:

Three action plans with recommendations were developed based on the analysis to address the bottlenecks and issues. The recommendation includes measures to improve transparency (Report by the Ministry, pages 20, 21, 26, 29), clarify internal procedures (Report by the Ministry, pages 21, 24, 26, 27, 28) and provide guidance to staff (Report by the Ministry, pages 21, 22, 25, 27, 28) with detailed description of the procedures with steps, instructions, and deadlines.

The action plan for The Ministry of Economy and Sustainable Development of the Republic of Croatia (MINGOR) includes provisions for improving the existing evaluation system and improving training registers for each officer (Report MINGOR, pages (Report by the Ministry, page 21, 22, 27, 28, 31).

Considering the recognized risk of fluctuations in the number of employees in the future as well as existing needs, steps are planned to ensure a sufficient number of employees in the positions of department heads and senior expert advisors, as well as to achieve a general increase in the number of civil servants employed in the Public Procurement Policy Sector (Report MINGOR, pages 21, 22, 23). The MINGOR action plan also include activities for the introduction of the position of expert advisor in the Expert Service for resolving appeals, the establishment of the Expert Service for monitoring practice, and of the Expert Service for conducting court proceedings (Report MINGOR, pages 24, 25). To ensure and maintain an optimal number of highly skilled, motivated personnel who meet the institution's needs, the importance of training and further development of the State Commission for Supervision of Public Procurement Procedures (DKOM) officials and members is recognized and included in the measure of the Roadmap (Report by the Ministry, pages 24-28).

Based on the recommendations from the Analysis, SAFU's action plan includes the provision of tools for employees that will fully support SAFU's business processes (Report MINGOR, page 29). In addition, a system will be established to monitor the engagement of SAFU employees (Report MINGOR, page 29, 31). The analysis of workplaces showed the need to ensure enough employees as well as to increase the number of specialist positions (Report E&Y, page 37, 102, 103). Considering that there are significant needs for increased engagement in the implementation of programs under the Multiannual Financial Framework 2021 - 2027, the emphasis in the Roadmap of SAFU is on the timely employment of new experts and the retention of existing ones. That is necessary for the efficient and timely performance of all work (Report by the Ministry, pages 29-32).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 260	Related Measure: HR-C[C2.9]-R[R2], Strengthening the review system in public procurement	
Name of the Milestone: Amendment of the public procurement legislative framework making the use of e-appeal a mandatory means of lodging an appeal		
Qualitative Indicator: Entry into force of the amendments to the Public Procurement Act and the by-laws (Ordinance on Appeals in Public Procurement Procedures)		Time: Q3 2022
Context:		

The objective of this reform is to contribute to the reduction of the administrative burden related to the review system, help in the fight against corruption through shortening the average time limit for appeals, and upgrading and further expanding the functions of the current public procurement system and shortening average time limit for appeals.

Milestone #260 concerns the amendment of the public procurement legislative framework to introduce the e-appeal as a mandatory means of obtaining redress in the public procurement system.

It is the first step of the implementation of the reform, and it will be followed by targets #261 and #262, related to a reduction of the time to deal with the appeals in public procurement. The reform has a final expected date for implementation in Q2 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** – cover note showing how the elements of the CID were addressed and outlining the procedure of updating the legislation;
- ii. **Copy of the Law on Amendment and Supplementation of the Public Procurement Act (Official gazette 114/2, with entry into force on 11 October 2022 as indicated in article 26)** - including provisions on making e-appeal mandatory means of submitting an appeal in the public procurement system;
- iii. **Copy of the Amendments to the Ordinance on Electronic appeals in Public Procurement (Official gazette 19/2023, with entry into force on 26 January 2023 as indicated in article 4)** - further elaborating the provisions of the Law related to e-appeals.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The Law on Amendment and Supplementation of the Public Procurement Act (Official gazette 114/2, with entry into force on 11 October 2022) (hereafter referred to as the Law) provides changes to the Law on public procurement and the Amendments to the Ordinance on Electronic appeals in public procurement provide changes to the Ordinance on Electronic appeals in public procurement (Official gazette 19/2023, with entry into force on 26 January 2023) as set out below.

In line with the description of the milestone, the public procurement legislative framework (the Public Procurement Act and relevant by-laws) shall be amended to introduce e-appeal as a mandatory means of obtaining redress in the public procurement system:

Article 11(2) of the Law laid down a mandatory submission of an appeal through the e-appeal system which is an interconnected information system of the State Commission and the public procurement portal (EOJN). Furthermore, Article 11(3) of the Law provides that any appeal which is not submitted in accordance with point (2) above shall be dismissed.

Furthermore The Law on Amendment and Supplementation of the Public Procurement Act ("Official Gazette" 114/22) in Article 11(12) provides that the head of the state administration body responsible for public procurement policy shall, by ordinance, elaborate in detail certain issues related to the form

and method of submission of appeals by electronic means of communication, the method of connecting information systems, the procedure for appeal procedures in case of unavailability of the EOJN RH of the Republic of Croatia and other important issues related to the electronic appeal.

Furthermore, in line with the description of the measure, it shall improve the functioning of the e-Appeal system by data standardisation and further developing the existing IT platform:

Article 11(4) of the Law on Amendment and Supplementation of the Public Procurement Act helps improve the functioning of the e-Appeal system by defining that all interested parties are immediately notified via a notice to their secure electronic folder on the EOJN and their e-mail address, which is an upgrade of the existing functionality of the IT platform as well as an upgrade compared to the previous system. According to Article 11(7) of the Law, the date of receipt of the appeal is the date of the entry of the appeal into the EOJN system, thus reducing the time for beginning of processing the appeal as compared to previous situation with notification of appeals being possible only via regular mail, leading to a longer procedure due to the time needed for physical mail to be delivered.

Article 15(2) of the Law sets out the conditions for standardized data to be included in the appeal form and provides the basis for removing such an appeal from the procedure. It is laid out that reported appeals must necessarily contain appeal statements (description of irregularities and explanation) or the appeal will be rejected as irregular, without inviting the appellant to settle the appeal thus standardising the data and improving the overall functioning of the e-Appeal system. These provisions help reduce the time necessary for resolving an appeal as well as prevent previously detected inefficient practices whereby appeals were submitted without any content information, resulting in delayed or cancelled procurement procedures.

Additionally, the Ordinance on the rules on the electronic complaint in the public procurement procedure further define in Article 3(5) of the Law the data to be saved in a standardised manner.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 273	Related Measure: HR-C[C3.1]-R[R2], Modernisation of higher education	
Name of the Milestone: Adoption of the new Act on Scientific Activity and Higher Education		
Qualitative Indicator: Entry into force of the New Science and Higher Education Act		Time: Q3 2022
Context:		
Milestone #273 is part of reform C3.1 R2, whose objective is to improve the availability, quality, and labour market relevance of higher education, as well as increasing the share of higher education graduates, in particular from vulnerable and under-represented groups.		
Milestone #273 consists of two points: i) enabling organisational reform of public universities and scientific institutes; ii) introducing a performance-based funding model. It requires the entry into force of the new Science and Higher Education Act.		
Milestone #273 is the only milestone of this reform. The deadline for the implementation of this milestone is Q3 2022, whereas the final expected date for implementation of the reform is 31 December 2023.		
Evidence provided:		

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** – cover note showing how the elements of the CID were addressed and outlining the procedure of updating the legislation;
- ii. **Act on Higher Education and Scientific Activity** - adopted by the Croatian Parliament on 7 October 2022, published on 14 October in the Official Gazette, number 119/2022 and entered into force eight days after publication, on 22 October 2022;
- iii. **Act on Quality Assurance in Higher Education and Science** - adopted by the Croatian Parliament on 16 December 2022, published in the Official Gazette on December 22, number 151/2022 and entered into force eight days after publication on 30 December 2022;

The authorities also provided:

- iv. **Directive on performance funding of public higher education institutions and public research institutes in Republic of Croatia** - adopted by the Croatian Government on 13 July 2023, published in the Official Gazette, number 78/2023 and entered into force eight days after publication, on 22 July 2023;
- v. **Ordinance on the content and use of information systems in higher education** - adopted by the Minister of Science and Education, on 22 March 2023, published on 29 March 2023 in the Official Gazette, number 36/2023, and entered into force eight days after publication, on 6 April 2023;
- vi. **Standards of quality for evaluation in the process of initial accreditation of undergraduate, graduate, integrated, specialist and short studies** - adopted by the Accreditation Council of the Agency for Science and Higher Education on 26 May 2023.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone. In addition to the two adopted Acts mentioned in the verification mechanism, the authorities adopted several other laws and bylaws which complement the legislative framework. The framework provides the basis for a transition to a performance-based funding system for higher education. The system relies on so-called performance agreements, negotiated between the Ministry of Science and Education and the education and research institutions, which define goals and objectives and are subject to external peer review. Detailed explanations with relevant articles of the legislative acts follow below.

The Council Implementing Decision requires the adoption and the entry into force of the Act on Higher Education and Scientific Activity, covering all the elements of the reform and the milestone description. The Croatian authorities, in addition to the provisions of this Act, included further elements into a wider legislative framework, comprising of all the submitted documents (acts and bylaws). As detailed above in the additional evidence provided, these include: 1) the Directive on performance funding of public higher education institutions and public research institutes in Republic of Croatia, adopted by the Croatian Government on 13 July 2023 and entered into force on 22 July 2023; 2) the Ordinance on the content and use of information systems in higher education, adopted by the Minister of Science and Education on 22 March 2023 and entered into force on 6 April 2023; and 3) the Standards of quality for evaluation in the process of initial accreditation of undergraduate, graduate, integrated, specialist and

short studies, adopted by the Accreditation Council of the Agency for Science and Higher Education on 26 May 2023. The provisions of these documents relate to several requirements of the Council implementing decision, as explained in detail in the continuation of this analysis. Whilst this constitutes a minimal formal deviation from the requirement of the Council Implementing Decision, this wider legislative framework ensures a comprehensive approach to implementing the reform while also prevents that the primary legislation would become too burdensome and heavy on technical details. This minimal deviation does not affect the progress towards achieving the reform that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

The new framework shall enable organisational reform of public universities and scientific institutes:

The Law on Higher Education and Scientific Activity (*hereinafter referred to as "LHESA"*) introduces organisational reform of both - public universities (or also referred to as public Higher Education Institutions) and scientific institutes (also referred to as research institutes).

Legal provisions for organizational reform of universities are provided by LHESA:

- Article 7 prescribes the process for establishing higher education institutions (*hereinafter referred to as "HEIs"*). Compared to the previous legal framework, one of the key changes is that it is no longer possible for a local or regional government unit to establish HEIs, which will significantly reduce the further fragmentation of HEI landscape in Croatia.

- Article 10 prescribes the new internal structure of universities and describes the rights and duties of the different bodies.

- Article 15 establishes a new body in each public HEI – the University Council, and Article 13 (3), requires the rector of a public HEI to report to Senate and University Council. Article 15 furthermore sets a key novelty by establishing that the University Council can initiate the procedure of the rector's resignation, and that a University Council has the clear and defined authority and tasks for the overall supervision of a university's performance. The above systematically addresses the supervision of universities.

In terms of the organizational reform of public research institutes, LHESA:

- Article 30 prescribes the process for the establishing of research institutes (*hereinafter referred to as "RIs"*). One of the key changes is that Article 30 (2) introduces more subsidiarity in the modification processes of the status of institutes. Namely, the establishment, closure, or merging of a public research institute can occur solely through the executive decision of the Minister of Science and Education, and no longer of the Government (as in the previous law). This considerably streamlines the procedure and thereby makes it less lengthy and complicated.

The new framework shall introduce a performance-based funding model. The reform shall include the adoption of a new Science and Higher Education Act and a new Law on Quality Assurance in Science and Higher Education, in order to establish a new efficient funding model for public universities and other public higher education institutions:

Performance-based funding model, which is a major novelty in the Croatian higher education and research system, is systematically set up through Articles 97 – 103 of LHESA. Most importantly:

- Article 97 (2) prescribes that overall financing received by the public HEI/RI from the state budget can be transferred to these entities only on the basis of a performance agreement (before this was not the

case), and that the total budget of public HEI/RI is composed of the basic budgetary component, the development budgetary component and the performance budgetary component.

- Article 99 (3) and (4) describes in detail the key characteristics of a performance agreement. Namely, it defines the multiannual budget of public HEI/RI and that the performance agreement stipulates the achievement of the objectives of a public HEI/RI. These objectives should be harmonized with the national strategic planning acts. Such an obligation for a link between the strategic objectives of public HEI/RI and national strategic objectives did not exist before.

- Article 103 (1) and (2) prescribes that if the performance agreement is not concluded, only 97% of the basic budget component from the state budget, which was offered in the negotiation procedure, will be remitted to the public HEI/RI for the next budget year. In addition, if the performance agreement is not signed that year within the prescribed deadlines, the funds transferred to the public HEI or RI will be reduced by 3% for each following year until the signing of the performance agreement. The previous legal set-up did not allow for monetary measures in case the performance agreement was not signed by the public HEI/RI.

The new Law on Quality Assurance in Higher Education and Science (*hereinafter referred to as "LQAHES"*) in Article 31 (2) defines the role and the authority of the Agency for Science and Higher Education (*hereinafter referred to as "The Agency"*). Namely, point two of Article 31 (2) stipulates that the Agency will provide expert evaluation of the performance agreement implementation. This will add to the quality of implementation and the efficiency of the funding model itself.

The new funding model shall be based on transparent criteria:

While the law provides the basis for the budget, the criteria for all budgetary components (basic, development and performance) are developed in the Directive on performance funding of public higher education institutions and public research institutes in the Republic of Croatia (Directive on performance funding):

- Article 5 lists and describes the costs that can be supported by the national budget within the basic budgetary component

- Article 6 lists and describes in detail which objectives and development activities constitute a development budgetary component of the performance agreements and makes a direct connection between the financing and the implementation of the objectives

- Article 7 lists and describes in detail which objectives and performance activities constitute a performance budgetary component of the performance agreement and makes a direct connection between the financing and the implementation of the objectives

- Article 9 (6) makes it obligatory to include certain activities in the performance agreement

- Article 12 prescribes the rules and procedure for negotiating and evaluating each development and performance objective proposed by public HEIs/RIs, their accompanying activities, and measurable indicators to be used for assessing the achievement of the objectives.

The new funding model shall be based on performance indicators linked to the institution's development objectives:

Article 99 (3) of LHESA specifies that public HEIs/RIs objectives (which are measured by performance indicators) have to be directly linked to the institution's development objectives and therefore also be harmonized with national strategic planning acts.

The Directive on performance funding further specifies the link to the development objectives:

- Article 9(2) stipulates that the developmental and performance budgetary components of performance agreements consist of: an indication of the strategic objective; an indication of specific objective within it; an indication of the development or performance objectives that are planned to be achieved within the specific objective; a description of the corresponding activities and measurable indicators of the achievement of a particular development or performance objective. The system is therefore set in such a way that all of these consisting parts need to be in line with each other.
- Article 9 (3) stipulates that for each proposed development and performance objective, public HEI/RI must justify the purpose of the objective and its compliance with the development strategy of the institution.
- Article 7 (13) stipulates that a public HEI/RI can also propose its own institutional objectives as performance objectives, but under certain conditions. Namely, these objectives must be harmonized with the national strategic objectives and the development strategy of a public HEI/RI.

The introduction of the new funding model is expected to be implemented through performance agreements covering the university/institution's scientific research and teaching activities for a period of two years:

Article 2 of the Directive on performance funding stipulates that the performance agreement is concluded for a period of multiple years. Article 15 (2) further specifies that after two years of the performance agreement implementation, an evaluation of the progress in the implementation of activities and the achievement of each individual measurable indicator is to be performed.

According to article 16 (2) of the Directive on performance funding, if, after the two years' implementation, the responsible Ministry determines that the activity leading to the achievement of measurable indicators is not carried out as per the programme, a public HEI/RI may propose an addendum to the performance agreement that will determine the replacement activity and measurable indicator and the same or reduced amount of financing for the realization of the development or performance objectives. If a public HEI/RI refuses to do the addendum to the performance agreement, Article 16 (3) of the Directive on performance funding stipulates that the financing of the performance agreement is reduced in full or in proportion to the achievement of a specific measurable indicator. Finally, according to article 16 (4) of the Directive on performance funding, if the responsible Ministry determines that a public HEI/RI seriously violates the provisions of the performance agreement, it is authorized to unilaterally terminate the performance agreement.

The reform also aims at better aligning education with labour market needs. It shall continue setting up qualification standards for all higher education qualifications and including them in the Register of the Croatian Qualifications Framework (CROQF), which is expected to better align higher education qualifications with labour market needs:

Firstly, Article 66 (2) point 2 of LHESA stipulates that a study programme must comply with the corresponding qualification in the Register of the Croatian Qualification Framework (*hereinafter referred to as "CROQF"*), if it is registered there. This will enable a higher number of programs being aligned with the CROQF.

Secondly, Article 12 (10) of the LQAHES stipulates that one of the assessment criteria for initial accreditation of a study programme is the compliance of the study program with the qualification standard entered in the Register of the CROQF. In addition, according to LQAHES Article 15 (3) point 5, the National Employment Service gives an opinion on the alignment of the new proposed study

program with the needs on the labour market. This opinion is an essential part of the proposal for a new study program. The assessment of accredited studies according to this criterion will also be carried out during the reaccreditation process of HEIs (LQAHES Article 24 (8)).

Thirdly, the emphasis on the setting up of qualification standards for all higher education qualifications and including them in the Register of CROQF is a part of the new *Standards of quality for evaluation in the process of initial accreditation of undergraduate, graduate, integrated, specialist and short studies (hereafter referred to as "Standards")*. New Standards introduce two assessment criteria directly related to the qualification standards: "Proposal of the study program is aligned with standard of qualification as entered in the CROQF Register" (point 2.1) and "Envisaged educational outcomes are in line with competencies which student has to achieve by the end of the study and aligned with CROQF and EQF" (point 2.2).

Fourthly, an additional basis for setting up qualification standards for all higher education qualifications is also set in the Directive on performance funding (Articles 6(2), 7(2), and 9(6)). Namely, the modernisation of the study programs is required as one of the obligatory objectives for the development and performance budgetary component. The actions for the modernisation of the study programmes to be included in all performance agreements can include, amongst other things, the alignment of the study programs with the needs of the labour market and the CROQF. This is expected to increase the number of study programs aligned with the CROQF.

All of the above is expected to better align education (and higher education qualifications) with labour market needs.

The reform shall also set up a digital register of diplomas, which is a step towards the development of a graduate tracking system to enable tracking of graduates' employability:

LHESA stipulates in Article 73 that HEIs are obliged to issue a certificate, a diploma and a diploma supplement in printed and digital form. For this to be done, a digital register has to be set up along with the relevant data on students such as graduates. Article 75 sets up the basis for data administration and authorization from the side of the Ministry, HEIs and the Agency.

The Ordinance on the content and use of information systems in higher education (*hereinafter referred to as "the Ordinance"*) further specifies that the digital register of diplomas needs to be set up within 8 months of the entry into force of the Ordinance (the latter being 8 April 2023). This means the digital Register of diplomas will be set up by December 2023, which is in line with the CID indicative deadline for the implementation of the reform (that is 31 December 2023).

The reform shall also support the digital transformation of higher education:

LHESA envisages in Article 73 that the certificate, diploma and supplementary study document are issued by the higher education institution free of charge, in Croatian and English, in a signed and certified printout and in digital form. The Ordinance goes further and stipulates in Article 11 that the following information systems of central record in higher education will be established: central records of persons registered for the enrolment procedure and the results of the procedure; central records of students; and central record HEI employees. A deadline for setting up these central records is clearly stipulated in Article 11 of the Ordinance.

Additionally, Article 95 of LHESA prescribes: the purpose of setting up the information system of higher education and scientific activities; the rules on availability of such a system; the necessary elements of the information infrastructure and their connection to the European and global infrastructures; and the responsible bodies for data in the information system being up-to-date and accurate.

The reform shall also support closer links between teaching and scientific research activities:

Article 82 (1) of LHESA stipulates that the link between scientific activities and higher education is one of the fundamental objectives of scientific activities.

Furthermore, the Directive on performance funding:

- in Article 6 (2) stipulates that the objective of modernisation of the study programmes (an obligatory objective) within the development budgetary component consists among other things of: the introduction of modern teaching methods and technologies in classes; and the establishment of student incubators and student entrepreneurial centres for the development of entrepreneurial ideas. All these activities contribute towards closer links between teaching and scientific research activities.

- in Article 7 (2) stipulates that the objective of modernization of the study programmes (an obligatory objective) within the performance budgetary component consists among other things of: student learning based on project work; and student learning through active participation in writing scientific and professional papers. Both these activities contribute towards closer links between teaching and scientific research activities.

- Sets out other objectives and actions which contribute towards the closer links between teaching and scientific activities, such as: internationalization of the results of scientific and artistic projects and programs (Article 6 (4)) and encouraging international mobility and international inter-institutional cooperation (Article 6 (6) of the Directive on performance funding).

The reform shall also support the internationalisation and participation of Croatian universities in alliances of the European universities of the future:

Support for the internationalisation of Croatian universities is addressed in LQAHEs, Article 15 (3) point 15, which stipulates that the study program proposal must contain mechanisms for ensuring the horizontal and vertical mobility of students in the national and European area of higher education which will aid in increasing the international aspect of the study programme. Furthermore, Article 16 in LQAHEs defines the principles regulating the accreditation of a joint study organised by a domestic and a foreign HEI.

Article 64 of LHESA explicitly includes in the definition of joint studies those involving at least one domestic and one foreign higher education institution. Furthermore, Article 93 (2) point 6 of LHESA gives a direct obligation to the Rector's conference and the Conference of colleges to propose measures and activities to increase the internationalisation of higher education. LHESA Article 101 (1) point 5 includes an explicit reference to fostering international mobility and international interinstitutional cooperation with special support for entering into the University networks as part of the European Universities initiative, in the context of the development budget component of HEIs.

Within the context of performance agreements, the Directive for performance funding in:

- Article 6 (4) prescribes "internationalisation of the results of scientific and artistic projects and programs" as one of the development budgetary component objectives. The following actions, amongst others, support the achievement of this objective: organisation of international conferences

for the dissemination of scientific knowledge, international exhibitions of artistic achievements in Croatia; and the presentation of the results of scientific and artistic projects and programs abroad.

- Article 6 (6) extends the above to also include the encouragement of international mobility and international inter-institutional cooperation with special support for joining university networks as part of the European Universities initiative. The following actions, amongst others, support the achievement of this objective: co-financing outgoing and incoming international mobility of teachers or associates; teaching at a foreign higher education institution; and the initiation of joint studies conducted in cooperation with a foreign higher education institution.
- Article 7(1) points 4 and 8, also address the internationalisation of higher education and participation of universities in alliances of European universities as part of the performance_budgetary component objectives.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 275	Related Measure: HR-C[C3.2]-R[R1], Reform and strengthening of the research and development capacities of the public research sector	
Name of the Milestone: New Science and Higher Education Act		
Qualitative Indicator: Entry into force of the New Science and Higher Education Act		Time: Q3 2022
<p>Context:</p> <p>The objective of this reform is to increase the quality of public research in Croatia for transitioning to a performance-based funding system and increase the budget of scientific institutions for more impactful research and a functional and organisational integration of universities and public research institutes.</p> <p>Milestone #275 concerns the entry into force of a new Act on higher education and scientific, accompanied by other legal documents, forming the legislative framework to support the reform.</p> <p>Milestone #275 is the only milestone or target of this reform; however, it is closely linked to underlying investments C3.2R1-I1 and C3.2R1-R2 respectively aiming to provide the funding for the performance-based budget and reduce the fragmentation of the public research system in Croatia.</p>		
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> i. Summary document – cover note showing how the elements of the CID were addressed and outlining the procedure of updating the legislation. ii. Act on Higher Education and Scientific Activity - adopted by the Croatian Parliament on 7 October 2022, published on 14 October in the Official Gazette, number 119/2022 and entered into force on 22 October 2022 in accordance with the provision in Article 122. Article 108 entered into force with the day of the adoption of the EURO (1.2.2023) as also indicated in Article 122). iii. Summary of stakeholder consultations for the Act on Higher Education and Scientific Activity; Act on Quality Assurance in Higher Education and Science and the Directive on Programme 		

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In addition, the authorities also provided:

- iv. **Act on Quality Assurance in Higher Education and Science** - adopted by the Croatian Parliament on 20 December 2022, published in the Official Gazette, number 151/2022 on 22.12.2022 and entered into force on 1 January 2023 in accordance with the provision in article 52.
- v. **Directive on programme financing of public higher education institutions and public research institutes in Republic of Croatia** - adopted by the Croatian Government on 13 July 2023, published in the Official Gazette, number 78/2023 on 14.7.2023 and entered into force on 22 July 2023 in accordance with the provision in article 20.
- vi. **Catalogue of Objectives and Indicators**, a guidance document accompanying the invitation for universities and public research institutes to sign programme agreements by the Ministry of Science and Education, adopted on 18 July 2023.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

In addition to the two adopted acts mentioned in the verification mechanism, the authorities adopted several other laws and bylaws which complement the legislative framework. The framework provides the basis for a transition to a performance-based funding system, consisting of different budget components which aim to provide additional funding to those entities in the public research and innovation system which set more ambitions and economically and socially advanced goals. The system relies on so-called programme agreements, negotiated between the Ministry of science and education and the education and research entities, which define goals and objectives and are subject to external peer review. Detailed explanations with relevant articles of the legislative acts follow below.

The Council Implementing Decision requires the adoption of the Act on higher education and scientific activity, covering all the elements of the reform and the milestone description. The Croatian authorities, in addition to the provisions of this Act, included further elements into a wider legislative framework, comprising of all the submitted documents (acts and bylaws). These include: 1) Act on Quality Assurance in Higher Education and Science (adopted by the Croatian Parliament on 20 December 2022, published in the Official Gazette, number 151/2022 on 22.12.2022 and entered into force on 1 January 2023 in accordance with the provision in article 52), 2) Directive on programme financing of public higher education institutions and public research institutes in Republic of Croatia (adopted by the Croatian Government on 13 July 2023, published in the Official Gazette, number 78/2023 on 14.7.2023 and entered into force on 22 July 2023 in accordance with the provision in article 20), and 3) Catalogue of Objectives and Indicators (a guidance document accompanying the invitation for universities and public research institutes to sign programme agreements by the Ministry of Science and Education, adopted on 18 July 2023). The provisions of these documents relate to several requirements of the Council implementing decision, as explained in detail in the continuation of this analysis. Whilst this constitutes a minimal formal deviation from the requirement of the Council Implementing Decision, this legislative framework ensures a comprehensive approach to implementing the reform while also

prevents that the primary legislation would become too burdensome and heavy on technical details. As of this, this minimal deviation does not affect the progress towards achieving the reform that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

The new legislative framework shall create legal and financial conditions for organisational and functional integration of public universities and scientific institutes, thus reducing their fragmentation and ensuring transition to a more efficient organisation:

Article 101(1), points 9 and 10 of the Act on higher education and scientific activity (*hereinafter referred to as "AHESA"*) clearly state that that organizational and functional integration of Public Higher Education Institutions (*hereinafter referred to as "PHEI"*) and reorganisation of Public Research Institutes (*hereinafter referred to as "PRI"*) are developmental objectives on which the allocation of the developmental budget component in programme agreement is based thus providing the legal basis for supporting such reorganisations.

Article 102(2) of the AHESA requires that the PHEIs and PRIs, during the negotiation on programme agreements, define strategic and specific objectives, as part of the performance budget component. As specified in the Catalogue of Objectives and Indicators (*hereinafter referred to as "Catalogue"*) on pages 4 and 6, specific objective 1.2. aims at carrying out a reorganisation of the scientific work and reform of the institution's process, while specific objective 4.3 aims to improve the operation of PHEI and PRI through reorganisation procedures.

Article 109(2) of the AHESA further defines the timeline for harmonisation of the internal organisation and bodies with a view of ensuring a more efficient organisation, including provisions to termination of specific functions of members in bodies which are removed as a result of the reorganisation and integration.

Article 6(10 and 11) of the Directive on programme financing of public higher education institutions and public research institutes through programme agreements (Directive) further defines that the developmental budget component can be used to support the organizational and functional integration of PHEIs, in order to streamline the number of study programmes, bring together professional services and to reduce administrative costs, making it a more efficient system.

Furthermore, Article 12(2) of the Directive stipulates that the Ministry of science and higher education, during the evaluation of proposals and negotiation of the programme agreement, ensures that the development goals directly linked to ensuring organisational and functional integration and of PHEIs and PRIs (as stated in the Directive Article 6(10 and 11)) will be given priority thus further strengthening dedication to improving efficiency and reducing fragmentation.

As indicated by the Croatian authorities in the summary document, the funding formula will be outlined in the call for programme agreements and will consider the relevance, feasibility, and ambition of each individual proposed development and performance activity (Article 12(1) of the Directive), and this will be reflected in the chosen indicators, as well as the proposed budget for every development and performance activity. The specific details of the funding formula will be subject to negotiations with the institution and part of the Call to sign the programme agreements and will ensure that objectives leading to reorganisation or integration will have a higher weight.

Article 9(1, 2 and 3) of the Act on Quality Assurance in Higher Education and Science stipulates that the initial accreditation of PHEI is carried out in the case of establishment of a PHEI and status changes of the PHEI. Also, initial accreditation of a PRI is carried out in the case of establishment of a scientific institute and status changes of the scientific institute. This means that any status change of an institution must comply with all the quality assurance standards and procedures thereof in order to make sure that the status change is effective, needed and in line with the quality assurance standards. Consequently, having this mechanism will also ensure that unneeded fragmentation will be avoided and filtered. These stipulations were not in place in the previous Act, and accreditation of the institutions has been left with the institution regardless of the statutory changes (such as splitting of institutions, changing the founder or owner for a part of institution), which significantly enhanced fragmentation.

The new legislative framework shall create legal and financial conditions for a dialogue on funding aimed at achieving institutional development objectives, adoption of the programme agreements and a transition to a performance-based funding system:

Articles 97-103 of the AHESA define the new performance-based funding system, based on the improved process of the strategic planning of PHEIs/PRI, as the starting point for negotiating and signing program agreements with the Ministry of Science and Education. The budget comprises out of three budgetary components (basic, developmental and performance). Previously, under the old Act on Scientific Activity and Higher Education, funding for PHEI/PRI was not systemically regulated and it depended on historical calculation of material costs and was allocated per number of employees and students.

Article 98(1) of the AHESA sets the basis for funding indicating that the programme agreements serve as basis for defining the financial plan of the PHEI and PRI thus linking the funding through these agreements to a performance-based approach.

Article 99(6) of AHESA provides further possibilities for the dialogue on funding by indicating possibilities for addendums and modifications as well as spelling out deadlines. Detailed content of the program agreement, the method of calculating budget components, the negotiation process, and deadlines for concluding the program agreement, the process of setting goals and corresponding indicators, as well as the procedure for monitoring and evaluating the implementation of program agreement, are determined by the Directive.

Article 99(8) of AHESA stipulates that further rules on the content of the program contract, the method of calculating the budget components, the negotiation procedure and the deadlines for concluding the program contract, the procedure for establishing the objectives and related indicators, and the procedure for monitoring and evaluating the implementation of program contracts will be determined by a Directive (on program financing of public higher education institutions and public research institutes in the Republic of Croatia).

Article 4 of the Directive specifies four obligatory strategic goals for PHEIs and three obligatory strategic goals for PRIs. For each strategic goal there is a set of specific objectives that is defined in the same article. The amount of the developmental and performance component will depend on the proposed development or performance objectives, their respective activities, and measurable indicators according to Art 12(1) of the Directive. This represents a shift towards performance-based funding and

is based on institutional development objectives. The selection of specific objectives and corresponding indicators is determined in a negotiation procedure between the Ministry of science and education and the respective PHEI / PRI.

Articles 12(1-8) stipulate the role of the negotiators, granting the Ministry of science and education the right to request further information and require more ambition, if necessary.

Article 16(1) of the Directive stipulates that the progress in achieving the set indicators will be assessed two years after the signing of the programme agreement and Article 16(2) provides the basis for reducing the financing based on the programme agreement in cases where the performance is not met, thus further strengthening the transition, and extending the dialogue on institutional objectives.

The objective of the reform is to increase the quality and international visibility of public research, which is linked to the dedicated action of increasing the budget of scientific institutions for more impactful research:

Article 101(1) of the AHESA defines that the purpose of the developmental budgetary component is to finance the achievement of goals of PHEI/PRI in specific areas and Article 101(3) stipulates that the amount of the developmental component is determined in the negotiation process with the Ministry, and it cannot exceed 20% of the amount of the basic budget component determined by the programme agreement. This is a direct increase of up to 20% compared to the current funding budget.

Art 102(1) defines the performance budget component, and Article 102(3) states that the amount of the performance component cannot exceed 10% of the amount of the basic budget component determined by the programme agreement. This is a direct increase of up to 10% compared to the current funding budget.

The basic budget component of PHEIs/PRI (Article 100(1) and Art 5 of the Directive) encompasses the majority of funds previously allocated to the institutions via previous system of institutional funding (that is based on the headcount of researcher and student and historical operating costs). The developmental and performance component are increasing the total budget for institutions but also structure the budget towards developmental and performance objectives, as stipulated in the Directive, Article 6(1) and Article 7(1).

The new funding model will also indirectly contribute to increasing the budget of scientific institutions for more impactful research by supporting performance objectives that will bring more budget to PHEIs/PRI by more competitive research projects and more provision of research and other services to the market. Particularly this is supported by the performance objective specified in Article 7(4) of the Directive “Applications and implementation of competitive projects” and the respective activities.

Article 4(1) of the Directive defines the strategic goal “Raising scientific excellence” which implies increasing the quality and impact of scientific publications at the level of PHEI or PRI. The Catalogue (Pages 12 and 15) further specifies the relevant specific objectives including 1.1 “Increase the participation of public higher education institutions and public scientific institutes in competitive project funding” and 1.6 “Strengthening the interdisciplinary nature of scientific work” as well as dedicated outcome indicators (Pages 24-26). Article 4(2) of the Directive defines the following specific objective: “Increasing the participation of public higher education institutions and public research institutes in competitive project funding” – which entails increasing the number of applications and funding amounts for research projects from national and international competitive funding sources.

The objective of the reform is to strengthen targeted research and the impact of science on the further development of innovation, economy and society, which is linked to the dedicated action of improving the quality of scientific research work by fostering a transition to a performance-based funding system:

Articles 101(1-3) of AHESA define the development component of the budget and define the activities aimed at achieving strategic goals and objectives. The provisions allow for increasing the budget (up to 20% of the basic budget component) based on ambitious goals set to increase performance of PHEI/PRI.

Article 102(1) of AHESA further defines the performance budget component, and Article 102(3) states that the amount of the performance component allows for an up to 10% funding on top of the basic budget component determined by the programme agreement. The performance component is directly linked to a transition to a performance-based funding system.

Article 4(1) of the Directive states as one of the strategic goals “Strengthening cooperation with the economy and the development of national and regional identity and culture”. Article 4(3) further defines several specific objectives to achieve this goal and strengthen targeted research and the impact of science, including the objective 2.1 “Fostering the implementation of applied scientific activities, including cooperation projects with the economy “ and 2.3 “ Enhancing the provision of scientific, research or technology services in the free market, including services for the development of culture and education“. The Catalogue (Pages 16 and 17) provides outcome indicators to measure the achievement of this goal including.

Article 6(8) of the Directive includes the development of programs with a significant impact on the economy and social development as activities directly included under the development component of the budget.

Article 6(12) of the directive further defines the strategic goal “Management of intellectual property and commercialization of research results, scientific projects and programs“ to include co-financing of patent applications and other forms of intellectual property submitted on the basis of the results of scientific projects and co-financing of the transfer of research results with the aim of their further development or use in the development and commercialization of new products or services.

The new legal and financial framework is expected to lead to more influential publications, more competitive projects, stronger international cooperation, and an increased number of projects in cooperation with business:

Article 102(1) of AHESA stipulates that the performance budget would be set based on the performance of the objectives and indicators set out in the programme agreement.

Article 4(1) of the Directive includes the strategic goal strategic goal “Raising scientific excellence” and Article 4(2) stipulates that the following specific goals should be achieved: “Increasing the participation of PHEI/PRI in competitive project financing”, “Strengthening international scientific cooperation and scientific activities“. The Catalogue further indicates that contribution to this strategic goal will be monitored by the following outcome indicators: Amount of competitive scientific projects (including: ERC, other international programs), Number of collaborations with foreign partners, Share of

international scientists, Share of early-career scientists permanently employed in scientific-teaching positions, Number of scientists and collaborators working in improved research infrastructure facilities, Number of scientists and collaborators utilizing research equipment.

Article 4(3) of the Directive, within the strategic goal “Strengthening cooperation with the business sector and the development of national and regional identity and culture” defines following specific goals: (i) “Fostering implementation of applied scientific activities, including cooperation projects with the business sector”, (ii) Institutional management of intellectual property”, and (iii) “the improvement of providing scientific, research or technological services on the free market, including services for the development of culture and education” which will lead to increased number of project in cooperation with businesses.

A summary of stakeholder consultations is to be provided, with explanations on how the proposals from stakeholders were treated:

The summaries of stakeholder consultations for the AHESA and the Directive provided by the authorities clearly indicate the comments received and how they were treated including the rationale for taking them on board or not. The documents provide explanations of the main changes done to the legal framework, clearly showing improvements made based on the consultations.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 281	Related Measure: HR-C[C3.2]-R[R2], Creating a framework for attracting students and researchers to STEM and ICT fields	
Name of the Milestone: New legal framework regulating quality requirements for study programmes, doctoral studies and working conditions for scientific institutions		
Qualitative Indicator: Entry into force of a new legal framework		Time: Q3 2022
<p>Context:</p> <p>The objective of this reform is to increase the quality and number of researchers and professionals in scientific and business sectors by improving the attractiveness of research careers in STEM and ICT fields. In the longer term, the reform shall contribute to the transfer of knowledge between academia and the business sector and foster the development of start-ups and spin-offs.</p> <p>Milestone #281 concerns the entry into force of a new legislative framework aiming to improve recruitment and promotion policy and promote science careers.</p> <p>Milestone #281 is the only milestone or target of this reform; however, it is closely linked to underlying investments C3.2R2-I1 and C3.2R2-R2 respectively aiming to provide the funding for scholarships, exchanges and studies in ICT and STEM, and well-equipped infrastructure for targeted research.</p>		
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p>		

- i. **Summary document** – cover note showing how the elements of the CID were addressed and outlining the procedure of updating the legislation;
- ii. **Act on Quality Assurance in Higher Education and Science** adopted by the Croatian Parliament on 20 December 2022, published in the Official Gazette, number 151/2022 on 22.12.2022 and entered into force on 1 January 2023 in accordance with the provision in article 52.;
- iii. **Ordinance on Amendments to the Ordinance on Conditions for Selection to Scientific Titles**- adopted on 21 September 2022 by the National Council on Science, Higher Education and Technological Development, published in the Official Gazette, number 111/2022 on 26 September 2022 and entered into force on 3 October 2022 in accordance with the provision in article 29;
- iv. **Summary of stakeholder consultations** for the Act on Higher Education and Scientific Activity, Act on Quality Assurance in Higher Education and Science, and the Ordinance on Amendments to the Ordinance on Conditions for Selection to Scientific Titles.

In addition, the authorities also provided:

- v. **Catalogue of Objectives and Indicators**, a guidance document accompanying the invitation for universities and public research institutes to sign programme agreements by the Ministry of Science and Education, adopted on 18 July 2023.
- vi. **Act on Higher Education and Scientific Activity** - adopted by the Croatian Parliament on 7 October 2022, published on 14 October in the Official Gazette, number 119/2022 and entered into force on 22 October 2022 in accordance with the provision in Article 122. Article 108 entered into force with the day of the adoption of the EURO (1.2.2023) as also indicated in Article 122;
- vii. **Directive on programme financing of public higher education institutions and public research institutes in Republic of Croatia** - adopted by the Croatian Government on 13 July 2023, published in the Official Gazette, number 78/2023 on 14.7.2023 and entered into force on 22 July 2023 in accordance with the provision in article 20.

Analysis:

The Council Implementing Decision requires the adoption of the legal framework consisting of the Act on Quality Assurance in Higher Education and Science and the Ordinance on Amendments to the Ordinance on Conditions for Selection to Scientific Titles, covering all the elements of the milestone description.

Croatia, in addition to the provisions of this Act, included further elements into a wider legislative framework, comprising of (in addition to the two mentioned above): 1) Act on Higher Education and Scientific Activity (adopted by the Croatian Parliament on 7 October 2022, published on 14 October in the Official Gazette, number 119/2022 and entered into force on 22 October 2022 in accordance with the provision in Article 122. Article 108 entered into force with the day of the adoption of the EURO (1.2.2023) as also indicated in Article 122), 2) Directive on programme financing of public higher education institutions and public research institutes in Republic of Croatia (adopted by the Croatian Government on 13 July 2023, published in the Official Gazette, number 78/2023 on 14.7.2023 and entered into force on 22 July 2023 in accordance with the provision in article 20), and 3) Catalogue of Objectives and Indicators (a guidance document accompanying the invitation for universities and public

research institutes to sign programme agreements by the Ministry of Science and Education, adopted on 18 July 2023). The provisions of these documents relate to several requirements of the Council implementing decision, as explained in detail in the continuation of this analysis. Whilst this constitutes a minimal formal deviation from the requirement of the Council Implementing Decision, this legislative framework ensures a comprehensive approach to implementing the reform while also prevents that the primary legislation would become too burdensome and heavy on technical details. As of this, this minimal deviation does not affect the progress towards achieving the reform that the milestone represents. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

The new legal framework shall provide a basis for a new promotion system based on excellence and better regulation of career advancement and development, including in Science, Technology, Engineering and Mathematics (STEM) and Information and Communication Technologies (ICT) fields, thus enabling conditions for attracting and retaining quality researchers through a more competitive and less burdensome model:

Article 7(1, 2 and 3) of the Act on Quality Assurance in Higher Education and Research (*hereinafter referred to as "AQAHES"*), provides the basis for an external quality evaluation including in relation to organisation, staff and organisation of scientific activities and promotion. This will contribute to enhancing the conditions for improving excellence and attracting and retaining quality researchers.

Article 17(5) of the AQAHES stipulates the provisions for members of the expert committee conducting initial accreditation, reaccreditation, extraordinary evaluation and thematic evaluation indicating that a member cannot be a domestic teacher employed at a public higher education institution (*hereinafter referred to as "PHEI"*) that conducts the same study as the evaluated PHEI or a domestic scientist employed at a scientific institute operating in the same area or field of science as the evaluated public research institute (*hereinafter referred to as "PRI"*). This will contribute to involving more foreign experts and to increasing the quality and excellence of human resources policies.

Articles 3 and 4 of the AQAHES create an obligation for the PHEI/PRI to systematically monitor and improve the scientific productivity and professional work of scientists and teachers while Article 5(3) establishes the obligation to submit an annual report to the governing body of the PHEI/PRI. Both provide the basis for creating a better organization of the career development system as well as the basis for better conditions for attracting and retaining quality scientists.

Article 9(1) point 3 of the AQAHES stipulates that the initial accreditation of studies is carried out in the cases of introduction of a new study program at a university and other cases of changes of existing study. This will significantly improve the quality of programs at universities and attract more quality teachers to the universities. Previous legislation allowed for establishment (or changes) of the unlimited number of study programs at universities without real assurance of the quality of teachers and other factors.

Articles 39 – 44 of the Act on higher education and scientific activity (*hereinafter referred to as "AHESA"*) include provisions related to the less burdensome and more competitive promotion system:

In the previous legislative framework, obtaining a “Scientific title” was a precondition for application to working positions. One first had to apply and get awarded a “Scientific title” regardless of the corresponding working position and it was awarded by the Science Field Committee independently on the PHEI/PRI. Only after obtaining that title the application for a vacant position at a PHEI/PRI could be submitted. Therefore, two selection procedures were done separately and lasted for longer period of time. This procedure was an administrative burden for both the candidates and the PHEI/PRI, it lasted between three and twelve months, and it was specially complicated for candidates from other countries or industry sector.

Article 39 of the AHESA abandons the requirement to hold a scientific title as a formal part of the election to a working position. Only one procedure for election to a working position is implemented by PHEI/PRI which represents a less administratively burdensome recruitment.

Article 39(1) of AHESA stipulates the criteria for selecting a candidate to a vacant post, which includes the National selection criteria in a scientific, artistic, and scientific institute (National criteria) as well as allows PHEIs and PRIs to introduce additional criteria. Additional institutional criteria are a novelty by the law, their achievement is monitored by outcome indicators.

The Catalogue of objectives and indicators (*hereinafter referred to as “Catalogue”*), on page 3, defines the specific objective 1.4 “Strengthening human capacities for scientific work” as improving the criteria for promotion, raising the performance of employed mentoring scientists and creating enabling conditions for attracting young scientists and their career development.

Article 40(5) of AHESA stipulates that the applications must be submitted in electronic form which shall foster a shift towards digitalisation and less administrative work.

Article 40(12) of AHESA stipulates that the persons elected to a post shall have the right to be re-elected or promoted to a senior post without limiting the number of re-elections which is an improvement compared to the previous Act which limited the re-election to one time.

Article 40(6) of AHESA defines the criteria for selection to a post, ensuring transparency of the system and a promotion system based on excellence, while the previous Act did not provide the basis for using such criteria.

Article 42(3) of AHESA stipulates that a university teacher or scientist may be re-elected to the existing position if he/she has since the last election or re-election fulfilled at least half of the National criteria, and additional criteria (stipulated by the institution itself) for election to a higher position contrary to the previous Act which did not provide any criteria requirements.

Article 43(1) of AHESA clearly indicates that a teacher or scientist who fulfils the criteria for selection to a higher position is obliged to apply for selection to a higher position before the end of the term for which he/she was previously elected. This will make recruitment and promotion of researchers more competitive at the PHEI/PRI, because those who do not meet the criteria for re-election will have their contract terminated according to (Article 42(5)).

Article 51(1) of AHESA stipulates that at PHEI/PRI the teacher’s/researcher’s employment contract ends due to retirement at the end of the academic/calendar year in which (s)he has acquired the conditions for termination of the employment contract in accordance with the law governing labour relations. This

provision is new compared to the previous Act, which enabled prolongation of the contract up to the age of 70 and, in principle, did not stimulate the promotion of younger researchers.

Article 86(1) points 1-4 of AHESA stipulate that the National Council for Higher Education, Science, and Technological Development: 1. Proposes and encourages the adoption of measures to improve higher education, scientific and artistic activities, and technological development; 2. Monitors the development of scientific and artistic fields and disciplines; 3. Provides opinions on strategic planning documents of the Republic of Croatia related to higher education, scientific and artistic activities, and technological development; 4. Discusses matters relevant to the development of the national innovation system, proposes and encourages the adoption of measures to improve it, and promotes technological development. These stipulations will stimulate the new National Council to propose National criteria which will be oriented toward career advancement of researchers towards the strategic agenda of research and innovation policy of Croatia, such as Smart Specialization Strategy and other national strategic goals.

Article 99(5) sets out the details of the programme agreements including the performance budget component. It mandates the inclusion of strategic goals and specific objectives as well as indicators used to monitor the achievement of these goals. It therefore sets the basis for a performance-based funding system.

The amended Ordinance on Conditions for Selection to Scientific Professions (*hereinafter referred to as "Ordinance"*) serves as the temporary National Criteria (in the period until the complete new National criteria are established) and it introduced more ambitious criteria for full professors (Research Advisor) in several disciplines as set out below.

Article 7 of the Ordinance increases the minimum number of research papers required to become a Full tenure professor, and Article 12 allows for publications in highest impact journals to count as twice the weight, which is supposed to increase motivation for young researchers.

Articles 12, 16, 17, 27 and 32 of the Ordinance additionally provide for an increase for the minimum number of research papers required for higher research positions in respective areas (engineering, biotechnical, social science, humanities, and interdisciplinary sciences respectively) thus increasing focus on excellence.

Article 4(4) of the Directive on programme financing of public higher education institutions and public research institutes through programme agreements (Directive) defines specific goals which accompany the strategic objective "Increasing the relevance, quality and efficiency of studies" such as 3.4 "Focusing study programmes on development of competencies which strengthen competitiveness on the labour market". As defined in the Catalogue on page 16, one of the outcome indicators for this specific goal is "Number of students in STEM fields".

Article 7(2) of the Directive defines several specific goals and accompanying activities that contribute to researchers' careers advancement In STEM and ICT fields. For example, the goal "modernization of studies" implies activities of encouraging students to enrol in studies in the fields of natural, technical, biotechnical sciences and biomedicine by fostering competencies sought on the labour market (Catalogue, page 4). PHEI and PRI are encouraged to include this goal in the programme agreements as it will result in a higher share of the performance budget allocated to them.

Article 7(10) of the Directive defines the specific goal “Strengthening the competitiveness of young scientists” which means obtaining a post-graduate or post-doctoral qualification at a higher education institution or research institute where they are not employed, reducing administrative and other obstacles to the promotion and education of young scientists, and autonomously leading a competitive scientific project from teachers, scientists or associates at an early stage of their careers.

The Catalogue defines, on page 5, dedicated activities supporting the specific objective “Strengthening the culture of lifelong learning” including the promotion of lifelong learning and development of programme for lifelong learning which shall provide researchers with potential for personal career development options thus making careers in science more attractive.

The new legal framework shall allow young scientists to thrive on the basis of internationally recognised scientific quality criteria and with less administrative barriers:

Article 8 of the AQAHES stipulates that the Quality standards in higher education and scientific activity are applied in the procedure of external quality evaluation, which are harmonized with the standards and guidelines for quality assurance in the European Higher Education Area (*hereinafter referred to as “EHEA”*) making them internationally recognised scientific quality criteria. This implies new quality assurance standards that should be introduced by all PHEI/PRI which will be applied to the human resources policy in order to address administratively burdensome recruitment and promotion model at their institutions.

Article 38 of the AQAHES stipulates the provisions for selecting the members of the accreditation council in detail (contrary to the previous legal framework), and paragraph 6 sets out the competences of its members. This ensures higher quality of work of the accreditation process as accreditation council, according to 39(1) has to establish new criteria and indicators for quality assessment in external evaluation procedures. The combination of these two provisions ensures integration of high-quality criteria in evaluation procedures (including recruitment and promotion).

Article 12(7, 8 and 9) of the AQAHES stipulates the total annual amount of the teaching load as well as the maximum ratio of students vs teachers. The new provisions represent administrative relief through the legal norm in terms of calculating the total annual teaching load in accordance with the collective agreement for science and higher education. In addition, setting these limits shall enable researchers, especially young to work most working hours on research projects.

Article 39(1) of the AHESA stipulates that a person who has an appropriate level of education in a scientific field and who fulfils the National criteria and additional institutional criteria can be employed at a university and a scientific institute. This will enable young scientists to be employed in a suitable position regardless of previous experience and with reduced administrative barriers as the previous legislation called for experience required.

Article 39(8 and 9) of the AHESA provide the basis for adopting National criteria and define that they are adopted by the National Council for Higher Education, Science, and Technological Development. As the National Council for Science, Higher Education and Technological Development is the highest professional body responsible for the development and quality of the entire scientific activity and system of science, higher education and technological development in the Republic of Croatia

<https://mzo.gov.hr/istaknute-teme/nacionalna-vijeca-strucna-i-radna-tijela-i-povjerenstva/nacionalno-vijece-za-znanost-visoko-obrazovanje-i-tehnoloski-razvoj/324>

these

provisions ensure that the criteria set by the National council are recognised scientific criteria.

Article 7(10) of the Directive stipulates within the performance budget component the following objective: “Strengthening the competitiveness of young scientists” and that it implies the activities: (i) acquisition of a postgraduate qualification or postdoctoral training at a university or scientific institute where (s)he is not employed, (ii) reducing administrative and other obstacles to the promotion and education of young scientists, and (iii) independent management of a competitive scientific project by teachers, scientists or associates in the early career phase. Choosing this performance objective and achieving the respective indicators would bring more financing to PHEI/PRI and this will improve national and international mobility of young researchers, contribute to the internationalisation by allowing project leading experience to young researchers and reduce administrative barriers.

Article 4(2) of the Directive defines the strategic goal “Raising scientific excellence” linked to the following specific objectives as specified in the Catalogue: 1.1 “Increasing cooperation of PHEIs and PRIs in competitive project financing”, 1.3 “Strengthening international scientific collaboration and scientific activities” and “Enhancing human capacities for scientific work”. These objectives will be measured by the outcome indicators as specified in the Catalogue: ‘Number of successful project applications to competitive tenders (European Research Council and other international programmes)’, “Number of collaboration projects with foreign partners”, “Percentage of early-career scientists permanently employed in research-teaching and research positions” and “Number of completed doctorates (including international doctoral degrees)” which in turn ensure application of international scientific quality criteria; to be able to apply to international and EU level projects, and ensure promoting conditions for young researchers. As mentioned above, selecting these strategic goals and specific objectives will, in line with the above elaborated provisions of the AHESA, result in more financing for the PHEI/PRI.

The new legal framework includes flexible working arrangements to promote the recruitment of researchers with care responsibilities:

Articles 3 and 4 of the AQAHES stipulated that PHEIs and PRIs are obliged to establish a system of internal quality assurance, which includes monitoring and improving the scientific and artistic productivity of teachers, monitoring and improving the professional work of teachers, monitoring and improving the scientific productivity of scientists and monitoring and improving the professional work of scientists. Within this system, PHEI/PRIs are obliged to foresee measures and activities that will take into account flexible working conditions for individuals who must have adapted working conditions, and in order to ensure equal opportunities for improving scientific productivity and professional work for all teachers and scientists. The aforementioned is the legal basis in order to effectively fulfil the norms and possibilities arising from other regulations that regulate general working conditions in the system as a whole, such as the Labour Law, which enables part-time work and remote work.

Article 48(1) of the LHESA includes detailed provisions that at the request of employees, the deadlines for promotion and re-selection do not run during the duration of maternity and parental leave,

temporary incapacity for work, performance of managerial or public duties and for any other justified reasons according to law or internal act of the PHEI/PRI, which also include care responsibilities.

Article 6(1) point 4 of the Directive includes provisions for promoting programmes ensuring diversity, equality and social inclusion, further providing the basis for flexible working conditions for researchers with care responsibilities.

Scientific careers shall be made more attractive through a clear, transparent and merit-based recruitment policy in the key areas of scientific research:

Article 40(1 and 2) of AHESA makes the selection procedure clearer compared to the previous legislation as it removes the requirement in the previous Act, which called for the candidates to be holders of the so called “Scientific Titles” before they could at all apply for research or research-teaching position at PHEI/PRI. This was a significant burden for attracting researchers from industry or from abroad.

Article 40(3) of AHESA stipulates that candidates are selected by the expert committee which shall consist of at least three members employed in a position of higher or the same hierarchical level as the position being selected for, in the same scientific or artistic field. The decision to reject the opinion of the expert committee must be justified, which is also the significant novelty in the new Law and ensures merit-based selection of the candidates. Moreover, according to the new Law, the amended Ordinance on Conditions for Selection to Research Titles is applied as the National Criteria which introduced higher criteria for full professors (research advisor) in several disciplines.

Article 40(4) of AHESA stipulates that the public call for the selection of professors, researchers, and associates for vacant positions is published in the Official Gazette and on the official websites of the PHEI/PRI in Croatian language, as well as on the official job portal of the European Research Area in English language, contributing to more transparency with public calls for employment.

Article 40(5-12) of AHESA set a clear procedure for the evaluation of the submitted applications as well as the process of selecting the best candidate contributing to a merit-based selection.

Article 40(6) of AHESA stipulates that public tenders for employment must include National criteria and any additional institutional criteria while Article 39(8) of AHESA mandates that these must be made publicly available. This makes the criteria for selection for research and research-teaching positions more transparent than in previous system, where institutional criteria were not always publicly available.

Articles 3 and 4 of the AQAHEs stipulate obligatory provisions for the system of internal quality assurance and improvement. This system includes but is not limited to: monitoring and improving the research productivity of professors and monitoring and improving the professional work of professors as well as monitoring and improving the professional work of scientists. These activities provide an added value to the recruitment system as the PHEI/PRI have an obligation to improve the research and artistic productivity and professional work of professors which will consequently help in fulfilling the National and additional criteria for recruitment.

Science careers in STEM and ICT shall be promoted from the earliest levels of education:

The entire reform and the accompanying investments (C3.2.R2-I1 and C3.2.R2-I2) help promote scientific careers in STEM and ICT. The legislative framework, as set out in paragraphs below, provides the basis for stimulating PHEI/PRI to undertake activities dedicated to popularisation of science in all fields. It includes the basis for a performance-based funding scheme rewarding promotion of science careers and supporting these careers. The aforementioned investments take this further by providing scholarships, funding for spin-offs and start-ups as well as state of the art infrastructure, all of which help make science careers in STEM and ICT more attractive.

Article 2(4) of the AHESA stipulates that scientific activity is based, among others on open science and public availability of the results of scientific research and artistic creativity. The purpose of open science is to enhance the quality, efficiency and responsiveness of research by sharing knowledge and data. This applies also to the STEM and ICT fields.

Article 99(5) of the AHESA sets out the details of the programme agreements including the performance budget component. It mandates the inclusion of strategic goals and specific objectives as well as indicators used to monitor the achievement of these goals. It therefore sets the basis for a performance-based funding system and rewards the inclusion of strategic goals and specific objectives through increased financing through the performance budget component.

Article 4(1) of the Directive prescribes two main strategic goals that the PHEI/PRI must fulfil during the implementation in order to receive financing from the performance budget component, and those goals are: “Increasing the relevance, quality and effectiveness of studying” and “Strengthening social responsibility”. Each strategic goal comprises of a set of specific objectives that contribute to its achievement as defined in the Catalogue.

Article 4(6) of the Directive stipulates that the Ministry of Science and Education will measure contribution of activities of the PHEI/PRI to these goals and accompanying specific objectives.

The Catalogue defines the following relevant outcome indicators linked to the above goals:

1) strategic goal “Increasing the relevance, quality and effectiveness of studying” includes the specific objective 3.4 “Aligning study programs towards the development of skills that enhance competitiveness in the job market”. According to the Catalogue, page 16, one of the indicators for measuring this specific objective is the number of full-time students in STEM fields as a percentage of the total number of full-time students (the fields of natural sciences, technical sciences, biotechnical sciences, and medical sciences).

2) strategic goal “Strengthening the social responsibility” includes the specific objective “popularization of science”. According to the Catalogue, contribution to this objective will be measured by the “Number of individuals exposed to science popularization activities” and this indicator measures the total number of individuals (such as elementary and high school students, and parents) who have attended popular science lectures, radio and TV programs, participated in open days, or have been exposed to

or participated in science popularization activities. Such activities relate to both STEM and ICT as relevant scientific fields.

Article 7(11) of the Directive prescribes the performance-based components of the Directive including financing of popularization of science which includes activities such as: organizing of open-door days, presentations of scientific projects and new scientific achievements, art exhibitions and other events intended for young people with the aim of popularizing science and art. This is not limited to student population as these activities can relate to stakeholders of all levels of education, from the lowest level and from the earliest age.

As indicated by the Croatian authorities in the summary document, the promotion of science careers in STEM and ICT from the earliest level of education as an objective of the reform on the national level is, besides its introduction in the legislation reform on several levels, tackled as well by the targeted projects. First such project is “Awarding scholarships to students in STEM and ICT areas of science” implemented by the Ministry of Science and Education. The goal of the project is to increase availability and employability of graduates in STEM and ICT fields at the undergraduate and graduate level by awarding scholarships to excellent STEM students and future STEM teachers. The target group are full-time students at studies in STEM and ICT areas of science. By awarding direct financial support, such as scholarships, students will be motivated to choose study programmes in STEM and ICT areas of science as key areas for improving the economy. The project started in 09/2022. The second project planned is the STEM popularization centre and campaign which will be a strategic project with the goal of promotion of STEM to the general public and particularly to the young generations from the earliest levels of education. The STEM centre will be established as a project of the Ministry of Science and Education and financed by the ESI funds or other appropriate source as self-sustainable education and promotion centre.

In the long term, the reform is expected to allow human capital to spill over from scientific institutions to the economy through the transfer of specialized knowledge, advanced technologies, collaboration between academia and business through technology platforms and the development of high-tech start-ups and spin-offs, as well as open research and technology infrastructures:

e investment under measure C3.2R2-I2 envisages the funding of research and technology infrastructures which will be obliged to implement open access policy and thus provide for transfer of specialized knowledge. Particularly the Programme Agreements reform (AHESA Article 99) with the aforementioned performance-based funding scheme and logical framework which links strategic goal, specific objectives and development goals connected with the development budgetary component and performance goals connected with performance budgetary component will allow human capital to spill over from scientific institution to the economy.

The Directive in Article 4(1) prescribes the main strategical goals that the PHEI/PRI must fulfil during the implementation in order to achieve financing, and those goals are: “Raising scientific excellence”; “Strengthening of cooperation with the economy and development of national and regional identity and culture”; “Increasing the relevance, quality and effectiveness of studying” and “Strengthening

social responsibility". Each strategic goal comprises of a set of specific objectives that contribute to its achievement, as specified in Article 4(2-5).

According to the Directive Article 4(6), the Ministry will measure contribution of activities of the PHEI/PRI to the goals and specific objectives by the outcome indicators and those are specified in the Catalogue of goals and indicators (Article 8(3)). Each strategic goal comprises of a set of specific objectives that contribute to its achievement.

Article 4(1) of the Directive defines the strategic goal that the PHEI/PRI must fulfil during the implementation in order to qualify for the performance-related parts of the funding agreements "Enhancing collaboration with the industry and fostering the development of national and regional identity and culture." Within this goal the following specific objectives are specified: (i) Promoting the implementation of applied research, including collaborative projects with the industry, (ii) Improving institutional intellectual property management, and (iii) enhancing the provision of research or technological services in the free market, including services for the development of culture and education. Those objectives will be measured by the following indicators as specified in the Catalogue: (i) Number of successful project proposals for applied research projects (including collaborative projects with the industry or in culture and education); (ii) Number of patent applications, Number of other forms of intellectual property, Number of initiated technology and knowledge transfer projects; and (iii) Share of revenue from projects for services provided to the market; Number of contracted projects for providing services to the industry and public bodies in the development of culture and education. Additionally, the contribution to the respective strategic goal will be measured by the following outcome indicators: Number of scientific papers with industry partners and partners from culture and education, Number of formal collaborations with business entities and institutions from culture and education, Share of revenue from realized technology transfer projects in total revenue, Value of projects for services provided to the industry and public bodies in the development of culture and education.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 284	Related Measure: HR-C[C3.2]-R[R3], Improving the efficiency of public investment in research, development and innovation	
Name of the Milestone: New law on the Croatian Science Foundation		
Qualitative Indicator: Entry into force of the new Act on the Croatian Science Foundation.		Time: Q3 2022
<p>Context:</p> <p>The measure aims to implement a more functional and efficient governance model for competitive research and provide the basis for a faster, merit-based selection process of research projects. It aims to strengthen the capacities of the Croatian Science Foundation (CSF) and reduce the number of institutions involved in the management of funding programmes.</p>		

Milestone 284 concerns the adoption of the Act on the Croatian Science Foundation in order to empower the CSF to coordinate a strong and independent system for selecting, funding and monitoring research projects.

Milestone 284 is the only milestone of this reform.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Act on the Croatian Science Foundation** (Published on 20 May 2022 in the Official Gazette, number 57/22 and entered into force on 28 May 2022 (According to Article 22 of the Act)) – setting out the mission of the CSF and setting up a strong and independent system for implementing research and development funding programmes;
- ii. **Summary document** indicating relevant provisions of entry into force of the Act as well as elaborating on how the milestone provisions were fulfilled;

The authorities also provided:

- iii. **Action plan for ensuring the capacities of the Croatian Science Foundation** – as required by monitoring indicator 284.3 of the operational arrangements, building on the provisions of the Act on the Croatian Science Foundation on ensuring capacities and strengthening the role of the CSF.
- iv. **Statute of the Croatian Science Foundation** (Published on 26 October 2022 and entered into force on 3 November 2022; <https://hrzz.hr/wp-content/uploads/Statut-scan.pdf>)
- v. **Ordinance on the Croatian Science Foundation Internal Organization** (Published on 7 November 2022 and entered into force on 15 November 2022; <https://hrzz.hr/wp-content/uploads/Pravilnik-o-unutarnjem-redu.pdf>);
- vi. **Manual for evaluating project proposals applied to the CSF public calls** (Published and entered into force on 20 July 2023; https://hrzz.hr/wp-content/uploads/Prirucnik-za-vrednovanje-prijava-na-javne-pozive-HRZZ_20.07.2023-004OP.pdf);
- vii. **Strategic Plan of the Croatian Science Foundation 2023-2027** (Adopted by the Parliament on 17 October 2023 and published in the Official Gazette on 19 October 2023; <https://narodne-novine.nn.hr/eli/sluzbeni/2023/121/1679/pdf>).

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The new Act on the Croatian Science Foundation shall define a clear mission of the Foundation for Conducting, Coordination, Design, Monitoring and Evaluation of R & D project funding programmes and policies, creating a strong and independent system for implementing the selection, funding and monitoring of the effects of R & D project.

The objective of this reform is to implement a more functional and efficient governance model for competitive research and put in place development and innovation schemes enabling a faster, merit-based selection process of research projects.

Article 4 of the Act on the Croatian Science Foundation (*hereinafter referred to as "Act"*) defines the mission of the Foundation in points 1 and 2, designating the Croatian Science Foundation (*hereinafter referred to as "CSF"*) as the central organisation for developing and promoting science and technology as well as conducting and coordinating research and development funding in the Republic of Croatia with a view to ensuring sustainable scientific, technological, social and economic development. Additionally, point 5 provides the basis for designing, contracting, monitoring and evaluating calls and project proposals, stating that concrete provisions will be defined and laid down in general acts adopted by the Funding board of the CSF. Concretely, these provisions are then further defined in Articles 9 and 10 of the Statute of the CSF as well as in Article 6 (3.1 and 3.2) of the Rulebook on the internal organisation of the CSF, setting out the provisions for conducting coordinating and designing research and development funding programmes and policies. Furthermore Article 4(6,7 and 8) of the Act provide the basis for ensuring a transparent and independent system of selection, funding and monitoring of the projects, including the provisions to involve scientific and expert panels consisting of independent and predominantly international scientific and expert peer reviewers.

According to Article 10 of the Act, the roles of the CSF Board are defined, including: deciding on financing scientific projects by programmes and on allocating funds in accordance with the purpose of the CSF. Furthermore, the Statute of the CSF in Article 10(2) defines the provisions pertaining to the setup of financing programmes. Article 18 of the Statute of the Foundation emphasises the strategic role of the CSF Board, which proposes the CSF's Strategic Plan to the Croatian Parliament, adopts the Statute, other regulations and all scientific projects financing decisions according to the programmes, consequently putting in place RDI schemes benefiting from faster and merit-based selection processes of research projects.

The reform shall include the adoption of a new Act on the Croatian Science Foundation to strengthen its capacity and reduce the number of institutions currently involved in the management and implementation of research and innovation funding programmes. This new legal framework shall enable to transform and strengthen the Foundation's capacity into a body that, in addition to clearly agreed and defined competences within the framework of inter-institutional coordination within the National Innovation Council, shall ensure a simplified and systematic approach to project funding management.

The capacities of the CSF are strengthened through several articles of the Act. Article 7(1) of the Act defines the bodies of the CSF as follows: Foundation's Governing Board, the Governor of the Foundation and the Complaints Commission. According to Articles 8 and 12 of the Act, members of the Foundation Board and the Complaints Commission are appointed by the Croatian Parliament at the proposal of the Government of the Republic of Croatia, from among scientists or university teachers with experience in leading scientific projects and evaluating project proposals, based on public calls. Thus, ensuring that the two bodies are comprised of members with adequate capacities and skills.

According to Article 11 of the Act, the roles of the Governor are defined, including the adoption of individual financial decisions in accordance with the amount determined by the Article 21 of the Statute. This will strengthen the strategic role of the Board and reduce the administrative burden, as the decision-making process will be transferred to the Governor.

The Rulebook on the internal organisation of the CSF further clarifies the internal structure of the CSF (Article 2), as well as defines required roles and responsibilities for each of the internal departments (Articles 3-9). The required capacities in terms of staff are defined in Article 10.

Furthermore, the process of improving the capacities of the CSF was supported by a Horizon Europe Policy Support Facility project (PSF to support early stages of innovation and science-business linkages in Croatia) and a World Bank project Strategic Partnership for Research, Innovation and Growth, both aimed at providing recommendations to and enhancing the institutional capacity of the CSF. While the Act and its legal provisions set the basis for strengthening the capacities of the CSF, the Policy Support Facility and the World bank project analysis and recommendations were used to draft the remainder of the strategic documents. Concretely, the (intermediate) results and recommendations from both projects were sufficiently included in the Action plan for ensuring administrative capacities of the Croatian Science Foundation, included in the Operational arrangements under monitoring indicator 284.1.

The action plan, developed in May 2022 and further amended in December 2022 including based on the Comments from the Commission and the results of the aforementioned projects, includes a set of three main activities: I. amendment of basic acts, normative framework and CSF manuals; II. the introduction of a new programming and monitoring framework; III. strengthening the operational capacity of CSF (Page 8).

Under activity III Strengthening the operational capacity of the CSF, capacity building measures are defined through areas of new recruitments, on-the-job training and workshops. In terms of staff recruitments, the action plan sets out, on page 15, the need to increase staff from the current 34 to 70. Sub-action 3.2 provides an overview of on-the-job trainings and workshops to be provided throughout 2022 and 2023 (pages 15-16).

Based on Article 10(1) of the Act and as indicated in the Action plan (page 9), the Strategic Plan of the CSF, in chapter 8, page 24, further defines the positioning of the CSF in the national innovation system and the method of liaising and coordinating with other government authorities, agencies and innovation system.

The Council Implementing Decision required the milestone to be completed by Q3 2022. While all other legal documents had been adopted before the submission of the relevant payment request, the Strategic Plan of the CSF was adopted by the Board of the CSF and received approval of the Ministry, however, the Parliament adopted the Strategic Plan on 17 October 2023 and it was published in the Official Gazette on 19 October 2023. During the preparation of the Strategic plan of the CSF, the Croatian authorities took on board recommendations from the aforementioned Policy support facility project as well as recommendations from the European Commission. This led to a significant improvement of quality of the Strategic plan, requiring several revisions before the final adoption. Whilst this constitutes a minimal temporal deviation from the requirement of the Council Implementing Decision, the delay to the adoption of this bylaw is considered both limited and proportional, notably as it comes into force within less than one year of the deadline defined in the CID and less than three months after the submission of the payment request. Moreover, the adopted version of the Strategic plan is to be submitted to the Commission before the final assessment of the payment request, which ensures that all relevant provisions are in place prior to the payment. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

The appendices III and IV of the Action Plan set out the position of the CSF in the national innovation system already, thus clearly defining the role of the CSF in the framework of interinstitutional coordination. As additionally elaborated by the authorities in the summary document (cover note)

these appendices show that the CSF and Croatian Agency for SMEs, Innovation and Investments (*hereinafter referred to as "HAMAG-BICRO"*) are the two leading agencies in Croatia for funding RDI projects. CSF focuses on lower technology readiness levels (*hereinafter referred to as "TRL"*) while HAMAG-BICRO covers higher stages of TRL, regardless of the type of beneficiary. The various management processes (policy development, entrepreneurial discovery process and implementation) previously operated without interaction, resulting in coordination and implementation challenges. Under the new governance system, the CSF serves as the central point for the coordination of external evaluation and reporting on the evaluation of S3 and performs this role alone as compared to the previous system with various bodies performing the task. This represents a reduction in the number of institutions involved in management and implementation of RDI programmes. Furthermore, the cover note acknowledges the importance to consistently follow up on the PSF recommendations and to integrate aspects linked to knowledge valorisation in all calls implemented by the CSF. As prescribed in the Croatian Smart Specialization Strategy 2029, CSF will have a representative in the Inter-ministerial Working Group to reflect its role in the research and innovation system. Both CSF and HAMAG-BICRO will have regular meetings and will be coordinated within the work of the Inter-ministerial Working Group and the National Innovation Council in order to harmonize the new portfolio of programs to the needs of the scientific and business community, to take into account the specifics of the research and development and innovation cycle for different levels of technological readiness.

Article 5 (1) of the Act contains provisions ensuring that the CSF carries out its activities in an independent manner, and Article 5(2) further details that the Governing Board of the Foundation shall take its own decisions on the programmes and on the allocation of financial resources. These provisions ensure independence and a reduction of entities involved in the management and implementation compared to the previous system where the CSF did not have similar powers and was the second implementing body under the Ministry of Science and Education.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 294	Related Measure: HR-C[C4.1]-R[R4], Improvements to the labour legislation	
Name of the Milestone: Adoption of the Law on Tackling Undeclared Work and the new Labour Law		
Qualitative Indicator: Entry into force of the Law on Tackling Undeclared Work and the Act amending the Labour Law		Time: Q4 2022
Context:		
<p>The aim of this reform is to create a clear and modern legislative framework aimed at improving working conditions and work-life balance, better regulating novel forms of work and encouraging the transitions from fixed to open-ended contracts and from undeclared to declared work.</p> <p>Milestone #294 requires the entry into force of the Law on Tackling Undeclared Work and the Act amending the Labour Law. Among other things, the new Law on Tackling Undeclared Work defines undeclared work and all its manifestations, strengthens inspections laying down misdemeanour provisions and regulates the process of transferring workers from undeclared to declared work. At the same time, the Act amending the Labour Law regulates outplace and platform work, limits the number of successive temporary contracts and strengthens the right to work for other employers, revises the 65-year retirement clause, changes the provisions on financing of sick leave and severance for workers at retirement age, encourages additional employment and part-time employment, including provisions to allow flexibility in working time and place of work and reduce the gender pay gap.</p>		

Milestone #294 is the second milestone associated to this reform, and it follows the completion of milestone 293 (entry into force of the amendments to the Minimum Wage Act). It will be followed by milestone 295 (Increasing the ratio of the minimum wage to the average gross wage in 2024 to 50%) and milestone #296 (Reducing the share of temporary contracts to 17%). The reform has a final expected date for implementation on Q2 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Copy of the Act** amending the **Labour Law** (Official Gazette No. 151/2022) of 22 December 2022;
- ii. **Copy of the Law on Tackling Undeclared Work** (Official Gazette No. 151/2022) of 22 December 2022;
- iii. **Summary document** duly justifying how the milestone was satisfactorily fulfilled and including references to the relevant provisions which fulfil the elements of the milestone (Cover note).

The authorities also provided:

- iv. **Non-paper** on the following steps for regulating work through digital platforms.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The Amendments to the Labour Law and the Act on Tackling undeclared work were adopted by the Croatian Parliament on 16 December 2022 and were published in the Official Gazette No. 151/2022 on 22 December 22, 2022. Both Acts entered into force on 1 January 2023, as stipulated by Article 67 of the Labour law and Article 24 of the Law on Tackling Undeclared Work respectively.

The **Amendments to the Labour Law** regulate outplace work and platform work, limit the number of successive temporary contracts, strengthen the right to work for other employers and revise the 65-year retirement clause, change the provisions on financing of sick leave and severance for workers at retirement age, encourage additional employment and part-time employment and include provisions to allow flexibility in working time and place of work and reduce the gender pay gap.

The following amendments to the Labour Act were conducted:

- i) Regulating work carried out from home aimed at ensuring legal certainty for the parties to the employment relationship in exceptional and regular circumstances. The amendments to the Labour Law regulate outplace work through Articles 17, 17(a), 17(b) and 17(c), ensuring legal certainty for both parties in exceptional and regular circumstances. The new legal framework defines outplace work (article 17), regulates the information that is contained in the work contract (Article 17(a)), defines the rights and obligations of the employer towards remote workers (Article 17(b)) as well as the rights and obligations of remote workers (Article 17(c)).
- ii) Disincentives to the use of unjustified fixed-term employment contracts, in particular those of extremely short duration and limiting the number of possible successive temporary contracts and

preventing abuse of such contracts, in particular as regards recruitment by related employers, and better defining the concept of 'successiveness'. The number of successive temporary contracts was limited through amendments to Article 12, whereby a maximum of three temporary contracts throughout a three-year period is established (Article 12(4)). At the same time, disincentives to the use of unjustified fixed-term contracts were introduced, mainly through a better definition of related employers (Article 12(6)) and of the term "successiveness", defining fixed-term contracts as successive if a break between one contract and the next does not exist or if less than three months elapse between one and another (Article 12(5)).

- iii) Strengthening the right to additional work for other employers through articles 18(a), 18(b) and 18(c). Article 18(a) defines the attributes of additional work; Article 18(b) defines the characteristics of the additional work contract; and Article 18(c) defines the working conditions of the workers under an additional work contract. Additional work for other employers was strengthened by omitting the provisions that limited the number of permitted hours of such work on an annual level, while removing the employer's consent to work for another employer.
- iv) Creating a legal framework that regulates work through online platforms as a specific work form, by laying down the subjective rights and obligations arising from this specific legal relationship – fundamental rights and obligations on the basis of work, compulsory insurance, safety and security, rest periods, termination of contracts, co-decision and association and rights in collective employment relationships. All these elements are covered by articles 221(a) to 221(p), laying down the subjective right and obligations arising from the relationship (Article 221(c), Article 221(l)), compulsory insurance (Article 221(l)), Article 221(o)), safety and security (Article 221(h)), rest periods (Article 221(l) in line with Article 15), termination of contracts (Article 221(l)), co-decision and association (Article 221(l) and Article 221(k)), and rights in collective employment relationships (Article 221(o)).

According to Article 67 of the amendments to the Labour law, the amendments to the regulation of platform work (Article 55) will enter into force on 1 January 2024. This constitutes a minimal temporal deviation from the requirement of the Council Implementing Decision, and the delay between the publication of this law and the actual application of the provisions is considered both limited and proportional, notably because of its comprehensiveness and technical difficulty in implementation, requiring the development, hand in hand, of a digital platform and accompanying secondary legislation to make it fully operational. Moreover, a minimal deviation applies to this case given that the law establishes unconditionally that platform work regulation shall enter into force in January 2024. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

- v) Revisions of the legal provision on automatic termination of employment at the onset of retirement age and revision of the provision of mandatory severance in cases of employees reaching retirement age, with the aim of incentivising workers to remain active, while avoiding undue burden on employers. Rights of notice period and severance pay for workers over 65 entitled to an old-age pension were removed (Article 122, paragraph 8 and Article 126, paragraphs 1 and 2) as well as the need for co-decision when terminating an employment contract of a worker over 65 (Article 151, paragraph 1). At the same time, Article 50 of the Act on Compulsory Health Insurance was amended, according to which the Croatian Health Insurance Institute takes over the risk of sick leave longer than 42 days for all workers up to the age of 70.

- vi) Adequately defining the concept of pay and all of its components, in order to better link it with the minimum wage and facilitate the application of labour regulations and rules on taxation of income from employment. Through Articles 90 to 95, the concept of pay and all its elements are regulated, defining which material rights and expenses recognized to the worker are not considered as wage (Article 90). At the same time, a minimum wage increase of at least 50% is prescribed for difficult working conditions, overtime and night work, as well as for holidays and non-working days determined by a special law (Article 94), connecting the Labour law with the minimum wage. All these elements facilitate the application of the labour and income taxation legislation.
- vii) Defining the coverage of collective agreement rights by better linking it to membership, in order to increase the low participation of workers in trade unions and collective bargaining and thus strengthen social dialogue.

The Council Implementing Decision required Croatia to define the coverage of collective agreements rights to strengthen social dialogue. In particular, as clarified in the Croatian Recovery and Resilience Plan, the purpose of the measure is to promote social dialogue and strengthen trade union.

Accordingly, Croatia amended the Labour Law to introduce articles 17(a), 17(b) and Article 60(a) in the Labour Law. Among other things, these provisions allow collective agreements to provide a higher level of protection beyond what is stipulated by the Labour Law as collective agreements can now regulate aspects such as the reimbursement of expenses for remote workers and the working hour schedule. The new provisions, defining the coverage of collective agreement rights and enabling higher protection for workers, thereby strengthen both the incentives for and the impact of social dialogue, as required by the milestone, and reinforce the incentives for workers to participate in collective bargaining - in order to achieve better collective agreements - and to become members in trade unions – which are key players in collective bargaining and the only entities enabled to represent workers. As such, the new provisions establish a better link between collective agreements, collective bargaining and membership of workers in trade unions. On this basis, it is considered that this constitutive element of the milestone is satisfactorily fulfilled.

- viii) Encourage part-time employment and include provisions to allow flexibility in working time and place of work and reduce the gender pay gap through Article 68 (paragraphs 3 to 7). In particular, paragraph 3 entitles workers who provide personal care to a child up to eight years to request the employer during a certain period of time an amendment to the work contract to be shifted to part-time or an adjustment of the working time schedule. The legal provisions allow for a greater use of part-time work primarily by parents and care providers, fostering a reduction of the gender pay gap.

Finally, in line with the description of the milestone in the Council Implementing Decision, **the Law on Tackling Undeclared Work** defines undeclared work and all its manifestations, strengthens inspections and lays down misdemeanour provisions, regulating the process of transferring workers from undeclared to declared work. In particular, the Law on Tackling Undeclared Work:

- i) **Defines undeclared work and all its manifestations**, namely through Article 3, which distinguishes between undeclared work in the strict sense (working without a valid declaration or

employment contract, working on the basis of a non-employment contract or employing third country nationals without a valid working permit) and undeclared work in the broad sense, related to the employers' non-payment or partial payment of wages or contributions;

- ii) **Strengthens inspections and lays down misdemeanour provisions** through Articles 5 through 8 and Article 10, most notably by regulating the actions of the authorities and increasing fines for repeat offenders (Article 7(3) and (4)). Moreover, Article 21 defines fines for employers found to keep inadequate records of employees and their working time;
- iii) **Regulates the process of transferring workers from undeclared to declared work** through Articles 6, 7 and 8. Article 7 mandates employers to register an employee within three days from the day of the decision of the inspector (which has to be adopted within eight days from the day the inspection was conducted). Article 6 mandates that such registration is done retroactively by six months, counting from the day prior to the day the inspection was conducted, unless the exact duration of employment can be unambiguously determined from the documentation available to the inspector. In addition, Article 10 obliges the employer to remunerate the undeclared worker on account of both, wages and contributions, on the basis of the presumption of employment from Articles 6, 7(1) and 7(2). Article 10 also enables the worker recourse to direct collection without litigation in case of non-payment. In addition, in line with the description of reform measure C4.1. R4 in the Council Implementing Decision, the Law on Tackling Undeclared Work:
- iv) **Creates common databases for effective enforcement monitoring**, namely through Article 12, which establishes a so-called "blacklist" of employers where undeclared work was detected;
- v) **Redefines and better harmonises penalties imposed for undeclared work**, namely through Article 7, which determines fines of EUR 2,650 payable by the employer per worker, up to EUR 6,630 in case of repeat offenders. **Establishes electronic records of workers and working time**, namely through Articles 13 and 14, which require employers and platforms to keep electronic records.
- vi) **Regulates the liability for non-payment of wages in the contractual chain**, namely through Articles 18 and 19. Article 18 prescribes joint liability in the subcontracting chain for claims on behalf of due and unpaid wages and authorizes workers to demand payment directly from the contractor, under prescribed conditions. Article 19 defines exemptions from such liability in order to prevent abuse, namely in cases where the contracting party took precautions by verifying the payments with the subcontractors.

In addition, non-legislative actions to combat undeclared work taken in line with the CID description of the reform include **strengthening the knowledge and competences of stakeholders and the institutions supervising them**, namely by organising a conference on tackling undeclared work, in cooperation with the European Labour Supervisory Agency and the State Inspectorate. The conference presented the new legislative framework to representatives of employers, trade unions, platforms as well as other bodies that focus on undeclared work and the academic community.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 313	Related Measure: HR-C[C4.3]-R[R3], Developing community-based services to prevent institutionalisation
Name of the Milestone: Adoption of standards of treatment for family assistants	
Qualitative Indicator: Adoption of standards of treatment for family assistants	Time: Q4 2022

Context:

Milestone 313 is part of reform C4.3 R3 “Developing community-based services to prevent institutionalisation” whose objective is to adopt the National Plan for the Development of Social Services 2021-2027 and the amendments to the new Social Welfare Act new social services such as mentorship and family assistants. The overall purpose is contributing to prevention of institutionalisation and social exclusion.

Milestone 313 requires the development of standards to regulate activities of family assistants shall enable the harmonised provision of on-the-spot services in the beneficiary’s home in cooperation with other stakeholders at the local community level.

Milestone 313 is the final milestone of the reform C4.3 R3. It follows the completion of milestone 312 related to the adoption of the National Plan for the Development of Social Services 2021-2027.

Following the completion of this milestone, in line with the description of the measure in the Council Implementing Decision, Croatia has implemented two milestones of Reform 1 “Transparency and adequacy of social benefits in the social protection system” of component 4.3: milestone 302 related to the Adoption of the National Plan against Poverty and Social Exclusion 2021-2027 and milestone 303 related to the adoption of the new Social Welfare Act. This is a further step of this reform that is not linked to the milestones and targets in the Council Implementing Decision.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the milestone was satisfactorily fulfilled (cover note).
- ii. **Copy of the Standards of treatment for family assistants adopted on 30 December 2022**, and a link to standards on the official website of the Ministry (<https://mrosp.gov.hr/istaknute teme/obitelj-i-socijalna-politika/obitelj-12037/standardi-postupanja-obiteljskih-suradnika/12933>).
- iii. **Explanatory report** demonstrating how the standards of treatment for family assistants contribute to achieving the objectives of the reform.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

In line with the description of the milestone, **developed standards to regulate activities of family assistants shall enable the harmonised provision of on-the-spot services in the beneficiary’s home.**

On 30 December 2022, the Ministry of Labour, Pension system, Family and Social Policy adopted the standards of treatment for family assistants to regulate activities of family assistants. Standards of conduct of family assistants represent guidelines for conduct issued to social service providers so they may establish and provide activities with the aim of improving and harmonising work processes as stated in the adopted Standards of treatment for family assistants (part II Standards of conduct of family assistants, page 5).

Standards of conduct of family assistants developed and improved quality of social services for a specific target group of children and families at risk of neglect and social exclusion, as defined on page 5.

The procedure in the implementation of family associate activities within the social service has been standardised and harmonised to put a special focus on parental skills for everyday childcare and housekeeping. The developed standards of conduct of family assistants enable harmonised provision of on-the-spot services in the beneficiary's home. This is part of the standardisation of professional practices in the implementation of family protection measures which contributes to improving the protection of children, adults with disabilities and elderly people, as it can be seen from the development of the standard of coordination.

The objective of developing those standards is to set-up a harmonised approach to the family assistants job profile description. These standards are a concrete tool to develop and improve the level of quality of social services for children and families; it enables to do comparative evaluation of the delivered service. Concretely, to do so, minimum structural standards were developed (p. 5-7). Those are the following: 1) standards of social service providers that ensures that an adequate social service is provided, 2) workers' standards that ensure the human capacity to provide activities, 3) standards of organisation of work that ensure that the work is organised according to the available capacities and needs of the user group, 4) space standards that ensure the provision of space to plan, provide, monitor and report on the provision of activities of the family worker and 5) equipment standards that ensure the equipment of the facilities in accordance with the planned work programme and established business standards.

The other standards include: 2. minimum standards for informing the public (pages 7-8); 3. minimum procedural standards (pages 8-10): assessment standards for approving the activities of family assistants (page 8), standards for planning the services (page 8), standards for monitoring compliance with user changes and assessment of service performance (page 9), standards for the termination of service (pages 9-10); 4. standards regarding the content and timeframe for the activities of the family assistants (pages 10-11): service content standards (pages 10-11), standards of service duration (page 11) and 5. functional standards (pages 11-13): user participation standards and the right to complain (page 12), coordination standards (pages 12-13).

Furthermore, in line with the description of the measure, the standardisation of professional practices in the implementation of family protection measures shall contribute to improving the protection of children, adults with disabilities and elderly people, equalising quality of the provided service and preventing institutionalisation by providing services directly at the home of users in cooperation with other relevant stakeholders at local level.

Standards of conduct of family assistants are a significant step forward in the development and improvement of quality in the provision of social services for children and families at risk and its members, thus also providing to improved protection of the adults with disabilities and elderly people. The standardisation and harmonisation of the procedure on how the activities undertaken by family assistants are implemented allows to reach a higher level of quality, then improve the protection of those targeted categories of individuals. As evident in the Standards of treatment for family assistants and explained in the explanatory report (page 2), those standards represent guidelines to harmonise the different processes so that all family assistants provide with the same level of service. Furthermore, the adopted standards of conducts of family assistants do include the legal conditions set in Article 23,

point 3 of the Ordinance on criteria for the provision of social services, which set up the conditions regarding the type and level of education required for this job profile. Furthermore, as evident in the Standards of treatment for family assistants and explained in the explanatory report (page 2), the development of functional standards, and especially the point 6 (page 12) related to the standard of coordination enables the integration of service delivery by all professional providing family interventions. Concretely, it means that the service provider and the family assistant do cooperate and coordinate with other stakeholders and experts in the local community. The creation of the Standards of treatment for family assistants further develops provision of services directly at the home of users, thus contributing to the prevention of the institutionalisation.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 318	Related Measure: HR-C[C5.1]-R[R1], Improving the efficiency, quality and accessibility of the health system	
Name of the Milestone: Adoption of the Health System Performance Assessment Framework (HSPA)		
Qualitative Indicator: Entry into force of the Health System Performance Assessment Framework		Time: Q3 2022
<p>Context:</p> <p>Milestone 318 is part of reform 1 “Improving the efficiency, quality and accessibility of the health system” of component 5.1 whose objective is to increase equal access to primary healthcare, especially in the rural, remote and islands areas, by improving the range and quality of services at the level of family doctors (general practitioners), thus reducing the burden on the hospitals.</p> <p>Milestone 318 consists of the establishment of the Health System Performance Assessment (HSPA), a health performance measurement framework, set out of key performance indicators according to a defined assessment methodology, linked to the process of linking measures to the objectives set out in the national strategy papers and reforms, the timeliness of the data, and to improve the monitoring of health outcomes.</p> <p>Milestone 318 is the initial step of the reform C5.1. R1 and will be followed by the final target 319 related to the optimisation of time for diagnostic treatment –waiting list. The reform has a final expected date of implementation on 30 September 2022.</p>		
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document duly justifying how the milestone was satisfactorily fulfilled (cover note). ii. Copy of the Health System Performance Assessment Framework (entry into force 15 September 2022) and the link to the website where the Framework can be accessed (https://zdravlje.gov.hr/pristup-informacijama/strategije-planovi-i-izvjesca/hspa/5736). iii. The Minister's Decree entering into force on 15 September 2022 the Health System Performance Assessment Framework (HSPA) (Class:011-02/22-03/4, Reg.no: 534-07-1-1/10-22-4). iv. Copy of the Action plan to develop the HSPA framework. v. Appendix 2 indicators included in the HSPA framework. 		

- vi. **Methodological Report** HSPA Croatia.

The authorities also provided:

- vii. **Croatian HSPA Framework** (PowerPoint).
- viii. **Outcomes List** and technical protocols.
- ix. **Funnel Plot Calculator**.
- x. **Process List** and Technical Protocol.
- xi. **KPIs Initial Selection**.
- xii. **Structure List** and Technical Protocols.
- xiii. **Comorbidity Calculator**.

Analysis:

The justification and substantiating evidence provided by the Croatia authorities covers all constitutive elements of the milestone.

In line with the description of the milestone, **the Health System Performance Assessment (HSPA) shall establish a health performance measurement framework.**

Health System Performance Assessment Framework was established by Ministry of Health with a Ministerial Decree whose reference is Class: 011-02/22-03/4, Reg.no: 534-07-1-1/10-22-4, entered into force on 15 September 2022. With formal entry into force the main requirement of the milestone was satisfactorily fulfilled. TSI project (SRSS/C2019/082) was used to develop preparatory documentation further adapting and finally developing the health performance measurement framework.

The Health System Performance Assessment (HSPA) **shall set out of key performance indicators according to a defined assessment methodology, linked to the process of linking measures to the objectives set out in the national strategy papers and reforms, the timeliness of the data, and to improve the monitoring of health outcomes.**

The process of selecting indicators included i) reviewing the literature and international experience (also by considering sets of indicators developed by international organisations), ii) involving experts, managers, academics, and professionals, iii) considering the data and indicators already available in Croatia, iv) reviewing and analysing key policies, reforms, and documentation (page 23 in the Methodological Report).

All indicators are accompanied by an indicator passport which includes the source of data such as surveys, administrative data, clinical data, civil registries, disease-specific registries, incident reporting system and all relevant technical criteria to compute each indicator.

Domains and subdomains were populated with a total of 129 key-performance indicators aimed at providing global health system performance overview linked to the six health priorities. These are accompanied by 54 “development indicators. (The list of indicators populating the HSPA framework is in the Excel spreadsheets of the *Annex 2 of the HSPA Framework document*.)

Croatian Recovery and Resilience Plan, the National Cancer Plan 2020–2030, and the National Health Care Development Plan 2021–2027 represent national strategy papers and reforms that contributed to

framing the context and identifying the intrinsic goals of the health system. Thus, providing a basis of objectives to be linked with key performance indicators. Indeed, those documents have contributed to outline the health priorities, thus framing the reform and investments. As indicated in the methodological report (p.5) the key principles that guided the reforms are the following: i) strengthening the health care system so that it can adequately respond to the challenges posed by chronic non-communicable and emergent communicable diseases and ii) ensuring fair access to care. In other terms, reforms and investments are meant to i) improving the efficiency, quality, and availability of the health system, ii) introducing a new model of care for key health challenges, iii) introducing a system for strategic human resources management, iv) ensuring the financial sustainability of the health care system to reduce fragmentation in management and increase rationality, and v) developing e-health.

The HSPA framework is a tool providing information on how the health system performs. The timeliness of data is thus ensured by the HSPA framework itself as it was structured with key domains of analysis and indicators that are populating the HSPA with updated and reliable data. The HSPA Framework provides a resilient methodological approach capable of capturing the variations in the context of their immediate inception. Thus, it is flexible and adaptable to future changes. The first step entailed the delineation of health system boundaries limited to actors and actions whose primary intent is health improvement (Chapter 2 Development of the Croatian Health System Performance Assessment (HSPA) Framework of the Methodological report, pages 10-21).

The HSPA framework enables comparison between health care providers and counties based on selected key-performance indicators, including outcome indicators. In this way, health care providers and counties where it is necessary to improve treatment outcomes and efficiency are recognised, and through continuous monitoring within the HSPA framework, it is possible to monitor and evaluate their progress in that area.

Against this background, the justification and substantiating evidence provided by the Croatian authorities cover all constitutive elements of the milestone.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 323	Related Measure: HR-C[C5.1]-I[R1-I4], Digital image diagnostics of Clinical Hospital Centre 'KBC Split'	
Name of the Milestone: Modernisation of health services in Clinical Hospital Centre KBC Split		
Qualitative Indicator: Purchased equipment for the Clinical Institute for Diagnostic and Intervention Radiology KBC Split		Time: Q4 2022
<p>Context: The objective of this investment is the modernization of health services in Clinical Hospital Centre KBC Split to upgrade the digital image diagnosis of KBC Split, thus improving healthcare in the field of prevention, treatment and diagnosis of diseases. The investment also consists of improving clinical outcomes, and provide earlier and better-quality diagnostics, especially in paediatric and oncological patients. In particular, it involves digitalising health services and processes, ensuring transparency in health service delivery, optimising the use of the resources of the hospital system and ensuring future financial stability.</p>		

Milestone #323 requires the instalment of equipment for the Clinical Institute for Diagnostic and Intervention Radiology and at the Clinical Nuclear Medicine Institute and construction and equipment of hybrid endoscopic room at the Gastroenterology, to allow for the introduction of new diagnostic and therapeutic procedures in Clinical Hospital Centre KBC Split. The installed equipment should be at least magnetic resonance 3T, neurointervention digital DSA angio room, digital diascope X-ray machine, endoscopic gastroenterological room.

Milestone #323 Digital image diagnostics of Clinical Hospital Centre 'KBC Split' is the only milestone of this investment C5.1 R1-I4 Digital image diagnostics of Clinical Hospital Centre 'KBC Split' with a final expected date for implementation on 31 December 2022.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note).
- ii. **Package of supporting documentary evidence for project magnetic resonance 3T (MRI)**
 - Contract concluded with suppliers dated 28.09.2022 and 05.10.2022.
 - Takeover record dated 13.02.2023.
 - Technical specifications.
 - Brochure of the device on environmental performance.
- iii. **Package of supporting documentary evidence for project Digital DSA angio room (DSA)**
 - Contracts concluded with suppliers dated 28.09.2022 and 03.10.2022.
 - Takeover record dated 16.12.2022.
 - Technical specification.
 - Brochure of the device on environmental performance.
- iv. **Package of supporting documentary evidence for project Digital Diascopy Radiography device**
 - Contract concluded with suppliers dated 28.09.2022 and 05.10.2022.
 - Takeover record dated 19.12.2022.
 - Technical specifications.
 - Brochure of the device.
- v. **Package of supporting documentary evidence for project 4 C-arm device (part of the endoscopic gastroenterological room)**
 - Contract concluded with suppliers dated 28.09.2022 and 04.10.2022.
 - Takeover record dated 35.10.2022.
 - Technical specifications.
 - Brochure of the device on environmental performance.
- vi. **Package of supporting documentary evidence for project of the endoscopic gastroenterological room (ERCP)**
 - Contract concluded with suppliers dated 28.09.2022 and 04.10.2022.
 - Takeover record dated 27.12.2022.
 - Takeover record dated 20 December 2022.
 - Five (5) documents related to the technical and works specifications.

The authorities also provided:

- vii. **Takeover record** for project 6 Gamma camera – Siemens dated 20.10.2021.(not part of the assessment).
- viii. **Statistics** from CHC Split IT system
- Excel sheet *Digital diascopy radiography device 1-5.2022.xls*.
 - Excel sheet *Digital diascopy radiography device 1-5.2023.xls*.
 - Excel sheet *Endoscopic gastroenterological room 1-5.2022.xls*.
 - Excel sheet *Endoscopic gastroenterological room 1-5.2023.xls*.
 - Excel sheet *DSA 2022.xls*.
 - Excel sheet *DSA 2023.xls*.
 - Excel sheet *MR 1-05.2023.xlsx*.

Analysis:

Modernisation of health services in Clinical Hospital Centre

All equipment installed is medical technology that use digital tools and data analysis. The characteristics of this new equipment as such allow the modernisation of health services in Clinical Hospital Centre KBC Split, hereinafter referred to as “CHC Split”.

Purchased equipment for the Clinical Institute for Diagnostic and Intervention Radiology KBC Split

As stated in the provided evidence (contracts and takeover records), equipment was purchased and installed, as well as the adaption and equipping of an integrated endoscopic gastroenterological hall at the Clinical Institute for Diagnostic and Intervention Radiology KBC Split, both located at the CHC Split, was made.

Installing equipment for the Clinical Institute for Diagnostic and Intervention Radiology and at the Clinical Nuclear Medicine Institute and construction and equipment of a hybrid endoscopic room at the Gastroenterology Institute, to allow for the introduction of new diagnostic and therapeutic procedures in Clinical Hospital Centre KBC Split.

The devices were installed at the Clinical Institute for Diagnostic and Intervention Radiology and at the Clinical Nuclear Medicine Institute, at CHC Split. The construction and equipment of a hybrid endoscopic room took place at the Gastroenterology Institute. The characteristics of this new equipment as such allow new diagnostic and therapeutic procedures to be carried out in the CHC Split.

The installed equipment shall be at least magnetic resonance 3T, neurointervention digital DSA angio room, digital diascopic X-ray machine, endoscopic gastroenterological room.

The Siemens magnetic resonance imaging (MRI) scanner 3T device (MR power device 3T –come 1, serial number: 176768) was delivered in CHC Split, on the site Firule-Spinčićeva. The device is installed and in function as indicated in the takeover record dated 13 February 2023.

The Philips neurointervention digital DSA (Digital Subtraction Angiography) device (Pack 1, serial number: 1205) was delivered in CHC Split, on the site Firule-Spinčićeva. The device is installed and in function as indicated in the takeover record dated 16 December 2022. As explained by the Croatian authorities, this device had been installed in what is called the angio room.

The Siemens Digital diascopy radiography (X-Ray) device (Pack 1, serial number: 8390) was delivered in CHC Split, on the site Firule-Spinčićeva. The device is installed and in function as indicated in the takeover record dated 19 December 2022.

The construction and equipment of a hybrid endoscopic room took place at the Gastroenterology Institute. Indeed, the C-arm device (Pack 1, serial number: 23499) as part of the gastroenterology endoscopy procedure room was delivered in CHC Split, on the site Firule-Spinčićeva. The device is installed and in function as indicated in the takeover record dated 25 October 2022. Furthermore, the construction works related to the endoscopic gastroenterological room are finalised and the equipment for the room is installed as indicated in the takeover record related to ERCP - Prolux d.o.o dated 20 December 2022 and the one related to the ERCP Endopharm d.o.o dated 27 December 2022.

The investment shall aim to increase the quality and accessibility of healthcare for all categories of patients, improve clinical outcomes, and provide earlier and better-quality diagnostics, especially in paediatric and oncological patients.

The upgrade of digital image diagnosis in CHC Split, which is the objective of the investment, allows for new diagnostic and therapeutic procedures:

The installation of the new radiological equipment which consists of the neurointervention digital DSA angio-room, the digital diascopy radiography device and a magnetic resonance scanner 3T allow for an increase of the quality and accessibility of healthcare for all categories of patients at CHC Split. As explained by the Croatian authorities, the new neurointervention digital DSA angio-room allows for new possibilities as CHC Split did not have such equipment before which resulted in the incapacity to fulfil all clinical requirements, both for hospital patients and emergency patients, which lead to further delays in establishing a diagnosis and the initiation of therapy, resulting in a lower quality of clinical outcomes compared to the situation after the investment. CHC Split is now able to provide a full-scale neurointerventional program (endovascular treatment of aneurysms and vascular malformations and ruptured brain aneurysms). It also results in equal and timely availability of services to patients who were previously referred to KBC Zagreb which is 400km away from Split. Concretely, with the acquisition of the DSA angio-room, the CHC Split can now better deal with emergency patients increasing the quality and accessibility of treatment for these as well as normal patients.

The installation of the new Magnetic resonance 3T device allows for a faster and more precise diagnosis which has a significant impact in the context of carrying out further therapeutic procedures, and thus leads to better clinical outcomes. Concretely, the example provided by the Croatian authorities concerns children with epilepsy where it is crucial to timely detect changes in the brain that lead to epileptic outbreaks, and hence to start therapy earlier than possible before; which means that in the past, in the absence of a magnetic resonance 3T device, parents from the Dalmatia region had to take their children to Zagreb or Osijek for imaging, which significantly extended the time for the start of therapy, besides resulting in significant (human, emotional and financial) costs for the patients and their families. This device also increases the scope of diagnosis as the method of choice for assessing the presence of prostate cancer and disease staging is, according to urological guidelines, through a magnetic resonance 3T device.

The installation of the neurointervention digital DSA angio-room, as well as the magnetic resonance 3T device enables further professional development as the acquisition of new competencies and skills of the Clinical Hospital Centre Split radiology teams, which enable further improvement of clinical outcomes. Furthermore, this equipment also improves the clinical outcomes as its use speeds up the time to establish a diagnosis, and therefore to initiation of therapy at an earlier stage. As explained in

the summary document, that new diagnostic equipment increases the number of treatments, leading to the detection of a higher percentage of pathological conditions, especially in their early stages. Furthermore, the fact of not being able to develop additional diagnostic and therapeutic methods and procedures has been overcome with the new equipment. With adequate equipment, the CHC Split is now able to provide neurointerventional procedures for solving ruptured aneurysms of brain blood vessels whereas before, in emergency situations, patients were transported to Zagreb. Endoscopic interventions and procedures (ERCP, dilation and stenting of the alimentary canal, etc.) are now performed in adequate interventional endoscopy room not available before the investment, thus increasing the number of patients. By the end of 2023, CHC Split will start to perform new neuroradiological interventional procedures on the brain and spine blood vessels (endovascular treatment of aneurysms and vascular malformations and ruptured brain aneurysms) which will also lead to better clinical outcomes.

The installation of the magnetic resonance scanner 3T enables the practice of new clinical diagnostic methods and the implementation of this device imaging techniques that contribute to more accurate and prompt diagnosis at the CHC Split. It increases the number of processed oncological and paediatric patients and provides earlier and better-quality diagnostics. For example, children from the entire region of Dalmatia, which includes four counties, are examined thanks to this magnetic resonance scanner 3T device, given that fact that MR examinations of children are performed only in the Clinical Hospital Centre Split with anaesthesiologic support.

Furthermore, the digital diascopy radiography device radiation doses for patients and staff have also been reduced, which is especially important when paediatric patients are examined.

Furthermore, in line with the description of the measure, **it shall digitalise health services and processes.**

All newly installed diagnostic devices are fully digital. Digital equipment allows the Clinical Hospital Centre Split the possibility to work on digital distribution and image archiving as well as to reduce the radiation dose for the patients and staff. Therefore, the aspect of the requirement on digitalising health services and processes is considered addressed.

Furthermore, in line with the description of the measure, **it shall ensure transparency in health service delivery.**

As explained in the summary document, the modernisation of the equipment provides digital image and records thus allowing patients to have access to more information about medical procedures and access to medical records and get information about medical treatment options, risks, costs and expected outcomes.

From the links provided, it can be concluded that waiting lists for patients can be accessed publicly from the web sites of the CHC Split [Liste čekanja | KBC Split \(kbsplit.hr\)](https://kbsplit.hr) and National Health Insurance Fund [HZZO - Liste čekanja \(hzzo-net.hr\)](https://hzzo-net.hr).

From the data provided, it can be concluded that the CHC Split has been able to reduce waiting days, especially to get a brain angiography procedure with the use of the new MR 3T device. Specifically, waiting time for this procedure was reduced from 340 days to 133 days in 2023.

The above mentioned publicly available data on health service delivery ensures transparency.

Furthermore, in line with the description of the measure, **it shall optimise the use of resources of the hospital system and ensure future financial stability.**

From the data provided, the installation of those digital diagnostic equipment and integrated

gastroenterology endoscopy procedure room results in reducing maintenance costs and increasing the number of invoices issued and thus laying the foundation for financial stability. By enabling the use of telemedicine, resulting in cooperation between health institutions, it has reduced resource utilisation and improved the workflow efficiency. As explained by the Croatian authorities, the installation of digital diagnostic equipment has increased the number of treated patients, raising the revenue of CHC Split, thus improving its financial stability. Indeed, from the data provided in two excel documents related to the endoscopic gastroenterological room activities, a comparison between the difference of the number of invoices between 2022 and 2023 can be done. The number of invoices has increased from 257 in 2022 to 443 in 2023. Another explanation provided in the summary document highlights the benefits of the DSA angio-room coupled with standard oncological therapy, that contributes to the hybrid therapy allowing CHC Split to perform more oncological interventions procedures, that shorten the duration of oncology therapy and recovery, leading to additional cost reduction. Furthermore, the digital diascopic radiography device has enabled CHC Split to digitally archive medical imaging without developing films using chemicals. This has reduced maintenance costs and contributed to the general requirement.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 336	Related Measure: HR-C[C5.1]-R[R4], Ensuring the financial sustainability of the health system	
Name of the Milestone: Amendment of the Health Care Act and Compulsory Health Insurance Act		
Qualitative Indicator: Entry into force of the Acts Amending the Health Care Act and the Compulsory Health Insurance Act		Time: Q4 2022
<p>Context:</p> <p>The objective of this reform is to address the unsustainable rise in arrears, inconsistent procedures and the procurement of costly medicines in the health system. The aim is achieving a financially sustainable public health system, by conducting a uniform standard of preparation, contracting, and implementing procedures that influence the ways and possibilities of providing healthcare. The reform consists of including the revision of the legislative framework consisting of the Health Care Act and Compulsory Health Insurance Act. Significant outcomes of the reform should manifest in form of functional integration of hospitals and joint procurement procedure for government managed hospitals.</p> <p>Milestone #336 Amendment of the Health Care Act and Compulsory Health Insurance Act consists of adopting two legislative acts: i) the Health Care Act and ii) the Compulsory Health Insurance Act. The Health Care Act addresses challenges related to the public procurement, reorganisation of services, and management. The Compulsory Health Insurance Act focus on issues related to criteria determining programme for compulsory healthcare, healthcare accessibility and financial sustainability.</p> <p>Milestone #336 Amendment of the Health Care Act and Compulsory Health Insurance Act is the first step of the implementation of the reform C5.1 R4 Ensuring the financial sustainability of the health system and it will be followed by targets #337 Functional integration of hospitals and #338 Joint procurement procedure for health institutions. The reform has a final expected date for implementation by 31 December 2023.</p>		
Evidence provided:		

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note).
- ii. **Amendments** to the Health Care Law (NN 582 33/2023)- https://narodne-novine.nn.hr/clanci/sluzbeni/2023_03_33_582.html;
- iii. **Amendments** to the Law on compulsory health insurance (NN 583 33/2023) - https://narodne-novine.nn.hr/clanci/sluzbeni/2023_03_33_583.html

The authorities also provided:

- iv. **1st amendment** to the Decision on joint implementation of certain procurement procedures dated 15 March 2022, (406-09/21-01/30, 534-05-2/1-21-01)
- v. **2nd amendment** to the Decision on joint implementation of certain procurement procedures dated 4 October 2022, (406-09/21-01/30, 534-05-2/1-22-150)
- vi. **3rd amendment** to the Decision on joint implementation of certain procurement procedures dated 6 March 2023, (406-09/21-01/30, 534-05-2/1-23-263)

Analysis:

Entry into force of the Acts Amending the Health Care Act and the Compulsory Health Insurance Act.

The Amending Health Care Act and Compulsory Health Insurance Act were published in the Official Gazette NN 33/2023 on 27 March 2023 (Article 97) and entered into force on 1 April 2023 (Article 68).

The amendments to the Health Care Act shall allow the new Joint Procurement Decision to be binding also on those health institutions whose participation has so far been voluntary and shall consequently increase the number of stakeholders covered by the joint procurement. Transferring the management rights of the hospitals currently managed by the counties and the City of Zagreb to the Republic of Croatia in order to achieve rational and quality use of existing capacities, improve the availability and quality of healthcare by reorganising the hospital management model.

Article 86(4) of Health Care Act created a legal obligation for General hospitals to participate in joint public procurement, which is further implemented through the Joint Procurement Decision (406-09/21-01/30, 534-05-2/1-23-263), amended on 6 March 2023. Transferring the founding rights of the General hospitals to the Republic of Croatia, proscribed by Article 22 amending Article 70 of Health Care Act, and further covered in Articles 86 to 91 of Health Care Act, increased the scope of joint public procurement for health institutions whose participation has so far been voluntary and increased the number of stakeholders covered by joint procurement. Namely, the transfer of founding rights to the central government raised the number of hospitals obliged to participate in joint procurement from 11 to 33.

Additional legislative changes have been made **to achieve rational and quality use of existing capacities, improve the availability and quality of healthcare by reorganising the hospital management model:**

- Article 26 (amending Article 85) and Article 78 of Health Care Act reorganised the hospital management model to achieve more effective public hospital system management by requiring competencies of hospital management in the field of health management,
- Article 6 (amending Article 20 of Health Care Act) of Health Care Act contributed to achieving a rational and quality use of existing capacities through standardised organisation, namely by unifying the systematisation of job posts. Moreover, through functional integration of hospitals, both horizontal and vertical, it contributes to increasing efficiency in human resources planning, employment and procurement of medical equipment. Article 31 (amending Article 98) of Health Care Act implements business control mechanisms and contributes to a more rational and higher quality use of existing capacity by better distributing capacities. This includes defining the new Public Health Service Network, reducing the number of acute hospital beds, increasing the number of day hospital chairs/beds and increasing the number of palliative and long-term treatment beds,
- Article 7 (amending Article 22) of Health Care Act **applies clinical guidelines and quality indicators monitoring** for diagnostic and treatment processes (**enhanced patient safety**), which are further developed in secondary legislation.

It is expected that the new coordinated management of all acute hospitals **at the centralised state level should strongly contribute to the financial sustainability** of the system, given their share in the total arrears of the healthcare system.

The Single Office for Emergency Medicine improves the organisation of emergency medicine activities and carries out operational tasks throughout the territory of the Republic of Croatia through certain organisational units.

The requirement in the Council Implementing Decision is achieved by Article 49 amending Article 140 of Health Care Act, as the legal empowerment is given to the Croatian Institute for Emergency Medicine to adopt legally binding general acts for all relevant services in the emergency medicine system throughout the territory of the Republic of Croatia, thus creating the Single Office for Emergency Medicine. Article 47 amending Article 138, Article 48 amending Article 139, and Article 50 amending Article 142 of Health Care Act further contribute to the establishment of the new framework of emergency medicine throughout the territory of the Republic of Croatia. The emergency medicine system now functions as a single network of emergency medicine and medical transport, operating according to the same standards. The new organisational structure of Croatian Institute for Emergency Medicine improves the activities and carrying out operational tasks through organisational units (county emergency medicine institutes). It increases system effectiveness during regular functioning and increases the resilience of the system to future health crises, while achieving savings and cost rationalisation through joint procurement and shared use of equipment and by increasing the number of people at the disposal for the system without extra hiring.

The new framework for the Single Office for Emergency Medicine (Article 49):

- determines the schedule and area of operation of emergency medical service teams,
- adopts standards in the field of emergency medicine and medical transport, as well as the schedule and standard of emergency medical service during the tourist season,
- monitors, analyses, and supervises the uniform implementation of work quality standards and equipment in the field of emergency medicine and medical transport, determines the equipment of the county emergency medicine institutes,

- carries out procedures for the joint procurement of equipment for the needs of the county emergency medicine institutes, thus achieving standardisation of the equipment used and control of procurement in terms of quantities and types of equipment,
- organises educational programs of lifelong education / permanent training of workers in the field of emergency medicine,
- implements digitalisation of the emergency medicine system with aim to achieve real-time supervision of the system, thus allowing effective archiving, collection, and analyses of data.

The reorganisation of the public health service shall contribute to increasing efficiency and strengthen the public health system, with a particular focus on prevention and early diagnosis, improved response in emergency and special circumstances (pandemics).

The reorganisation of the public health service is achieved by Article 45 adding Article 133a and 133b of Health Care Act providing authority to Croatian Institute for Public Health to coordinate and manage the organisation and performance of the county units of Institutes of Public Health, thus contributing to **increasing efficiency and strengthen the public health system**. Previously, the national central service was only empowered to produce recommendations, while county Institutes were autonomous in the application of recommended programmes and activities. In the new set-up, namely through Article 46 (amending Article 134), paragraph 4, the county Institutes of Public Health are required to carry out minimal activities both in crisis situations and in national preventive programs in accordance with the established national prevention programs and guidelines issued by the Ministry of Health and the Croatian Institute of Public Health, thus ensuring equal access to the necessary crisis and preventive activities for all residents, regardless of their county or city of residence. Thus, creating a **particular focus on prevention and early diagnosis, improved response in emergency and special circumstances (pandemics)**.

The amendments to the Compulsory Health Insurance Act shall establish a clear and transparent criteria for determining the programme of health care measures under compulsory health insurance, the bodies that shall establish and adopt a programme of measures and the scope of health care to be covered by compulsory health insurance and compliance with other legislation.

The amended Compulsory Health Insurance Act now clearly defines the body authorised to adopt health protection measures, namely the Croatian Health Insurance Fund, and measures covering only the insured persons of the Croatian Health Insurance Fund (CHIF) and the healthcare provided by the CHIF within the framework of mandatory health insurance (Article 8 amending Article 18, paragraph 2).

The requirement of establishing **clear and transparent criteria for determining the programme of health care measures under compulsory health insurance** is achieved by setting the following criteria: network of public health service, principles of healthcare, organizational forms of performing health activities and financial plan of the Croatian Health Insurance Fund (CHIF) providing funds for the implementation of health care rights from compulsory health insurance (Article 8 amending Article 18, paragraph 4). Listed criteria are the basis for the establishment of a clear and transparent list of healthcare rights from compulsory health insurance, providing services within the established standard of rights in the medically acceptable deadlines, according to the individual health condition of each insured person.

The amendments to the Compulsory Health Insurance Act shall aim at making healthcare more accessible and timely for insured persons when they need it and Reduction of waiting lists for individual

medical services, optimisation and, in this connection, better distribution of available healthcare resources from compulsory health insurance.

The clear and transparent criteria for determining the programme of health care measures under compulsory health insurance contribute to **better availability and timeliness of healthcare** for insured persons, namely through Article 8 (amending Article 18), which introduces more targeted definitions and criteria, allowing for better use of financial resources and available health facilities with the perspective to raise the healthcare standard.

With the legislative changes introduced in Article 14 amending Article 26, there is a new possibility for medical treatment of insured persons at non-contracted health care providers in the Republic of Croatia in cases where the alternative is treatment abroad. This improves the accessibility of healthcare.

Article 37 (adding article 88a) introduces a new concept of providing healthcare services with non-contracted health care providers where there are significant extensions of waiting lists. When a significant extension of the waiting list for certain health services is determined, the Croatian Health Insurance Fund (upon the request of the Ministry of Health) should organise a call for tenders for the contracting of services with significant waiting list delays. The same Article also addresses the objective of reduction of waiting lists for individual medical services, by creating a policy tool that can effectively ensure **increase of healthcare availability and reduction of waiting lists** as well as **optimisation** by utilising all available healthcare services in Croatia.

Article 7 amending Article 22 of the Health Care Act also contributes to the requirement on **reduction of waiting lists for individual medical services** by legally prescribing medically acceptable waiting time for a health service determined in accordance with the indicative expert guidelines and criteria for classification into the levels of need for a health service. Until the Croatian Medical Association in charge for preparation of indicative expert guidelines and criteria adopts necessary documentation, a transition period is envisaged at the level of the medical/dental practitioner classifying the degree of healthcare urgency.

Finally, in relation to all new options added in the legislation (listed above), the scope of existing compensation principle for transportation costs when an insured person is referred to a different location for the provision of health care is extended to apply also for newly added scenarios (Article 14 amending Article 26), thus further increasing the **availability and timely delivery of health care** for insured persons as well as **better distribution of available healthcare resources from compulsory health insurance.**

The amendments to the Compulsory Health Insurance Act shall aim to provide finance for the purpose of achieving financial stability, its sustainability and, in this connection, improving the situation of insured persons in the exercise of statutory health insurance.; and strengthening financial management provisions while guaranteeing financial capital for the purpose of achieving financial stability of the public health system.

The following legislative changes of Compulsory Health Insurance Act contribute to the achievement of the requirement by providing finance, rationalising costs and balancing financial operations of compulsory health insurance to achieve financial stability:

- Article 34 (amending Article 72) and Article 35 (amending Article 82) is providing finance for the purpose of achieving financial stability by redefining the funding sources of the Croatian Health Insurance Fund (hereinafter referred to as “CHIF”) and its obligations, thus creating a legal basis that the budget transfers are not limited, and it establishes a process for assuring the additional amounts in case of the need for additional budget funds.

- Article 9 amending Article 19 paragraph 2, point 3 introduces a provision of preventive health examinations to all categories of insured persons, funded entirely by the mandatory health insurance in order to improve early detection and prevention, which also contributes to financial stability and sustainability by decreasing the need for more costly treatments in the later stages of diseases,
- Article 9 amending Article 19, paragraph 5 increases the maximum financial participation (co-payment) to prevent over-utilisation and ultimately improve the sustainability of the health system. The provision increases the maximum amount of an insured person’s participation in the costs of healthcare for a certain type of healthcare and the maximum amount of insured person’s participation in the costs of healthcare per issued account. Article 3 amending Article 7, paragraph 7 aims to prevent abuse of the system by obliging unemployed persons that are not recorded in the register of unemployed persons with the Croatian Employment Service to report in person to the Croatian Health Insurance Fund (CHIF) every three months, to undergo a process of insurance status re-evaluation,
- Article 24 amending Article 50, to **improve the situation of insured persons**, is increasing the age limit from 65 to 70 to finance wage compensation due to temporary incapacity for work to insured persons who meet the conditions for retirement, under defined conditions,
- Article 20 amending Article 46 authorises the Croatian Health Insurance Fund (CHIF) to certify instances of temporary incapacity, thus enabling a faster processing of temporary incapacity requests as well as reducing rate of requests,

The amendments to the Compulsory Health Insurance Act aim to insert provision to favour the contracting entities of the HZZO as healthcare providers from compulsory health insurance, as regards the payment of the HZZO’s obligations towards them within the time limits prescribed by law, in order to guarantee the right to health care for insured persons.

The cited Council Implementing Decision requirement is achieved through Article 36 adding Article 87a of Compulsory Health Insurance Act, which prescribes that the healthcare service prices from compulsory health insurance shall be updated at least once every five years. It also prescribes a compulsory review of the prices at least once a year. This creates a monitoring framework to evaluate the quality of the provided health service with contracted healthcare providers and bases the payments for healthcare services from Croatian Health Insurance Fund on outcome of treatment. The described process allows for timely fulfilment of payment obligations of the Croatian Health Insurance Fund (HZZO).

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 346	Related Measure: HR-C[C5.1]-R[R5], eHealth	
Name of the Milestone: Improvement and extension of telemedical services		
Qualitative Indicator: Entry into force of a national telemedical framework extending the scope of telemedical services		Time: Q4 2022
Context:		
The objective of the reform C5.1 R5 “eHealth” is to improve the health system management by a more efficient use of data and innovative health solution and support efforts to ensure that all people have access to the necessary health services of sufficient quality.		

Milestone #346 “Improvement and extension of telemedical services” also ensuring interoperability with the national health information system and suitability for future cross-border exchange requires the establishment of i) a functional national telemedical framework for the transmission of patient vital parameters from Emergency Health Service (HMS) to Joint Emergency Hospital Service (OHBP) and ii) remote monitoring of outpatient Emergency Health Service (HMS). The project delivered i) a situational analysis, ii) National framework for establishing remote Emergency Health Service (HMS) surveillance and iii) an action plan for the introduction of supervision and a framework for monitoring implementation, as well as iv) teleradiology best practice mapping.

Milestone #346 on the entry into force of a national telemedical framework extending the scope of telemedical services is the only one under the C5.1-R5 eHealth measure.

Following the completion of this milestone, in line with the description of the measure in the Council Implementing Decision, Croatia improves the health system management whose different functionalities are implemented: Regular reporting on the population’s health as a basis for targeted disease prevention and management activities; Build national data analytics capacities, including the integration of healthcare providers and patients interfaces with existing infrastructures and practices; Enhance national capacities for the deployment of Artificial Intelligence and high-performance computing, raising the level of e-Health cybersecurity and advanced digital skills for healthcare professionals, as well as patients through advanced technologies, in particular artificial intelligence; Enable the development of new health services based on anonymously collected data available in the health system. This is a further step of this reform that is not linked to the milestones and targets in the Council Implementing Decision.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note).
- ii. **National** telemedical framework for extending the scope of services in field of emergency medicine in the Republic of Croatia finalised on 28 November 2022 and adopted 27 December 2022.
- iii. **Copy of the Minister’s Decree** adopting the national telemedical framework for expanding the scope of services in field of emergency medicine in the Republic of Croatia on 27 December 2022 and a link to the Decree (Class: 011-02/22-11/44, Reg.no.: 534-07-1-1/10-22-5) published on the Ministry of Health website <https://zdravlje.gov.hr/nacionalne-strategije/1522>.
- iv. The report on the comprehensive analysis of the state of the emergency medical service’s remote surveillance system dated 29 August 2022.
- v. **Action plan** for the introduction of supervision and a framework for monitoring implementation dated 13 January 2023.
- vi. **Best practice mapping** in Teleradiology.

The authorities also provided:

- vii. **Link** to the official website of the Government of the Republic of Croatia for timely and accurate information about the coronavirus: www.koronavirus.hr;

- viii. **Public Procurement Contract** for Hosting, Maintenance, Administering and Updating www.koronavirus.hr in Period of 12 Months dated 30 November 2022;
- ix. **The link** to the central eWaiting Lists system: http://www.hzzo-net.hr/e_listei.htm;
- x. **Supplement** no. UG-16/21 dated 4 April 2021 **to the contract** (UG-82/20) **and supplement** no. UG-55/21 dated 30 September 2021 **to the contract** (UG-82/20) and change requests documentation for Basic and Adaptive Maintenance of Applicative Part of e-Waiting Lists, e-Referral and e-Priority Referral module, Central Calendar for Contracted Capacities Monitoring and Central Calendar for Free Timeslots Monitoring in Period of 3 Years).
- xi. Public procurement contract open data portal maintenance services no.10/2023 dated 10 April 2023
- xii. Invitation to Startups: Join our One-Stop-Shop at AI4Health.Cro Hub!
<https://www.irb.hr/eng/News/Invitation-to-Startups-Join-our-One-Stop-Shop-at-AI4Health.Cro-Hub>
- xiii. AI4Health.Cro European Digital Innovation Hub Grant Agreement (Project no. 101083735)
- xiv. Consortium Agreement AI4Health.Cro European Digital Innovation Hub dated in 2023 (different signatures date)
- xv. Open data sets by the publisher Ministry of Health, Croatia:
<https://data.gov.hr/ckan/organization/ministarstvo-zdravstva>
- xvi. [https://data.gov.hr/ckan/dataset? organization_limit=0&organization=hrvatski-zavod-za-zdravstveno-osiguranje](https://data.gov.hr/ckan/dataset?organization_limit=0&organization=hrvatski-zavod-za-zdravstveno-osiguranje)
- xvii. Open data sets by the publisher Croatian Institute for Public Health:
- xviii. <https://data.gov.hr/ckan/organization/hrvatski-zavod-za-javno-zdravstvo>
- xix. Open data sets by the publisher Croatian Institute for Emergency Medicine:
- xx. <https://data.gov.hr/ckan/organization/hrvatski-zavod-za-hitnu-medicinu>
- xxi. [Public Procurement Contract for Maintenance of Open Data Portal \(Public Procurement no. 10/2023\)](#)

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The reform shall include the adoption of the national telemedical framework:

The national telemedical framework for extending the scope of services in field of emergency medicine in the Republic of Croatia (hereafter ‘the national telemedical framework’) was finalised on 28 November 2022. In line with the measure description, the milestone related to the Telemedicine Framework for expanding the scope of the services in the field of emergency medicine in the Republic of Croatia was achieved with the adoption of the Minister’s Decree related to the Telemedicine framework for extending the scope of services in emergency medicine in the Republic of Croatia by the Ministry of Health on 27 December 2022, and published on the Ministry of Health website <https://zdravlje.gov.hr/nacionalne-strategije/1522>.

The reform shall include the adoption of the national telemedical framework with a view to extending the scope of telemedical services and ensuring interoperability with the national health information system and suitability for future cross-border exchange:

The extension of the scope of telemedical services through the national framework needs to be understood as the extension of the scope of services to emergency medicine activities which are

described in the different dedicated sections below. One of those activities which is recommended to undertake is the organisation of teleconsultation centres and ensuring the generation and transmission of real-time data from a non-hospital HMS vehicle to a teleconsultation centre. This data would then be interpreted by contracted doctors that would have the title of teleconsultants. By doing so, they would be able to provide teleconsultations to HMS non -hospital teams.

The national telemedical framework proposes an architecture of the future remote monitoring system in Emergency Health Service. The provisions are defined in chapter 2 of the national telemedical framework. Three scenarios have been developed. These three options are described respectively in subchapter 2.1 *Organisation of a teleconsultation centre or centres – Option 1* (page 5), subchapter 2.2 *Organisation of a teleconsultation centre or centres – Option 2* (page 6) and subchapter 2.3 *Organisation of a teleconsultation centre – Option 3* (page 7) of the national telemedical framework. It is also described in Chapter 2 Action Plan, subchapter 2.2 *Summary of the Action* (page 7) of the Action Plan. Each option develops a different teleconsultation centre organisation and develops the communication and data exchange component. Each scenario also explains the specifics related to the set of the Telecommunication Platform, which deals with the data exchange of the Emergency Health Service and teleconsultants. There is also a part explaining the role of stationary and mobile teleconsultants, work protocols and financial plan.

As explained by the Croatian authorities and also presented in the national telemedical framework, the pilot project will test the viability of Option 1 and a final decision on the best organisation model will be taken at the end of the pilot project as part of the implementation of the World Bank loan.

The provisions dealing with interoperability are laid down in Chapter 1 *Introduction* (page 4); Chapter 3, subchapter 3.2 *Proposed data transmission and exchange protocols* (pages 22 to 24, specifically points 11, 12, 13, 14 and 15), subchapter 3.3 *Functional and non-functional requirements of the remote monitoring system* (pages 27 and 29), subchapter 3.6 *Data exchange standards* (page 34) and subchapter 3.8. Legal requirements (pages 37 to 38); Chapter 6, subchapter 6.2 *Necessary investments in the remote surveillance system* (page 50) and Chapter 8 *Conclusions* (page 58) of the national telemedical framework and Chapter 2, subchapter 2.2.3 *Design, development, test & installation of IT teleconsultation platforms* (page 10) of the Action plan. Interoperability with the national health information system and suitability for future cross-border exchange is ensured by complying with the data exchange standards. Data exchange standards are being provided by the not-for-profit organisation Health Level Seven International (HL7), outside the national framework.

The reform shall introduce provisions for the establishment of a functional national telemedical framework for the transmission of patient vital parameters from Emergency Health Service (HMS) to Joint Emergency Hospital Service (OHBP):

The provisions dealing with the transmission of patient vital parameters are set up in Chapter 3, subchapter 3.1 *A view of the proposed architecture* (pages 8 and 15) which is the proposed solution to set up the remote-control system and sub-chapter 3.1.3 *Remote-surveillance system modules* (pages 20 - 21) of the national telemedical framework which deals with the teleconsultation module, the Medical Application and Publication Unit (MPDJ) module and the HMS module. As also illustrated in the provided illustration of the architecture of the proposed solution for remote monitoring and real-time data transfer and in the HMS module part, the transmission of patient vital parameters from HMS to OHBP is ensured, as one of the main purposes of the HMS Vehicle Module is to send medical data/patients vital parameters generated in HMS vehicles to the Repository of Real-time HMS Vehicle

Data. Data will be available in real-time to both the Teleconsultation Module and the application of the Medical Reporting Unit (MPDJ module).

The reform shall introduce provisions for the establishment to remote monitoring of outpatient Emergency Health Service (HMS):

The establishment of the HMS surveillance has to be read in combination with the already provided information above. Indeed, in chapter 8 - *Conclusion* of the national telemedical framework, it is explained that to establish the Remote Surveillance System at the Emergency Medical Service (HMS) in the Republic of Croatia, the following should at least be done: 1. Equip HMS vehicles with appropriate medical, telemedicine and other essential equipment; 2. Organise the teleconsultation centre(s), 3. Provide a teleconsultation platform, 4. Provide an integrated IT platform to provide information support to HMS (iHMS), 5. Ensure two-way data exchange between iHMS and other information systems, 6. Provide finance, both for the acquisition of the system and for its annual maintenance and service provision, 7. Ensure the capacity to build and operate the system.

The provisions related to the remote monitoring are set up in Chapter 3, sub-chapter 3.1.2 *Virtual conference room utilisation model* (pages 12 – 16), which deals with the model of the virtual conference room to better understand the business processes and data flows, and in sub-chapter 3.1.3 *Remote-surveillance system modules* (page 17) of the national telemedical framework, which deals with the teleconsultation module, the Medical Application and Publication Unit (MPDJ) module and the HMS module. The remote monitoring will be provided through the Teleconsultation Module, which enables the creation of Virtual Conference Rooms.

The project shall deliver: i). Situational analysis; ii) National framework for establishing remote Emergency Health Service (HMS) surveillance and iii) An action plan for the introduction of supervision and a framework for monitoring implementation:

The report on the comprehensive analysis of the state of the emergency medical service's remote surveillance system was finalised on 29 August 2022. The situational analysis provides an overview of what are the current technology solution to provide remote surveillance of patients in the emergency medical services in Croatia. It also provides legal, financial, technological and organisational elements that support the systems or that could provide with the preconditions to complement telemedicine solutions, and/or to improve the existing ones.

The action plan for the introduction of supervision and the framework for monitoring implementation was finalised on 13 January 2023. The Action Plan proposes projects components for the pilot project for the introduction of remote surveillance in the HMS, the national implementation of the Remote Surveillance System and the identification of related projects.

The national telemedical framework for extending the scope of services in field of emergency medicine in the Republic of Croatia was finalised on 28 November 2022 and adopted on 27 December 2022 by the Croatian Ministry of Health. It is published on the Ministry of Health website <https://zdravlje.gov.hr/nacionalne-strategije/1522>. It proposes an architecture of the future remote monitoring system in the Emergency Health Service. Three scenarios have been developed.

Given the limited resources and duration of technical assistance, the teleradiology component shall only be an introductory component at the level of best practice mapping:

“The teleradiology – Introductory at the level of best practice mapping” document was finalised on 21 December 2022.

The document is the basis for further in-depth analysis of those practices to set up the components for at the national level.

The National Picture Archiving Communication System (*hereinafter referred to as “PACS”*) in teleradiology is a medical imaging technology used for the storage, the management and the transmission of diagnostic images and reports. The system is used in Croatia but there is a need to establish a national networked PACS system to improve the teleradiology services. An overview of different national PACS systems and their development (UK, Holland, Switzerland and Ireland), called ‘best practice mapping’ is explained page 3. The next steps to implement the PACS in teleradiology are explained on page 4 of the provided document.

The national eHealth information management system shall include the following functionalities: regular reporting on population’s health as a basis for targeted disease prevention and management activities and build national data analytics capacities, including the integration of healthcare providers and patients interfaces with existing infrastructures and practices:

The national eHealth information management system is not a uniform system but rather a conglomeration of functionalities that forms an information management system, whose functionalities correspond to those listed in the description part of the CID.

The Croatian authorities provided a link to the website of the Government of the Republic of Croatia www.koronavirus.hr. This website reports daily updated information about the COVID-19 disease. It includes reports on patients, active cases, deceased and vaccinated, current and previous measures, open (machine-readable) data and other materials. It also has management activities information such as recommendations for travelling. Furthermore, the public procurement contract (no. UG-115/22), dated 30 November 2022), for hosting, maintenance, administering and updating of the website was also provided as evidence.

As demonstrated by the supplements to the contract and changes requests implemented for basic and adaptative maintenance of applicative part of e-Waiting lists, e-Ordering and e-Priority Ordering modules, Central Calendar for Contracted Capacities Monitoring and Central Calendar for Free Timeslots Monitoring, the national data analytics capacities are updated and part of the e-Health information system since 2020. The central eWaiting Lists system collects data from the hospitals’ healthcare system. Collection is done every hour. The data is published on the public website of the Croatian Institute for Health Insurance for a specific number of procedures (currently 823). The Croatian authorities provided a link to the website of the Croatian Institute for Health Insurance http://www.hzzo-net.hr/e_listei.htm which publishes data collected by the eWaiting Lists system. As credentials are needed to access this website, an illustration of the website related to the eWaiting Lists was provided (dated 6 July 2023) that illustrates a search engine for the first available appointments, by procedure and institutions.

Consolidated data coming from the e-Waiting list, e-Ordering, e-Offers, Unified ordering calendar and central management system allow institutions to have realistic data on waiting lists to shorten them. Primary health care providers can use the e-Referral to refer patients to all institutions in the network of hospital and outpatient-specialist consular health care with which the Croatian Institute for Health Insurance has a contract.

Furthermore, a picture of a report generated by the Central e-Referral and e-Waiting Lists reporting systems within the CEZIH was provided. It illustrates diagnostic procedures for which the waiting time is longer than 250 days as of 30 September 2022, 31 December 2022, 31 March 2023 and 10 June 2023.

A picture of a report example on the use of magnetic resonance device from the Central Management System (CUS) dated 6 July 2023, as well as a picture of a report example on performed medical procedures per employee for a certain period, extracted from the CUS on 6 July 2023 were also provided.

The national eHealth information management system shall include the following functionalities: Enhance national capacities for the deployment of Artificial Intelligence and high-performance computing, raising the level of e-Health cybersecurity and advanced digital skills for healthcare professionals, as well as patients through advanced technologies, in particular artificial intelligence:

To enhance national capacities in the advanced digital field stated in the CID, Croatia created a one-stop shop that involves a pool of experts and acts as knowledge hub for the development of the advanced digital skills in healthcare. Concretely, AI4Health.Cro is a project gathering the experts in the field of artificial intelligence (AI), healthcare and startups that sees AI as the key to advancing healthcare and medicine. By bringing together health professionals, startups, innovators, scientists, and entrepreneurs having high level of expertise and know-how this project will enable the development of AI-based tools and innovative solutions to improve the quality of healthcare and the use of AI by patients. To address e-Health cybersecurity, a section is dedicated to access to research infrastructure, which will particularly focus on data security. The project extends over a period of three years through an action project that started in April 2023, with the official launch of the European Digital Innovation Hub AI4Health.Cro that took place on 20 April 2023. The Croatian authorities provided a link <https://www.irb.hr/eng/News/Invitation-to-Startups-Join-our-One-Stop-Shop-at-AI4Health.Cro-Hub>.

The national eHealth information management system shall include the following functionalities: Enable the development of new health services based on anonymously collected data available in the health system:

As explained by the Croatian authorities, the open data portal of the Republic of Croatia <https://data.gov.hr/en> is used to collect, categorise and distribute open data to the public sector. Open data is data that is publicly and freely available and is intended for reuse for a commercial or non-commercial purpose that is different from the purpose for which it was originally created or collected. Such data's essential feature is that it does not contain personal data or other data protected by law. The Croatian authorities have provided four reference websites: Open data sets by the publisher Ministry of Health, open data sets by the publisher Croatian Health Insurance Fund, open data sets by the publisher Croatian Institute for Public Health and open data sets by the publisher Croatian Institute for Emergency Medicine.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 349	Related Measure: HR-C[C5.1]-I[R5-I3], Tele-transfusion		
Name of the Target: Teletransfusion services			
Quantitative Indicator: Number	Baseline: 0	Target: 35	Time: Q4 2022
Context:			
Target #349 falls under the investment C.5.1 R1-I3 whose objective is to digitise the transfusion service and to ensure the availability of an on-call transfusion specialist for all hospital healthcare			

establishments with transfusion units, contributing to a strong development of the telemedicine service.

Target #349 requires the purchase of IT equipment to be placed in telemedical centers to ensure digital transmission of medical data and strengthen the interconnection of at least 35 hospital establishments with transfusion units.

Target #349 is the only target of this investment.

Evidence Provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note).
- ii. **Delivery records (106)** of IT equipment signed by both the contractor and the competent authority for 35 transfusion centers
 - Delivery records between Croatian Institute of Emergency Medicine and specific transfusion center for delivering medical IT equipment (*Primopredajni zapisnik, Grupa 1*)
 - Delivery records between Croatian Institute of Emergency Medicine and specific transfusion center for delivering IT equipment (without router) (*Primopredajni zapisnik, Grupa 2*)
 - Delivery records between Croatian Institute of Emergency Medicine and specific transfusion center for delivering IT equipment (with router) (*Primopredajni zapisnik II, Grupa 2*)
- iii. **Inventory lists** of Croatian Institute of Emergency Medicine for 35 specific transfusion center
- iv. **Four (4) Dispatch notes** confirming delivering by contractors:
 - Dispatch note no. 23001 (Medical equipment) dated 09.01.2023
 - Dispatch note no. 80053269 (IT equipment) dated 23.11.2022
 - Dispatch note no. 80061711 (IT equipment) dated 01.03.2023
 - Dispatch note no. 80062232 (IT equipment) dated 13.03.2023
- v. **Email** from contractor confirming completion of installation of medical IT equipment (laboratory terminal also called hemoskop) at all 35 locations dated 19 January 2023.

The authorities also provided:

- vi. **Photo** of installed equipment in 35 transfusion centers.
- vii. **A report** on eKarton and Patient Portal – Explanations and method of use dated 30.08.2016.

Analysis:

The justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the target.

The Teletransfusion project shall support the existing digital treatment process infrastructure where it uses the patient data obtained from the ePrescription and eDossier needed to start treatment in a secondary or tertiary healthcare facility:

As explained in the cover note, and in the document *Centralni zdravstveni informacijski sustav Republike Hrvatske (CEZIH) - Koncept sustava* that was provided in the cover note as a link, the existing digital treatment process is a reference to the Central health Information System (CEZIH) that connects healthcare applications and system within the country. As explained in the summary document and in the webpage that can be accessed via the link [e-Uputnice zamijenile papirnatu uputnicu | HZZO](#) provided into the summary document, the Ministry of Health and the Croatian Health Insurance Institute launched the eReferral, eResult, eDischarge letter projects as part of the CEZIH which is the already existing digital treatment process infrastructure, which enables primary care physicians to prescribe eReferrals (ePrescription was a translation error as explained in the cover note)) for specialist and generalist services. This data is currently already collected via eDossier (also called eKarton) which is the patient's central electronic health record. As explained by the Croatian authorities, only authorized doctors participating in the patient's treatment and with his consent, have access to the CEZIH, where data are collected and stored. Thus, the teletransfusion project is developed as an additional service within existing digital framework further enabling digital processing of patients' data to start treatment in the secondary or tertiary healthcare facility.

The project shall connect hospital transfusion centres in Croatia's territory (at least 35 hospital transfusion centres) and shall make the service available 24 hours a day seven days a week:

As evidenced by delivery notes, 35 locations in Croatia were first connected on 19 January 2023. It is also supported by a provided picture showing the established connection with the specialist centre, Croatian Institute for Transfusion Medicine (*hereinafter referred to as "HZTM"*).

The installation was done in two stages. Due to a delay regarding the delivering of network routers being part of the IT equipment, temporary network routers from the HealthNet network were installed on 19 January 2023. The permanent ones were installed on 25 May 2023.

As supported by a picture of the administrative interface of the platform/application, the service is available 24 hours a day seven days a week.

The equipment shall be purchased (package per centre):

As supported by the provided delivery records and inventory lists, equipment was purchased and installed. Each centre has had the same package. One package called 'medical IT equipment' consisting in a laboratory terminal (also called hemoskop) (Technical specification – Group 1; Dispatch note no. 23001 for teletransfusion system and its work stations) including Mechanism for soft insertion of gel cards, high-quality and high-definition color camera, LEDs of the correct color and an optical light distribution system, barcode reader, gel card position sensor, multiple temperature sensors, built-in computer with pre-installed operating system, power supply and control logic circuit, beeper, connection to a monitor as well as keyboard and mouse, ethernet network connection, and finally 6 USB ports. The second package called 'IT equipment' (Technical specification – Group 2; Dispatch note no. 80053269 for 35 work stations, printers, bar code readers, network switches, IP telephones and power stripes with surge protection, Dispatch note no. 80061711 for 20 routers, Dispatch note no. 80062232 for 15 routers) consists in a workstation including mouse and keyboard, monitor, web camera, printer, bar code reader, IP telephone, network switch and network router.

The equipment shall be placed in telemedical access centres:

Based on the documentary evidence provided, consisting of delivery notes and inventory lists, the packages of medical IT and IT equipment were placed in each of the 35 transfusion centres (telemedical access centres).

The programme shall connect with telemedical specialist centres and provides a teletransfusion service:

As explained above, all 35 locations were connected on 19 January 2023. It is also supported by a provided picture showing the established connection with the HZTM.

The programme, which is an application (teletransfusion software), enables different profile users to work through a similar user interface. This provides a teletransfusion service as all 35 transfusion centers use the same application and they are all connected to the Croatian Institute for Transfusion Medicine. The use of the application allows each center to adapt to the needs, and act either as an access or specialist center. It enables the interpretation of pretransfusion and prenatal distance examinations.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 353	Related Measure: HR-C[C6.1]-R[R1]-I[I1], Energy renovation of buildings		
Name of the Target: Contracts signed for the energy renovation of public and multi-dwelling buildings			
Quantitative Indicator: EUR	Baseline: 0	Target: 66.361.404,00	Time: Q4 2022
<p>Context:</p> <p>The objective of this investment is reducing the energy consumption in multi-apartment and public buildings by at least 50%, to reach the minimum increase of 30% primary energy savings compared to the pre-renovation state. The investment also aims at reducing CO2 emissions by increasing the use of RES, alleviating energy poverty, and encouraging circular management of buildings and space the development of green infrastructure.</p> <p>Target #353 refers to the contracts signed providing EUR 66.36.404,00 for the energy renovation of public and multi-dwelling buildings.</p> <p>Target #353 is the first target within this investment, to be followed by the targets #354 related to energy renovation of at least 180.000 m2 of multi-apartment buildings, and target #355 related to energy renovation of at least 288.000 m2 of public buildings, both due in Q2 2026.</p>			
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> i. Summary document justifying how the milestone was satisfactorily fulfilled. ii. Contract register for multi-dwelling buildings indicating for each project: official identifier, project title, brief description including information on energy efficiency measures and compliance with the DNSH principle, calculated energy savings, square meters to be renovated, location, beneficiary, total project value, awarded funds, contract date. 			

- iii. **Extract from the Call for proposals for multi-dwelling buildings** indicating the obligation for achievement of a minimum 30% primary energy savings compared to the pre-renovation state.
- iv. **Direct award contract** with the Croatia Real Estate Agency for public buildings.
- v. **Direct award contract** with the Central State Office for Reconstruction and Housing Care
- vi. **Contract registers** for public buildings with official identifier, project title, brief description of the project including information on energy efficiency measures and compliance with the DNSH principle, calculated energy savings, location, beneficiary, total project value, awarded funds, contract date.
- vii. **Extracts** from both direct award contracts verifying obligation for achievement of a minimum 30% primary energy savings compared to the pre-renovation state.

For the sample selected by the Commission, the authorities provided the following evidence related to energy renovation of multi-dwelling buildings:

- viii. **Extract from the contract register;**
- ix. **Call for proposals:** NPOO.C6.1.R1-I1.01 Energy renovation of multi-dwelling buildings, indicating selection criteria that ensure compliance with DNSH principle with the following annexes and forms:
 - Annex 3: Eligibility checklist;
 - Form 7: Compliance of the project proposal with the DNSH principles;
 - Form 8: Declaration by the main designer on compliance of the proposal with the DNSH principles;
 - Form 9: Declaration by the contractor on the compliance of works with the DNSH principles;
 - Form 10: Declaration by the supervising engineer on the compliance of the project with the DNSH principles.
- x. **Project summaries** with relevant parts of the specifications proving alignment with the description of the target and investment in the CID, including forms 7 and 8 submitted by the beneficiaries.

The authorities also provided:

- xi. **Table overview** of contracted funds for multi-apartment buildings;
- xii. **Table overview** of contracted funds, Croatia Real Estate Agency;
- xiii. **Table overview** of contracted funds, Central State Office for Reconstruction and Housing Care;
- xiv. **Call for Proposal packages** with attachments.

Analysis:

Justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

Contracts signed providing EUR 66.364.404 for energy renovation of buildings:

The Target was achieved by signing the contracts providing **EUR 92.905.965,88** in total for energy renovation of buildings, thereby increasing the use of renewable energy sources and consequently reduce CO2 emissions, alleviating energy poverty, and encouraging the use of development of green

infrastructure and the circular management of buildings and spaces. The following contracts were signed:

1. **91 contracts** from the open Call for proposals for Energy renovation of multi-dwelling buildings **providing EUR 39.816.842,52**, signed between the Ministry of Physical Planning, Construction and State Assets, Environmental Protection and Energy Efficiency Fund of the Republic of Croatia and the beneficiaries, as confirmed by a check of the contract register and budget summaries for the selected sample of 60 contracts.

In line with the measure description in the CID, different co-financing rates were applied to eligible costs, depending on the renovation category (para. 1.4.1. of the Call for proposals, Guidelines for applicants), as follows:

- For energy renovation - 60% for renovation costs and 85% for project documentation costs.
 - For deep renovation comprising of energy efficiency measures on the outer walls, roofs, and technical systems in addition to minimum reduction of 50% in energy consumption for heating and primary energy consumption - 80% for renovation costs and 85% for project documentation costs.
 - For comprehensive renovation combining energy renovation, seismic reinforcement, fire safety and ensuring healthy indoor climate conditions – 80% for renovation costs and 100% for project documentation costs.
2. **One direct award contract** for Alleviating energy poverty in assisted and special state care areas, signed on 20 December 2022 between the Ministry of Physical Planning, Construction and State Assets, Environment Protection and Energy Efficiency Fund of the Republic of Croatia and the Central State Office for Reconstruction and Housing Care, **providing EUR 19.908.421,26**, as indicated in Article 3 of the contract and in the contract register.
 3. **One direct award contract** for the Energy renovation of public sector buildings by contracting an energy service, signed on 28 December 2022 between the Ministry of Physical Planning, Construction and State Assets, Environment Protection and Energy Efficiency Fund of the Republic of Croatia and Croatia Real Estate Agency, **providing EUR 33.180.702,10**, as indicated in Article 3 of the contract and the contract register.

All contracts to state the relevant energy efficiency requirement of a minimum reduction of energy consumption for heating by at least 50% compared to the annual energy consumption for heating prior to the renovation for each building (except for the building with a status of a cultural good), which shall deliver an increase of 30% primary energy savings compared to pre renovation state and respecting the ‘do no significant harm principle’ (DNSH) as set out in Article 17 of Regulation (EU) 2020/852 on establishing a framework to facilitate sustainable investment:

All the contracts state the requirement for a minimum reduction of energy consumption for heating by at least 50% compared to the annual energy consumption for heating prior to the renovation for each building, and the requirement to increase the primary energy savings for at least 30% compared to the pre renovation state in the following parts:

- Article 9, para. 4 in the Central State Office for Reconstruction and Housing Care contract,
- Article 9, para. 3 in the Croatia Real Estate Agency contract,
- Appendix I.I Project description and budget, part I. Project goals and compliance with the DNSH principle in the multi apartment buildings contracts. In the same part of the multi apartment buildings contracts, the planned annual savings for heating and annual primary energy savings for each project are also indicated.

Compliance with the do no significant harm principle as set out in Article 17 of the Regulation (EU) 2020/852 has been ensured at several levels:

- To verify compliance with the DNSH criteria, Croatia submitted the Call specifications for multi-dwelling and public buildings to the Commission prior to publishing.
- As evidenced by the provisions of the Calls for proposals (para. 2.6), compliance with the DNSH principles was set as the project eligibility criteria. The DNSH compliance has been ensured by requiring commitments at: a) the project proposal submission level by justifying the compliance of the proposal with the DNSH principle; b) at main design level, demonstrated by the main designer declaration on the compliance with the DNSH principle; c) construction level, demonstrated by the contractor's declaration that the works are done in compliance with the DNSH principle; d) supervision level demonstrated by the supervising engineer's declaration on the compliance of the project with the DNSH principle.

Furthermore, all the contracts indicate the requirement for the beneficiary to ensure the implementation in line with the DNSH principle in the following parts: Article 4, para 4.3 of the Central State Office for Reconstruction and Housing Care contract, Article 4, para 4.4 of Croatia Real Estate Agency contract, Appendix I.I of the contracts for multi apartment buildings - description and budget of the project, part I. project goals and compliance with the DNSH principle.

The cost of installing gas-condensing boilers shall represent at most 20% of the overall renovation programme cost and gas-condensing boilers shall be installed in order to replace existing inefficient gas, coal and oil-based boilers:

The cost of installing gas-condensing boilers to replace existing inefficient gas, coal, and oil boilers, can represent at most 20% of the renovation/energy service costs, as evidenced by the provisions of Call for proposals for the Croatia Real Estate Agency, para. 2.12.3.1 and para. 2.9, and Call for proposals for multi apartment buildings para 2.10., and para. 2.12.3.1. Within the Call for direct award of funds to Central State Office for Reconstruction and Housing Care, gas boilers were not co-financed.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 359	Related Measure: HR-C[C6.1]-R[R2], Developing a framework for ensuring adequate skills in the context of green jobs needed for post-earthquake reconstruction	
Name of the Milestone: Publication of the National Skills Development Plan in the context of green jobs related to energy efficiency and post-earthquake reconstruction		
Qualitative Indicator: Publication on the official website of the Ministry of Physical Planning, Construction and State Assets		Time: Q4 2022
<p>Context:</p> <p>The objective of this reform is to alleviate risks related to the lack of qualified workforce and to ensure knowledge and skills necessary for successful post-earthquake reconstruction and energy renovation processes, integrating the necessary knowledge on seismic resilience, energy efficiency, circular management, protection of cultural heritage through the development of new education and training programmes and the improvement of the existing ones.</p> <p>Milestone #359 refers to the publication of the National Plan on Skills Development in the context of green jobs related to energy efficiency and post-earthquake reconstruction.</p>		

Publication of the Plan is the first milestone in the implementation of the measure, to be followed by two targets, both due in Q2 2026: target #360 related to completed training and adult education programme for post-earthquake reconstruction and energy renovation, and #361 related to completed expert studies and education programmes in the field of sustainable urban development and renovation of cultural heritage. The reform has a final expected date for implementation on Q2 2026.

Evidence provided:

In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:

- i. **Summary document** justifying how the milestone was satisfactorily fulfilled;
- ii. **Link** to the Plan published on the official website of the Ministry of Physical Planning;
- iii. **Copy** of the National Action Plan on Skills Development;

The authorities also provided:

- iv. **Minister's Decision** on adoption of the National Action Plan on Skills Development in the context of green jobs related to energy efficiency and post-earthquake reconstruction from 29 December 2022;
- v. **Annex** to the National Action Plan on Skills Development.

Analysis:

Justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The publication of the National Skills Development Plan that shall improve the skills of green jobs in the context of energy renovation, post-earthquake renovation, green infrastructure, application of nature-based solutions and circular management of space and buildings, based on a review of existing programmes and preparation and adaptation of educational programmes defined by the reform:

The National Skills Development [Plan](#), adopted on 29 December 2022, **was published** on [the official website of the Ministry of Physical Planning, Construction and State Assets](#).

The objective of the Plan is to provide basis for increasing knowledge and strengthening skills in the context of green jobs related to energy and post-earthquake renovation processes, and to enable reskilling and education of the workforce. It aims at improving educational programs and strengthening competencies related to energy efficiency, seismic reinforcement, application of nature-based solutions and circular management of space (pages 4, 10, 11).

The Plan sets out objectives of the superior legal acts and strategic planning acts relevant to the topics of the document (pages 8 - 29).

Analysis of labour market needs (pages 30 – 51) provides an overview of the necessary knowledge and green jobs skills required for energy and post-earthquake renovation, with essential guidelines derived from the results of the analysis of the labour market situation. The analysis was made according to education levels (pages 30 – 33) and economy sectors and sub-sectors (pages 34 – 50).

A review of existing programs in higher, vocational, and lifelong education and identified deficiencies and knowledge gaps is indicated in chapter 6 (pages 55 – 71).

Integrated **guidelines for the improvement of existing and development of new programs, preparing and adapting the educational programmes defined by the reform**, are listed in chapter 8 (pages 76 – 78), and serve as a basis for the action plan. Guidelines were transformed into implementation steps through goals, measures, and activities, with determined indicators to be used to measure the effectiveness of the implementation (pages 79 – 103).

Consequently, the Plan is structured through five specific objectives:

- I. Creating preconditions for long-term synergy of the labour market and education in the context of green knowledge and skills. Six measures foreseen under this specific objective include developing green skills and knowledge catalogue, enhancing intersectoral and intra-sectoral coordination of educational programs, harmonizing qualifications in sectors important for energy and post-earthquake reconstruction with the Croatian Qualification Framework, developing scholarships and incentives for employment in the context of green jobs, improving competences of persons implementing educational programs in the context of green jobs and simplifying and accelerating administrative processes (pages 82 – 89).
- II. Strengthening and adaptation of higher education including measures on developing an interdisciplinary study program in the context of green jobs, developing advanced studies and education programs, improving higher education by encouraging non-institutional cooperation with entrepreneurs, associations, cultural and other relevant institutions, and fostering the implementation of green innovations (pages 89 – 94).
- III. Strengthening and adaptation of vocational education by developing a unified approach to the design of vocational education programs, applying innovations in practice and education, and encouraging cooperation between vocational education and entrepreneurs (pages 94 – 98).
- IV. Strengthening and adaptation of lifelong education covering measure related to developing integrated formal and informal education programs for the purpose of renovation and decarbonization of buildings with post-earthquake reconstruction, cultural heritage protection, green infrastructure, and circular management elements, and the measure on adaptation of lifelong education system to the participants and private sector needs (pages 98 – 100).
- V. Intensifying promotion activities and visibility of green programs through green campaigns, workshops, and other activities (pages 100 – 103).

From the evidence provided it can be concluded that the published Plan contributes to improving the skills for green jobs in the context of energy and post-earthquake renovation, green infrastructure, application of nature-based solutions and circular management of space and buildings, as it reviews the existing programmes and provides foundations and guidelines for preparing and adapting relevant educational programmes in Croatia, as required by the CID.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 363	Related Measure: HR-C[C6.1]-R[R3], Increasing efficiency, reduction of administrative burden and digitalisation of the renovation process
Name of the Milestone: Online one-stop-shop for energy renovation and seismic reinforcement set up and operational	
Qualitative Indicator: Online one-stop shop operational	Time: Q4 2022
<p>Context:</p> <p>The reform aims to reduce the administrative burden for the applicants in the energy renovation and post-earthquake reconstruction process by integrating energy renovation services into the existing physical one-stop-shop services for post-earthquake reconstruction and by developing an on-line one-stop-shop, which would also combine energy renovation and seismic reinforcement services. The reform also finances strengthening the professional capacities of employees in the one-stop-shop and public institutions involved in the reconstruction process to support full functionality of the one-stop-shop services.</p> <p>Milestone #363 refers to the operationalisation of an online one-stop shop portal bringing together all the necessary information for energy and post-earthquake renovation.</p> <p>Milestone #363 is the second milestone of the reform, and it follows the completion of milestone #362, related to a physical one-stop-shop office for energy renovation and seismic reinforcement (set up and operational). It will be followed by milestone #364, related to completed training for public employees for providing one-stop-shop services for energy efficiency and post-earthquake reconstruction. The reform has a final expected date for implementation in Q2 2026.</p>	
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> i. Summary document justifying how the milestone was satisfactorily fulfilled with a brief description and link to the platform; ii. Copy of the Handover certificate signed on 30 December 2022 between the Ministry of Physical Planning, Construction and State Assets and the service provider, confirming that the listed items are operative and in accordance with the invitation to tender; iii. Specifications of the system from the invitation to tender. <p>The authorities also provided:</p> <ul style="list-style-type: none"> iv. Complete invitation to tender; v. List of participants from the staff training on administrating the portal. 	
<p>Analysis:</p> <p>Justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.</p> <p>Putting into operation of an on-line one-stop-shop system bringing together all the necessary information for energy renovation and post-earthquake reconstruction:</p>	

The online one-stop-shop was put into operation in December 2022 and is available on the following link: <https://obnavljamo.hr/>. The handover certificate was signed on 30 December 2022 between the Ministry of Physical Planning, Construction and State Assets and the service provider.

Based on the following content of the portal it can be concluded that the one-stop-shop portal brings together relevant information on energy and post-earthquake renovation:

In the 'About renovation' section, two sub-sections are available with the information on (1) post-earthquake and (2) energy renovation.

- (1) Post-earthquake sub-section provides details on types of post-earthquake renovation: (a) independent renovation (with financial aid) and (b) (state) organized renovation, further expanding with links to information on renovation methods for both types of renovation: non-structural renovation, structural renovation, and on building new family houses.
- (2) Energy renovation sub-section provides links with details on energy renovation of family houses and multi-apartment buildings, both damaged and not damaged in the earthquakes.

Sub-sections contain information, inter alia, on eligible applicants and application procedure.

'Information material' section of the portal provides detailed guides on renovation, independent renovation of family houses and independent renovation of multi-apartment buildings.

Application forms with information on where to apply and the link to eRenovation digital service are available in 'Where to apply' section.

Sections with frequently asked questions, news and contacts are also available on the home page. Additionally, contacts section contains databases on designers and subjects authorized for energy certification and links to: land registry, databases of certified installers of renewable energy sources, and energy certificates portal.

The one-stop-shop shall be implemented in two phases: (i) emergency services necessary for the urgent structural renovation and necessary restoration of damage in order to ensure a level of safety for citizens and facilities; (ii) integrating all other services and information needed for comprehensive and energy renovation with the services and information included for the 'build back better' concept:

The portal was implemented in two phases, as explained in the summary document received from the Croatian authorities (Cover note):

- Phase one focusing on structural renovation: in this phase emergency service necessary for the urgent structural renovation was developed to ensure safety for citizens and facilities by enabling swift application process through the eRenovation (<https://eobnova.gov.hr>) portal, located within the eCitizen platform. The one-stop-shop portal <https://obnavljamo.hr> included information related to renovation and the link to eRenovation portal where users can track the status of their applications.
- Phase two: integrating all other services and information relevant for comprehensive and energy renovation as mentioned above, including services and information for the build back better approach which is provided, for example, in the section on energy renovation of multi-apartment buildings damaged by the earthquakes where the information on comprehensive renovation is available, which in addition to energy improvements also includes measures of seismic strengthening, increasing fire safety, and measures to ensure healthy indoor conditions.

Commission Preliminary Assessment: Satisfactorily fulfilled

Number: 366	Related Measure: HR-C[C6.1]-R[R4]-I[1], Seismological data network development		
Name of the Target: Seismic equipment units procured			
Quantitative Indicator: Number	Baseline: 0	Target: 300	Time: Q4 2022
<p>Context:</p> <p>The reform aims at strengthening organisational and infrastructure capacity of the Croatian Seismological Survey for collecting, processing, and analysing data on seismic activities. It also aims at strengthening administrative capacity in Croatia and improving risk resilience in spatial planning and the construction sector.</p> <p>Target #366 refers to the acquisition of at least 300 units of new seismic equipment by the Croatian Seismological Survey, to carry out data monitoring, processing and analysis related to seismic activities on Croatian territory.</p> <p>This is the first step in the implementation of the investment, to be followed by target #365 related to seismic data integrated in the expert bases for spatial plans of local government units, and target #367, related to hiring and training of 9 Seismological Survey experts. The investment has a final expected date for implementation by Q2 2026.</p>			
<p>Evidence provided:</p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> i. Summary document justifying how the target was satisfactorily fulfilled; ii. Detailed list of new seismic equipment units; iii. Procurement contracts for lots 1, 2, 4, 5, 6 signed between the University of Zagreb Faculty of Science and the provider; iv. Invoices (HR): 1/2023 lot 6 - 100 units, 2/2023 lot 5 – 120 units, 3/2023 lot 1 – 20 units, 4/2023 lot 4 – 70 units, 5/2023 lot 2 – 25 units; v. Bank statements no. 74 covering lots 1, 2 and 4, and no. 43 covering lots 5 and 6; vi. Contracts award notice for Tenders electronics daily (TED) <p>The authorities also provided:</p> <ul style="list-style-type: none"> vii. Commercial invoice 420389 – 420390 – 420391 – A and packing list for 20 units (lot 1) and 25 units (lot 2); viii. Air waybill 202 71425325, cargo manifest, commercial invoice 420392 and packing list for 20 units (lot 4); ix. Commercial invoice 420394 and packing list for 120 units (lot 5); x. Commercial invoice 420396 and packing list for 100 units (lot 6); xi. Air waybill 020 71425384, commercial invoice 420393-A and packing list for 50 units (lot 4); xii. Contract award notice – results of the procurement procedure; xiii. Proof of notification received – TED. 			

Analysis:

Justification and substantiating evidence provided by the Croatian authorities covers all constitutive elements of the milestone.

The investment shall strengthen the organisational and infrastructure capacity of the Seismologic Survey of the Republic of Croatia through the purchase of at least 300 equipment units in order to increase the quality of the collection, processing and application of the seismic data needed for the renovation process, planning development of new facilities and monitoring public infrastructure, as well as strengthening resilience to earthquakes and associated risks:

The target of 300 seismic equipment units was exceeded, as 335 seismic equipment units were procured. The procurement procedure was launched on 29 March 2022, as indicated in the proof of received notification from Tender Electronics Daily (*hereinafter referred to as "TED"*). A contract award notice covering 335 seismic equipment units was published in TED on 8 November 2022.

The following contracts have been signed between the University of Zagreb – Faculty of Science and the provider, as evidenced by the contract award notice and provided copies of the contracts:

- Lot 1 covering 20 compact kits for field measurements of micro seismic disturbances and earthquake registration, signed on 24 October 2022;
- Lot 2 covering 25 borehole seismographs with a wide measurement range, signed on 24 October 2022;
- Lot 4 covering 20 extremely low noise and very high sensitivity seismographs and 50 low noise and high sensitivity seismographs, signed on 11 October 2022;
- Lot 5 covering 120 digitizers with very low energy consumption, signed on 16 September 2022;
- Lot 6 covering 100 accelerographs with force-feedback sensors, signed on 16 September 2022.

The authorities also provided invoices and bank statements proving that target units have been purchased, as required by the target description: invoice 1/2023 lot 6 - 100 units, invoice 2/2023 lot 5 – 120 units, invoice 3/2023 lot 1 – 20 units, invoice 4/2023 lot 4 – 70 units, invoice 5/2023 lot 2 – 25 units, and bank statements no. 74 covering lots 1, 2 and 4, and no. 43 covering lots 5 and 6.

As explained in the summary document provided by the authorities, new seismic equipment units were purchased to increase the quality of the collection, processing and application of the seismic data needed for the renovation process, planning the development of new facilities and monitoring of public infrastructure, as well as strengthening Croatia's resilience to earthquakes and associated risks.

As indicated in the detailed list of new seismic units provided by the authorities, portable seismographs (lot 1) will be used for field measurements to define the selection of the best locations for seismograph installation, with borehole seismographs (lot 2) the issue of laying instruments deep into the specific terrains will be tackled. Sensitive seismographs (lot 4) will be used for high quality monitoring and detecting even the weakest earthquakes in Croatia but also in the surrounding territories. New digitizers (lot 5) will contribute to stable monitoring and continuous operation in bad weather conditions, or in the areas without access to public electricity network. Accelerographs with force-feedback sensors (lot 6) will enable recording stronger and scattered earthquakes in the vicinity of the station, as seismographs record weaker to moderate ground motions.

As explained in the cover note, new equipment strengthens the infrastructure capacity of the Seismological Survey to increase quality of collection, processing, and application of seismic data in the territory of the Republic of Croatia. It contributes to improving information and communication technologies for processing and exchange of seismological data in real time by setting up the network connecting relevant measurement points in the Republic of Croatia with the central unit located in the Seismological Survey.

Organisational capacity of the Croatian Seismologic Survey is to be strengthened by using new, uniform equipment, installation methods and seismic stations through Croatia. New equipment will enable distribution and interactive analysis of data in real time, making the network denser than the existing one, thus strengthening Croatia's resilience to earthquakes and associated risks.

Commission Preliminary Assessment: Satisfactorily fulfilled