



EUROPEAN COMMISSION

Observations on the Partnership Agreement with the Republic of Croatia

The observations set out below have been made within the framework of Regulation (EU) No 1303/2013 and the fund-specific Regulations¹. The observations take into account the 2014 country-specific recommendations adopted by the Council 8 July² and are based on the Commission' position paper for the use of the European Structural and Investment Funds (ESI Funds or ESIF) in 2014-2020.

The observations refer to the Partnership Agreement submitted by the Republic of Croatia on 22 April 2014. They are presented following the structure of the Partnership Agreement (PA) as set out in the template. The most critical issues for the Commission are noted in Part I.

PART I

Introduction

This is the first seven-year programming exercise of the ESIF in the Republic of Croatia, following the accession of the country to the European Union on 1 July 2013.

- (1) Even though the Commission acknowledges the efforts deployed by the national authorities during the last months in the preparation of the PA, the document does not present yet a sufficient degree of targeting and concentration of the European and Structural Investment Funds (ESIF) to ensure critical mass and impact within each thematic objective TO, considering the overriding challenges for the country during the period, the commitments of the Republic of Croatia at the European level (Europe 2020 targets, 2014 country-specific recommendations), as well as the principle of additionality.
- (2) Considering the wide range of issues to be addressed, a clearer and more strategic presentation of the contribution of ESIF to tackling the challenges should be provided. The current description does not allow a sufficient understanding of how the investments under each Fund will be prioritised and articulated.
- (3) Consequently, the results proposed do not clearly present the tangible changes expected for the country by 2023. The priority strategic choices with associated results per fund need to be made now, together with the finalisation of key national strategies and the preparation of the programmes funded by the ESI Funds.
- (4) The self-assessment on the fulfilment of the ex-ante conditionalities should be completed and summarised. In some cases, the level of information provided is not sufficient for the Commission to properly assess the fulfilment of a conditionality or a criterion.
- (5) Finally, the PA sets out the arrangements for the effective implementation of the programmes. It is proposed in the document that a strategic, comprehensive staffing and capacity development action plan is prepared following the adoption of the programmes. However, given the current limited administrative capacities within the management structures for the funds, the outstanding increased allocation of funds in 2014-2020 and the inclusion of new investment sectors, it should be clarified as

¹ Regulations (EU) No 1300/2013, 1301/2013, 1304/2013, 1305/2013, 508/214

² <http://register.consilium.europa.eu/doc/srv?l=EN&f=ST%2010789%202014%20INIT>

to which concrete measures will be taken to ensure sufficient administrative and technical capacities for the implementation and monitoring of the programmes, including prior to the implementation of this action plan.

1. Assessment of Croatia's policy objectives

(6) *Under TO 1*, the alignment of ESIF investments with the smart specialisation strategy is integrated as a principle but so far without practical implications on the investment priorities. The challenges identified in the labour force active in the Research, development and innovation (RDI) sector require a more systematic approach. The proposed infrastructure investments need to be backed up by an analysis of the existing ones.

(7) *Under TO 2*, the broadband infrastructure to increase the Next Generation Access coverage by 10% is too limited considering the needs and potentials³. An increase of the target coverage should be considered. The challenge to increase the ICT literacy of individuals and human resources should be taken up into interventions. The development of ICT applications is considered a key investment for strengthening the efficiency of the public administration and services; their development will require both strong coordination and capacity.

(8) *Under TO 3*, it is proposed to support the set-up of new enterprises and the upgrading of their innovation and productive profile, as well as their expansion notably through better positioning in the international markets, which all corresponds to actual needs. Still, a more strategically targeted approach should ensure that all interventions are targeted and clearly results-oriented. Particular focus should be given to the enterprises in sectors where the country and regions have a comparative economic advantage, and in the implementation of the smart specialisation strategy. The significant regional disparities detected in small and medium sized enterprises' (SME) activity and innovation should be addressed.

(9) *Under TO 4*, investments in the energy sector are envisaged in public and residential buildings, the industry and the service sectors. The ambition is quite high when compared to the proposed ESIF allocation of funds; focussing investments in the building sector where the highest savings are expected should be considered. In any case, the investments should be prioritised and clearly defined.

(10) *Under TO 5*, clear priorities in the prevention and protection of the risks related to climate change should be identified. The priorities need to be confirmed by the risk assessment when it is finalized. Such priorities could include investments in early warning systems and measures related to flood protection.

(11) *Under TO 6*, significant investment of ESI funds is proposed to help the country in reaching the transitional arrangements regarding the compliance with the EU acquis in the fields of waste and water; the expected changes resulting from the contribution of ESI Funds should be clearly defined. The protection and restoration of the biodiversity, as well as the valorisation of the natural and cultural heritage are also relevant priorities for funding; however, choices need to be made on where the investments will be focused.

(12) *Under TO 7*, focusing and prioritising the transport needs would lead to a better identification of key investment priorities for the ESI Funds. The main priority should be the development of a balanced network, where emphasis is placed on investments into sustainable modes of transport. A significant part of the financial allocation for transport needs to be earmarked for the development of railways. However, the administrative capacity needs to be strengthened to manage the significant investments allocated to the transport sector.

³ see the 80% gap to DAE target full coverage by 2020

(13) The updated version of the PA should indicate in Sections 1.1 and 1.3 the relevant 2014 country-specific recommendations: 3 (TOs 8 and 10), 4 (TO 9) and 5 (TO 11). Updates should be made also to include the relevant Eurostat annual statistics for 2013 where they are not yet included (e.g. employment rates).

(14) Under *TO 8*, more policy focus is needed on raising the employment rate and help to activate the currently inactive, by focusing specific actions on the long-term unemployed, the young, older workers and women. Regarding the labour market participation and skills, the short duration of working lives should be considered, including early retirement and disabilities. Regarding the labour market relevance of education, both skills mismatches and life-long learning should be considered, Tackling undeclared work should also be addressed.

(15) Under *TO 9*, the actions aiming at the inclusion of vulnerable groups and the reduction of high levels of poverty should be targeted by narrowing down the definition of vulnerable groups and clarifying the scope of investments. More attention is needed to the linkages between thematic objectives and the respective reform efforts, notably the linkages between labour and social reforms, so as to achieve better activation, and labour and pension reform to address old age poverty in old age. There should be a broader approach than solely improving access to employment, such as including approaches set out in the 2008 EC Recommendation on active inclusion to people excluded from the labour market (namely adequate income support, inclusive labour markets and access to quality social services). Issues linked to the effectiveness of the social protection system should be elaborated. In the health sector, the support to primary and community-based care is identified for funding from the ESI funds; the Commission would like to point out that the reorganisation of the hospital network is identified as a priority in the national reform programme.

(16) Under *TO 10*, the scope of the envisaged priorities needs to be selectively narrowed down and clearly prioritised according to the major challenges ahead. In line with the priorities for growth and jobs identified for Croatia under the Europe 2020 strategy/European Semester, the overriding national challenges and priorities concern the quality of educational outcomes and employability and the mismatching of skills to the market needs. The allocation of resources should be clearly linked to the needs identified and ensure a balanced approach with other priorities. Actions to approach the 2020 tertiary education target should primarily focus on the reform of the curriculum.

(17) Under *TO 11*, the on-going reform of the public administration is considered an important priority. More strategic and developed intervention priorities for the European Social Fund (ESF) should be proposed, which would help to tackle the targeted weaknesses in public administration and to reinforce the social dialogue. Efforts should be directed towards the relevant areas covered by the proposal for the 2014 country specific recommendations. In particular, these include improving the institutional framework for public finances, developing solid accounting systems, improving budgetary planning and forecasting, reviewing tax expenditure, wage setting/monitoring systems and the tax and benefit system, supporting the tax administration, the fiscal policy commission and the statistical office. In addition, strengthening the capacity to monitor implementation of public tenders and the verification powers of the Conflict of Interest Commission also require immediate attention. The scope of interventions should be clarified in more detail at the level of the ESF operational programme.

(18) *Agriculture and rural development*: The intervention of the European Agricultural Fund for Rural Development (EAFRD) in rural areas should target infrastructure investments that bring high value added in terms of economic revival and decreasing depopulation of these areas. The statement according to which the fund could support all interventions in rural areas that are below certain limits on the basis of individual local municipal plans, without any further targeting alongside the Europe 2020 objectives, is not in line with this approach. Evidence-based analysis should help to identifying the needs of the Croatian rural areas, and outline a targeted strategy for using EAFRD. As regards

agriculture, although the strengths, weaknesses, opportunities and threats (SWOT) analysis indicates that certain agricultural sectors (e.g. fruit and vegetables and livestock) are in a particular need of investment support, there is no indication in the strategy for a related targeting of EAFRD investments to these sectors.

(19) *Fisheries*: The revised PA should set out the allocation of the European Maritime and Fisheries Fund (EMFF) per thematic objective. The specific information lacking or which needs to be clarified in the document is as follows: (1) analysis of fisheries sector and coastal areas; (2) strategy for the fisheries and aquaculture sector; (3) integrated maritime policy and the role of EUSAIR; (4) sustainable development of fisheries areas (CLLD in fisheries); (5) indicative financial allocation; (6) complementarity.

(20) *Demining*: Support for demining activities in the areas of Croatia that are suspected of having mines is an important pre-condition for the efficient use of ESI funds. The intended use of European Regional Development Fund (ERDF) and EAFRD for demining should be clearly outlined, as part of a global strategy for preserving the environment, developing the Croatian agricultural sector, and contributing to the development of rural territories.

2. Financial allocation proposed by Croatia

(21) Over 58% of the allocation of the *European Regional Development Fund (ERDF)* is earmarked for TOs 1 to 4, and 13.5% for TO 4, which is in line with the requirements on thematic concentration under this Fund⁴. However, the allocation under TO 2 seems insufficient (6.23%) when compared to the investments required. The small allocation under thematic objective 11 (1%) should be reconsidered in the process of ensuring critical mass. Better targeting of the investments under TOs 4, 5, 9 and 10 is necessary to ensure critical mass and an impact on the interventions.

(22) The allocation of the *European Social Fund* amounts to 25.97%, slightly above the minimum share for Croatia (24.60%). The amount of funds for the education under TO 10 is assessed as too high (34.6%), particularly in relation to the lower level of the indicative allocation under TO 8 on labour market interventions (29.46%). In view of the reform needs in policies and institutions, and the currently low capacities, the indicative allocation to TO8 should be strengthened. The allocation under TO11 is insufficient (8.95% of ESF or 1.7% of ESI funds), given the scale of the challenges, the importance of public administration issues in the 2014 CSRs and the importance of the on-going reform initiatives in public administration, as well as the need to reinforce social dialogue and civil society. Croatia plans to spend 1.7% of the available ESI funding on administrative capacity, which is significantly less than in comparable Member States. Given the considerable institutional-capacity challenges identified at all levels of government and Croatia's unfavourable ranking in terms of regulatory quality in the 2013 Worldwide Governance indicators, this amount is extremely low.

(23) The indicative allocation for climate change in absolute terms should be clarified; the breakdown of the allocation per TO both in percentages and absolute terms should be included in the PA. Please ensure consistency with the amounts provided in the programmes (categories of intervention).

(24) As major efforts are expected to strengthen the administrative capacities both at programme management and project beneficiary levels, the Commission strongly recommends allocating the maximum possible amount of the ERDF, the ESF and the Cohesion fund for the purpose of the technical assistance (4%, instead of the 3.5% proposed).

(25) Although the need for improving the competitiveness of the agricultural and food processing sectors is well understood, the allocation of the *European Agricultural Fund for Rural Development* to

⁴ Article 4(c) of Regulation (EU) n°1301/2013

the TO 3 (37%) far exceeds the allocations proposed for the environmental-climate (TOs 4 to 6). It should be explained how Croatia plans to achieve the objectives related to environment, climate change and the protection of natural resources with such an allocation from its EAFRD envelope.

(26) The Commission reserves its position regarding the use of the *European Maritime and Fisheries Fund* allocations per thematic objective.

(27) It is expected that the indicative allocations per Fund in the PA will be aligned with the ones stated in the programmes under preparation. Taking into account the need to optimise the leverage effect of funding, the Commission asks Croatia to identify in which priority axes in the operational programmes it intends to modulate the co-financing rates in accordance with Article 121 of Regulation (EU) No 1303/2013 and recalls that as set by Article 120 of this Regulation, the co-financing rate is to be determined on a case-by-case basis and the maximum co-financing rates should not always be applied to their full extent.

(28) The maintenance costs for investment projects are not eligible for ESIF support and have to be covered by national means in order to guarantee the sustainability of EU Funds' investments.

3. Cross-cutting policy issues and effective implementation

Ex-ante conditionalities

Please note that this is the Commission's preliminary assessment of the self-assessment provided by Croatia, without prejudice to final assessment upon the submission of the programmes containing detailed self-assessment and relevant action plans:

(29) The Commission agrees with the self-assessment that the following ex-ante conditionalities (EAC) can be considered fulfilled: (1) *EAC 4.3 Actions to promote the production and distribution of renewable energy sources*; (2) *General EAC 6 Environmental legislation relating to Environmental Impact Assessment and Strategic Environmental Assessment*.

(30) The Commission agrees with the self-assessment that the following thematic EACs can be considered partially fulfilled at this stage: (1) *EAC 3.1 Specific actions for promotion of the Small Business Act*. The second and third criteria are considered as non-fulfilled by the Commission. Second criterion: the related information is not provided. (2) *EAC 4.1 Actions to promote energy efficiency in buildings*. Please delete the reference to the Croatian 2013 Annual report on the indicative national energy efficiency target for 2020 and provide a reference to the correct document, containing the national energy efficiency target expressed in primary and final energy consumption in 2020, as required by Article 3 of Directive 2012/27/EU. The self-assessment needs to be completed with information about the existing national legislation transposing Article 11 (2) a) and b) and Art. 11 (3) of Directive 2010/ 31/EU; (2) *EAC 4.2 Actions to promote high-efficiency co-generation of heat and power*; (3) *EAC 6.1 Water sector*: although EAC 6.1 is considered partially fulfilled, the Commission does not agree with self-assessment for the first criterion and considers it partially fulfilled due to issues related to the recovery of the costs of water services; an action plan for this criteria is requested; self-assessment of this EAC for EAFRD should be completed, and an action plan should be provided in case that the EAC is not or partially fulfilled; (4) *EAC 6.2 Waste sector*.

(31) The Commission agrees with the self-assessment that the following EACs can be considered non-fulfilled at this stage: (1) *EAC 1.1 Smart specialisation*: the action plan should include milestones with intermediary deadlines for fulfilment of the criteria. Our recommendation is to envisage sufficient time (end of 2014 more likely than August); (2) *EAC 2.1 Digital growth*; (4) *EAC 5.1 Risk prevention and risk management*. The action plan should be redrafted to allow better monitoring of the progress of the implementation. Please provide more specific deadlines for each action where relevant; (5) *EACs 7.1 to 7.3 Transport comprehensive plan*: an action plan is needed. The foreseen measures to

ensure institutional capacity, especially at the level of beneficiaries needs to be clearly explained in the action plan.

(32) The Commission does not agree with the self-assessment that the following thematic EACs can be considered fulfilled at this stage: (1) *EAC 1.2 Research Infrastructure*: Coherence with the smart specialisation strategy will have to be checked upon its completion. The self-assessment should make reference to each sub-criteria. An Action Plan should be presented on how prioritisation will respond to the needs identified in the smart specialisation strategy; (2) *EAC 2.2 Next generation network (NGN) infrastructure*; (3) *general EAC state aid*; (4) *general EAC public procurement*.

(33) The Commission is not in a position to assess whether the following EACs are fulfilled until additional information or more precise referencing (including relevant chapters, articles from the listed documents) for the following ex ante conditionalities is provided: (1) *EAC 8 (all applicable criteria)*; (2) *EAC 9 (all applicable criteria)*; (3) *EAC 10 (all applicable criteria)*; (4) *EAC 11 (all applicable criteria)*; (5) *general EAC anti-discrimination*; (6) *general EAC gender equality*; (7) *general EAC disability*.

The assessment by the Commission of the fulfilment of the general EAC "statistical systems and results indicator" will be made following the submission of the operational programmes.

(34) It should be ensured that the assessment is completed by the time the revised PA is submitted, which should set out a concise and precise summary of the self-assessment, in line with Article 15(1)(b)(iii) of Regulation (EU) No 1303/2013.

It would be advisable to provide a concise narrative on the (non) fulfilment of the applicable EACs and its impact on the programming of the Funds.

A detailed self-assessment of the fulfilled EACs was submitted with the PA. Incomplete or non-fully coherent information in some cases makes it impossible for the Commission to assess fulfilment at this stage. The information should be systematically supplied on whether each sub-criteria set out in the Commission guidance on EACs is fulfilled. A reference should be provided to the exact document, in the form of a link, together with a page, chapter or article, as appropriate. The action plans for those EACs which are partially fulfilled/not fulfilled should contain the actions to be taken, the responsible bodies and the timetable of their implementation. It is not sufficient to refer only to the adoption of strategic documents; details should be given on how the strategy will be implemented. Action plans should be clear and operational.

Reinforcement of the administrative capacity

(35) The administrative and technical capacities proved to be insufficient in the pre-accession and current programming, at the level of both public authorities and project beneficiaries' levels. The Commission expects Croatia to take strong and swift actions to reinforce the administrative capacity for the 2014-2020 period, having in mind the expanded allocation of funds, as well as the new sectors covered.

Based on this analysis as well as the requirements for the 2014-2020 period -in particular the results-oriented implementation and monitoring of the funds-, the necessary measures in terms of recruitment, training and coaching as well as technical assistance support should be outlined. Further to the preparation of an overall strategy and action plan covering the full programming period to be prepared after the adoption of the programmes, the PA should clarify which concrete measures will be undertaken to ensure sufficient administrative and technical capacities, particularly during the first implementing years of the ESI funded programmes.

PART II - FURTHER OBSERVATIONS

As the RDP is not an operational programme – it is suggested instead of 'operational programmes' (OPs) to refer throughout the PA to 'ESIF programmes' in all cases when EAFRD is concerned (particularly in Sections 2.4 and 2.5).

1.1 ARRANGEMENTS TO ENSURE ALIGNMENT WITH THE UNION STRATEGY OF SMART, SUSTAINABLE AND INCLUSIVE GROWTH AS WELL AS THE FUND SPECIFIC MISSIONS

(36) This Section largely improved. However, it should be ensured that the growth potentials are sufficiently reflected (mainly needs are described so far), and the territorial aspects (sub and supra national) are embedded in the sectorial analysis.

The intervention logic should be systematically reviewed, to ensure a full coherence between the investment strategy (Section 1.3) and the challenges (Section 1.1). This is critical as regards the intervention of the EAFRD.

Finally, it should be ensured that the statements are backed-up by sufficient evidence and analytical data⁵, and that the sources of information are systematically indicated.

Thematic objective 1

(37) Considering that research infrastructure is listed as investment in chapters 1.1.3 and 1.3 there needs to be data, statistics, and analysis provided on the status of the RDI infrastructure which justify, prioritise and streamline the investments in line with the smart specialisation strategy.

(38) The prioritisation of investments is only briefly and partially addressed with mentioning of some areas with potentials for economic growth, while there is no evidence of the bottom-up discovery process which would result in selection of few areas with the highest innovation potential (entrepreneurial discovery process); these should be referred to in short in the PA in parallel with the development of the Smart Specialisation Strategy.

Thematic objective 2

(39) All the data relevant to ICT networks need to be mentioned in the analysis, e.g. it should not appear for the first time in chapter 1.3 that a study on funding models indicates that 60% of population will not be covered by NGN infrastructure (or the data on number of Life Events).

Thematic objective 3

(40) Certain parts of the analysis lack precision (entrepreneurial skills & competences, business support services) while extensive analysis of business climate is provided without referring to the impact on SMEs. The analysis of business environment needs to be specific with reference to challenges and needs of SMEs and a logical connection with expected main results needs to be presented.

(41) The analysis of the tourism sector does not contain reference to SMEs and their specific challenges; therefore it is not clear what the relevance of that analysis is for TO3. Some measures specifically target the improvement of SMEs in tourism sector; the needs analysis should thus prove that the measures are appropriate.

⁵ For comparability purpose, the assessments in the Partnership Agreement (PA) shall preferably make use of available European statistics. In case the necessary data are not available on EU level, it is recommended to provide next to the national data source also links to similar datasets in European statistics.

(42) There is no data provided for the entrepreneurial skills & competences highlighted as a precondition for competitiveness and for increasing start-up rates. Further, in the priorities, it should be made clear which actions address that specific issue.

(43) Business support services (BSS): there is only a very short paragraph on the analysis, while the measures target the BSS as the basic element of environment for entrepreneurship. In order to allow better targeting of those measures, the data/ mapping/ overview of BSS should be provided. Regional differences could also be analysed in this context if considered relevant.

(44) The sentence stating that "considering the size of Croatian market, it is obvious that Croatia needs to export" should be further elaborated.

Thematic objective 4

(45) The analysis part is very general and quite weak. Some analysis elements in Section 1.3 should be shifted to Section 1.1. The intervention logic – consistency between both Sections - should be checked.

(46) Please provide a short description of renewable energy sources development trends and the main potentials.

(47) Table 2 should provide the indicative national targets for 2020 on energy efficiency in primary and final energy consumption in line with the targets communicated to the Commission in January 2014.

(48) The Partnership Agreement should provide a reference to the latest National Action Energy Efficiency Plan and the renovation strategies which is required by the Energy Efficiency Directive by 30 April 2014. In this way the priorities for the ESI Funds would be more consistent with national policy priorities.

Thematic objective 5

(49) Attention should be given to territorial climate change hot spots.

(50) In Section 1.3, the PA should refer to carbon sequestration in biomass and soil as mitigation action, not as adaptation action. Consequently, sequestration actions in chapter 1.3 should be planned under TO4, not under TO5.

Thematic objective 6

(51) Please indicate which main pressures on the biodiversity will be addressed with the ESI Funds.

(52) Main problems in the waste sector to be addressed with ESI Funds deriving from the analysis should be clearly mentioned in this part (e.g. landfilling, waste generation, recycling/reuse...).

(53) Status of existing landfills with distance to targets should be (more clearly) elaborated. Some information (from 1.3, accession obligations) could be better placed in this Section.

(54) The analysis does not reflect on the rehabilitation of landfills for hazardous industrial waste. The issue of hazardous waste management is not sufficiently described and not reflected later in 1.3. Please clarify and amend.

(55) Distance from targets in the water sector could be presented here (accession obligations and e.g. efficiency - decrease in water losses to "15-20%" mentioned under 1.3).

(56) It is not clear what kind of "improvements in the communal sector – consolidation", as a problem, will be tackled within this PA. This is reflected again under 1.3 but without clarity on the actions planned to be financed from ESI Funds.

Thematic objective 7

(57) The analysis makes a fair assessment of the Croatian transport network, acknowledging the need to develop a sustainable and balanced network. It is welcomed that a significant part of the financial allocation for transport is foreseen to be earmarked for the development of railways. These commitments are expected to be followed-up at the level of the operational programme and should be considered as main priorities.

(58) Furthermore, the hierarchy of problems and challenges is missing from the analysis. It is clear that not all problems and gaps could be solved from EU Funds thus this could provide the basis for prioritization and allocating resources as part of the investment strategy.

(59) Finally, there is reference to “old” pan-European Corridors but much less mention of the new TEN-T core network Corridors. The revised TEN-T (including the indicative TEN-T in the neighbouring countries) and the core network corridors are now the main EU policy reference for transport infrastructure. Therefore, reference to the pan-European Corridors in the PA needs to be reviewed, along the lines: pan-European Corridor X/Vc/Vb, of which the Croatian rail/road/IWW section (eventually specify the start and end points) is part of the TEN-T network (reference to Regulation (EU) No1315/2013), and (where applicable) of the Mediterranean/Rhine-Danube TEN-T Corridor as identified in Regulation (EU) No 1316/2013 Annex I Part I and schematically indicated in Commission Communication COM(2013) 940). Sections 1.1 and 1.3 of the document should be revised in light of the above.

Thematic objective 8

(60) Achieving a higher employment rate requires a dedicated reform agenda looking at comprehensive reforms, including the linkages between education reform, reforms of social benefits' systems and pensions and policies tailored to raise employment rates of long-term unemployed, young people, older people and women (in addition to the labour market policies).

(61) Under the section related to the labour market participation and skills, in order to better describe the labour market context, the short duration of working lives should be mentioned as an issue (linked to early retirement and disabilities) as well as the problem of inactivity. Regarding the labour market relevance of education, skills mismatches and life-long learning should be considered. Also, undeclared work has not been mentioned as an issue.

(62) Labour market reforms should be associated with working in close consultations with social partners.

(63) The last paragraph on page 29 of the Partnership Agreement is not convincing. It should not only refer to factual findings (“inability of older people to find work”; “women often face difficulties”) but on how to overcome key obstacles for these groups on the labour market.

(64) The text on the long-term unemployment should be more developed (which groups of the population are the most affected?)

(65) It is mentioned that "the level of self-employment remains inadequate", but it is not clear in relation to what? And why: is there a lack of incentives, and/or lack of entrepreneurial spirit and/or an unfavourable business environment/corruption? What is the underlying problem that justifies a targeted investment?

(66) The analysis is not focused enough on problems and needs. Instead of listing the EU instruments on youth employment, Croatian documents should analyse the main bottlenecks for young people to enter the labour market, and reasons for lower employment rates of graduates of both university and VET systems. The document should discuss segmentation of labour market for young

people e.g. increased use of fixed terms contracts. Approaches on how to better do outreach and early intervention to NEETs is not discussed/ analysed in the document which is a major shortcoming.

(67) The wording of the following phrase *"Croatia too will through the Youth Guarantee Implementation Plan implement the YGS (...) for young people who find themselves excluded from the labour market"* is imprecise. The YEI is not the only financial source to support the implementation of the YGS/YGIP. Furthermore, career management skills are not the (only or main) objective of either the YGIP or the YEI. The YEI should lead to results linked to the (re)integration into the labour market and/or the education system of young NEETs. Thus, the respective paragraph should be reworded. It should also clarify how the YEI will be programmed within the ESF OP.

Thematic objective 9

(68) The analysis is too broad and does not indicate the concrete challenges which ERDF and ESF will address.

(69) The approach to making use of the ESF is limited to actions supporting the return to the labour market of the people who are experiencing (social) exclusion. However, it should also take into account combating poverty and social exclusion as a social goal per se.

(70) The issue of the effectiveness and transparency of the social protection system which was identified as a challenge in the 2013 Staff Working Document and in the proposal for 2014 country-specific recommendations should be described.

Thematic objective 10

(71) The PA text does not clearly match with the headline; a more focused discussion on (a) quality outcomes of education, (b) relevance and (c) accessibility indicators is needed and broken down by type of education (VET, Higher education, Adult education).

(72) With reference to VET, the analysis points out that curricula and programmes are often outdated and poorly aligned. It would be good to see some clear analysis including data and references on this. Does this explain the unfavourable employment rates of graduates from VET?

(73) Moreover, it needs to be clarified what kind of infrastructure improvements are needed (needs/potentials analysis and mapping missing). The needs analysis points only to the outdated and poorly aligned curricula and programmes which cannot justify the infrastructure investments.

(74) There is no concrete discussion on where skills mismatches are persisting, what kind of skills mismatches (horizontal, vertical skills mismatches) how they are measured and what the reform agenda is in this area (skills surveys? skills governance? skills forecasting?). Alignment with the 2014 National Reform Programme is suggested, section "Ensuring relevance of education for labour market needs".

(75) The analysis of the "relevance of learning outcomes" should be done with regard to Croatian labour market needs, and not according to EU average. The focus on STEM, ICT, health and social care is not backed up by data in the PA.

(76) On quality outcome of education, more analysis should be provided as regards the bottlenecks for better quality assurance, and for better teaching quality.

Thematic objective 11

(77) There is a need for better and more focused elaboration of the investment priorities. The analysis on root causes is missing and should better incorporate lessons learnt from the pre-accession period. When it comes to the justice, it should explain the issues in the judiciary regarding lengthy

judicial proceedings in civil, commercial and administrative matters, regarding the number of pending cases, regarding the need to implement a comprehensive ICT system for courts based on consistent methodology and to improve ICT technologies for communication with parties⁶.

(78) In relation to the public governance and administration section, a reference to the key strategies should be mentioned such as the Strategy of Modernization of Public Administration 2014 - 2020.

Territorial development

(79) The analysis remains mostly sectorial and the territorial challenges of the different sectors (environment, energy, pollution etc) should be provided.

(80) It is not clear why the analysis refers to certain categories (areas of special state concern, hilly and mountainous areas, assisted areas etc) since no explicit measures for these categories have been foreseen in Part 3 of the PA.

(81) For the sake of comparability it is crucial that any territorial analysis on sub-national level makes use of harmonised spatial definitions (e.g. NUTS); urban, rural, coastal and metropolitan regions referred to in the analysis shall be delineated according to the harmonized definitions published by the Commission.

Rural development, agriculture

(82) There is inconsistency in figures representing the GDP share of agriculture (4.7% of GDP on pg. 7, and 5.5% on pg. 38) – please review.

(83) The dedicated section on agriculture is appreciated, but it is primarily related to the need for Croatia to improve competitiveness of the agricultural sector, comply with Community standards and reverse the polarised farm structure. More emphasis on the environmental-climate aspect of agriculture is necessary (incl. application of sustainable and environmentally friendly agricultural practices, organic farming potential, role of agriculture as regards high nature value areas, soils, biodiversity conservation, water pollution, areas with natural constraints, etc) in order to justify EAFRD interventions envisaged in Section 1.3 of the PA. References to innovation and energy efficiency in the agricultural and food processing sectors, and short supply chains are missing in the SWOT analysis, although these are envisaged to be supported in Section 1.3 of the PA

(84) It is unclear if, similar to other sectors of the economy, access to financial resources is also problematic for the agricultural sector, and if yes – is the introduction of financial instruments also considered for EAFRD.

(85) The section on rural areas is general and vague, and should be further complemented with evidence-based headline data to justify the various statements related to low incomes, high share of agriculture, underserved basic infrastructure, limited healthcare, etc).

(86) The authorities are invited to insert the definition of rural areas from a footnote back into the Partnership Agreement core text, including the territorial and population coverage that this definition would entail. Please note that the total share of population in rural areas (75%) and population of the 4 largest cities which fall outside this definition (28%) exceeds 100%.

Fisheries

(87) We would appreciate if the state of play of the fisheries sector is completed by the description of the balance between the Croatian fleet capacity and the marine biological resources in the Adriatic.

(88) Regarding CLLD in fisheries, the differentiated challenges or what it is expected that CLLD will address are not clear. We invite Croatia to make an analysis of coastal /fisheries areas and describe the challenges of fisheries dependent communities which would be tackled by CLLD.

⁶ The 2014 EU Justice Scoreboard could also be quoted as a source for comparative information on justice systems.

1.2 SUMMARY OF THE EX-ANTE EVALUATION

(89) No ex-ante evaluation has been initiated on the PA; the ex-ante evaluations of the programmes are on-going. The revised PA should include a summary the key findings of the programme ex-ante evaluations - some being possibly common -, as well as the steps undertaken to revise the programmes accordingly, in a coordinated or individual basis.

(90) It is important that the ex-ante evaluation help in reviewing the investment strategy of the programmes, having in mind the key challenges and EU commitments of the country, a clear intervention logic, the need to ensure targeted investments while ensuring critical mass of funding, as well as the setting in place a strong monitoring and performance framework system (indicators, targets).

1.3 THE SELECTED THEMATIC OBJECTIVES, AND FOR EACH OF THE SELECTED THEMATIC OBJECTIVES A SUMMARY OF THE MAIN RESULTS EXPECTED FOR EACH OF THE ESI FUNDS

(91) This part of the document needs important revision, in view of providing a concrete and results-oriented investment focus, with a set of results expressing concrete expected changes within ten years using the ESI Funds.

(92) The text should identify more precisely the fields where the ESI Funds will be invested and the main types of action to be supported. Expected results should be expressed in concrete terms, not as general objectives or types of actions.

(93) Considering the wide range of issues to be addressed, a clearer and more strategic presentation of the contribution of ESIF to tackling the challenges should be provided. As it stands, the description does not allow understanding how the various types of intervention will be prioritised and articulated.

(94) An overview of relevant national strategies and the presentation of contribution of ESI Funds towards national goals are useful, but do not replace a presentation of results that will be achieved with ESI Funds. Besides a more extensive individual presentation of each of the main ESIF results, it should be explained how these investments will actually contribute to the achievement of the national commitments at EU level (EU 2020 targets, National Reform Programme and Country specific recommendations)⁷.

(95) The results proposed which are the key elements of this section are of different nature; some of them are vague/not specific, not supported by the SWOT analysis, and rather refer to investment activities. They should be systematically re-examined to ensure clarity and accuracy. They should be concrete, specific and tangible, reflecting the tangible magnitude by 2023 (qualitative or quantitative), not a general trend.

(96) The chapter should be concise, clear and up to the point, introduce the results per Fund, and explain how these would be achieved, i.e. by which main investment actions. Any reference to the main development needs/potential should be placed under 1.1; please delete the new analysis tables proposed, or include them in Section 1.1 - the headlines in the tables could indeed help structuring the analysis per TO-. The proposed "strategic objectives", "intermediate outcomes" and "overall impact" are rather confusing and should not be included in the official PA. The match between the main results outlined in the table per TO and in the text further on should be complete.

⁷ The analysis should make use of available European statistics in particular in analysing the situation related to Europe 2020 targets. The statistical data shall be correctly referenced (source, reference period, territorial reference)

(97) As in Part 1.1, the territorial aspects (at sub and supra national) should be embedded where appropriate.

Thematic objective 1

(98) The specific results of ESI Funds are not elaborated, and the information on results is too general, not reflecting the investment priorities. Overall chapter 1.3 includes many repetitions from the analytical part in chapter 1.1 and could be shortened by concentrating on the elaboration of results.

(99) The alignment of ESIF investments with the smart specialisation strategy is integrated as a principle but so far without any practical implications on the investment strategy. It is not clear how the S3 strategy will fit with the three other strategic documents and vice versa (Innovation, Education, Industrial strategies). PA should indicate that these strategies are not yet adopted, or if adopted in the meantime, references should be provided.

(100) Challenges identified in the R&D labour force require a more systematic approach within this TO.

(101) The proposed infrastructure investments are not justified by a mapping and an analysis of the existing ones. It should be more practically explained how infrastructure investments will be integrated within the investment strategy considering the link with the smart specialisation process and the Roadmap for research infrastructure, including ESFRI.

(102) Results are complex, with some elements not verifiable (e.g. the intention of applying research); they should be streamlined to avoid ambiguity and facilitate evaluation. Second and third main results for ERDF should be more distinct as they partly overlap.

(103) In certain paragraphs in description TO 1 "How will ESIF contribute" the relevance is not evident for TO 1 (potential of natural resources, cooperation of actors in agriculture).

(104) Cooperation support under EAFRD is aimed at promoting links between the farming sector, food processing industry, research institutions etc, and is not limited to rural development actors per se.

Thematic objective 2

(105) Results should be revised to be more specific and closer to cohesion policy goals. The main result for ERDF "Improved NGN in underserved areas particularly smaller cities and towns in rural areas with higher demand prospects" does not reflect the provided explanation and prioritisation concerning socio-economic impact. Main result "Streamlined operation of public administration information systems" is general and not oriented to impact/ change.

(106) An increase in NGA coverage of 10% is envisaged – please confirm that this figure also includes the access generated by private investment stimulated by the Funds. Similarly, the needs analysis indicates that 30% of investment is expected to come from private investment – however it should be clarified whether that investment is conditioned by public investment. Which are the measures for promoting private investment?

(107) Coordinated approach to deployment and take up of NGA and digital content needs to come from further analysis of ICT sector, its place in the economy, the availability of human resources, citizen's literacy, and link with education. These elements are necessary for ensuring the required socio-economic impact and need to be taken-up in the interventions.

(108) The PA needs to indicate in more detail the investment approach to developing the NGN infrastructure: which portion of investment will go to backhaul and which to last mile part, with particular reference to coordination between the two for achieving the impact at the end user level.

(109) Section 1.3 should make reference to the needs analysis to confirm that the infrastructure will support at least 30Mbps speed. It should provide more explicit references to how are the domination of DSL technology, and the prevailing copper network going to be addressed/overcome (the challenges identified in the needs analysis).

(110) The TO does not refer only to the ICT applications for e-government, but also to the applications for e-learning, e-inclusion, e-culture and e-health. Related relevant actions should be analysed (under 1.1) and elaborated (1.3) within this thematic objective. The arrangements to ensure the complementarity and consistency of actions –infrastructures/applications and the applications-should be clarified.

(111) Capacities of national and local administration for the envisaged investments should be analysed. Assistance should be planned in order to ensure the necessary capacity for investment and coordination as well as for preparation of major project.

Thematic objective 3

(112) The elaboration of main results is weak (for ERDF results, there is only one paragraph mentioning the three results, and without an explanation of their expected impact); and the connection to the needs analysis is not visible (needs analysis indicates a number of relevant structural challenges which will all be addressed by ESIF but which are very shortly, or not at all, mentioned in relation to results, specifically: innovation, access to finance, entrepreneurial skills, regional disparities, quality of business support).

(113) The results are partially unclear, e.g. "accelerated formation and growth" of small companies – is it clear how it will be qualitatively evaluated/ what will be the satisfactory measure of success for formation, and what for growth?

(114) Attracting inward investment seems overemphasised in the second ERDF result since this was not highlighted as a key issue for the SME sector in the needs analysis (corresponding data should be added in the analysis chapter). Clearer definition of third ERDF result is needed, particularly the terms: "renewal of the productive structure and diversification" – is it clear how this result will be evaluated? Which is the link to needs analysis chapter when focusing particularly on tradable goods and services – which is the link to needs analysis?

(115) The second and third ERDF results partially overlap (production and export).

(116) The analysis refers to the inclination to the self-employment, and the low start-up rate. It is proposed that one specific ERDF result relates to the entrepreneurship (e.g. the creation of enterprises), with a potential complementarity with TO1. Related actions would relate to the facilitation of the economic exploitation of new ideas and the creation of new firms, with targeted financial and business service support.

(117) In the PA there is too much detail on the *kinds of* financial instruments planned. As the ex-ante assessment will identify the financial products in the coming period, it should not be possible to make precise references at this stage – the analysis should remain fully open until the ex-ante assessment is done. This assessment is of key importance in analysing the financial instruments landscape and needs to be carried out on professional level. Appropriate instruments and delivery mechanisms need to be selected to enable the change sought in the market.

(118) Does the lack of access to finance for SMEs also apply for EAFRD-supported beneficiaries other than young farmers? If yes, would the use of financial instruments under EAFRD be also considered in a wider context? An intention to use FIs under EAFRD should be indicated in the PA.

(119) Synergies with other TOs could be explored, in particular with TOs 4, 5 and 6, and 10. Complementary actions could be developed in TOs 3 and TO 6 regarding cultural and green tourism. The analysis recognises the importance of "green growth" for the competitiveness of the Croatian

industry without providing a reference how specifically the concept of green growth will be materialized.

(120) The need for compliance with Community standards for food quality and safety indicated in the PA should be clarified, as at the level of the draft RDP it is understood that Croatia may not intend using EAFRD investment's support for helping agricultural holdings comply with newly introduced Union standards which is provided for in Art. 17 R. 1305/2013.

(121) The SWOT analysis emphasises the particular need for improving the competitiveness of the F&V and livestock sectors, but no such prioritisation of investments is intended in the PA strategy.

Thematic objective 4

(122) The targeting and critical mass for intervention should be considered, as the ambition is quite large as compared to the proposed ESIF allocation of Funds.

(123) Please clarify which type of enterprises will be supported, what kind of energy efficiency and other measures are planned for the industry, what types of buildings will be supported, how the support for the heating and cooling sector will be targeted i.e. to renewable energy measures or to a combination between renewable energy and energy efficiency measures.

(124) The reference to the 2016 target (endnote 146) of the 2nd National Energy Efficiency Action Plan should be deleted.

(125) Clarify whether ERDF will support the production of renewable energy from biomass. Chapter 1.3 and chapter 2.1.1 provide contradictory information on the matter.

(126) Clarify whether the Cohesion Fund will be allocated under this TO: the indication in table 21 and the remaining part of the PA is contradictory.

(127) The intention to use EAFRD support for improving energy efficiency in agriculture and food processing is welcome; however it is not supported by the SWOT analysis.

Thematic objective 5

(128) The proposed results should be reconsidered: they rather refer to activities.

(129) Irrigation seems to be programmed exclusively under TO5 as an investment to combat the droughts affecting agricultural land. Please indicate whether part of irrigation should also relate to farm competitiveness (in this case, to be included under TO3).

(130) This section should also better encompass EAFRD's role for e.g. reducing water and soil erosion, and maintenance and preservation of forestry resources and sustainable forest management as a way to mitigate climate change.

(131) Attention should be given to territorial climate change hot spots.

Thematic objective 6

(132) The results proposed under this section rather relate to activities, and should be reconsidered.

(133) *Waste and water sectors*: PA states that "*prioritisation... will be set up in accordance with the transitional period deadlines for both sectors*" (waste and water). Priorities for funding should thus be clearly identified in the PA with corresponding deadlines.

(134) The main results should represent main changes to be achieved (direction and magnitude of change). Current results for the Cohesion Fund (2, 3 and 4) are not measurable and not clear; Result 1 could be used or split in two with specific indicators linked, landfilling is referred to in Results 1 and 2. They should be concrete and measurable.

(135) Analysis and part of this section indicates that the main results should be linked to landfilling (decrease of, remediation), recycling, wastewater treatment and efficiency of water supply, which is not clearly presented here.

(136) Text concerning *EAFRD* is too detailed and some elements (e.g. reference to the CORINE database for HNV, explanation of the purpose of Natura 2000 support etc) are more appropriate at the level of the RDP, while others presenting the state of play re intensification of agriculture, reference to the organic Action Plan should be moved to the SWOT analysis.

(137) Reference to freshwater ponds is understood to be linked to fisheries - this is not an eligible activity per se under EAFRD and should be addressed under the EMFF and/or national means.

(138) Main results for EAFRD indicated for TO6 do not encompass all key interventions envisaged under this Thematic Objective.

(139) *As regards the EMFF*, it is stated that: “*More sustainable use of marine biological resources achieved through the implementation of conservation measures under the Common Fisheries Policy, and fishery related conservation measures under Natura 2000 and Marine Strategy Framework Directive*”: reference is made only to fishery related conservation, while EMFF support to Natura 2000 and MSFD can and should be wider. We ask Croatia to elaborate further accordingly or alternatively clarify that no fisheries aspects of marine protected areas and MSFD are supported by the ERDF.

(140) *More sustainable use of maritime space achieved through Maritime Spatial Planning and Integrated Coastal Management*”: we welcome this reference, however it is not eligible by the EMFF. This reference should be provided in the main text (not only in the table of main results by TO and Fund).

(141) There are no expected results about marine pollution or for marine litter. Please fill the gap.

(142) Maritime surveillance and Common Information Sharing Environment for the EU maritime domain (CISE) are completely missing from the document. In view of the need for enhanced information exchange and cooperation between maritime surveillance authorities in the EU, it is important to mainstream this topic in the PA (TO6, to be funded by the EMFF)

Thematic objective 7

(143) The intervention logic needs to be improved. The analysis, the proposed priorities, main results do not clearly match.

(144) The PA envisages that most of the transport allocation will be dedicated to develop the railways. This prioritization is welcome. It would be important to include clearly in the text that these investments will be targeted to ensure EU interoperability requirements, besides connectivity. References to ERTMS would be welcome.

(145) The terms public, urban and sub-urban transport is rather confusing, a clarification in the text would be beneficial. The plan to integrate urban and sub-urban transport systems is relevant; it is recommended to carry out these investments as part of sustainable mobility plans. The functional region concept highlighted by the draft Transport Strategy could serve as a basis to develop such plans in and around major cities.

(146) In case of inland navigation it would be important to underline that the planned investments to improve navigability of the river Sava would not jeopardize the environment in and along the river. Please add references that environment considerations will be incorporated and the foreseen development will not focus purely on transport but rather be implemented in an integrated form.

(147) Investments into airport infrastructure are foreseen (Dubrovnik airport) in the PA. In the period 2014-2020 the Commission intends to focus transport investments on sustainable modes of transport, and envisaged investments in to core TEN-T airports to address mainly environment and safety issues there.

(148) It is vital that road safety aspects are taken thoroughly into account in all road infrastructure planning, notably by a clear commitment to applying the infrastructure safety management principles in planning, construction and maintenance of road infrastructure. This is of a particular importance for Croatia, which still has one of the highest road fatality rates in the EU.

(149) The transport operations planned to be implemented within an ITI are not clear, they seem to be partially overlapping with other sustainable transport operations to be implemented in a centralized way. This needs to be clarified.

(150) More information concerning the complementarity with CEF would be welcome.

Thematic objective 8

(151) The section on p. 85 of the PA is not yet very well developed. It is rather another needs assessment than a well-argued set of priorities for action. The PA should come up with a strategic approach to raise the employment rate and help activating the currently inactive, by focusing specific action on activating the long-term unemployed, the young, older workers and women.

(152) Reference to vulnerable groups in general should be avoided; rather the PA should indicate how specific vulnerable groups (breakdown, needs assessment + action proposal) can be activated and with which measures.

(153) Long-term unemployed: the document does not sufficiently discuss how to best reach this target group. It should put forward dedicated activation measures including tailored ALMP measures. It should be aligned with the NRP 2014 and use the identified structural barriers existing even in periods of "increased economic activity, due to a lack of skills, barriers to employment or a combination of these factors", as a starting point (NRP, p. 51).

(154) Young: the document should put forward dedicated measures to facilitate school to work transitions, e.g. through better education outcomes, through work-based learning and to focus on how to reach NEETs not registered. The Youth Guarantee is a structural reform measure which should be elaborated in this part of the document.

(155) Older workers: short duration of working lives and early retirement are still very prevalent and keep employment rates down. ESF Funds should be mobilised to activate this target group, including through ALMPs, and the complementarity with actions in reforming social benefit systems and pensions should be pointed out.

(156) Care services (page 88) could be included in the specific measures set to achieve greater equality between men and women and reconciliation between work and private life. Also, it could be considered to add the employment rate of older workers in the "intermediate outcomes (targets based on main results)" listing, as it is a group that is identified as one of the target groups under TO 8.

(157) The main results should be more specific. Very often it is not clear to which target groups in particular the planned results refer to and which of vulnerable groups they are intended to reach (women, elderly, young, etc.).

(158) The match between the main results outlined in the table per TO and in the text further on is not complete.

(159) Main result "Increased activation of long-term unemployed and those experiencing a skills mismatch on the labour market": Focus under this result is on workers at risk of being or made redundant, while specific groups facing long-term unemployment are not dealt with. This main result is composed of actually two results based on very different intervention logics: 1) increased

employment of long-term unemployed and 2) increased retention in employment and increased employment of workers at risk of unemployment and of workers made redundant, respectively.

(160) Even though the problem of both groups is skills mismatch and the trainings may be provided in similar areas, these groups will be differently composed with possibly more need of specific assistance for the LTU and more need of preventive or early measures for workers at risk of redundancy/redundant. Therefore, it should be dealt with separately.

(161) Under "increase of employment through mainstreaming entrepreneurship and self-employment" (p. 87), the main changes are enumerated as "increase in access to financing for business starters, provision of self-employed support and financial subsidies, as well as development of skills, including ICT, etc...". However, these are measures to be supported and not changes. What are the changes to be achieved? In addition, a measure "increase of self-employment and entrepreneurship" seems very risky in the context of negative growth and cautious forecasts for the next two years.

(162) Older workers are one of three groups particularly underrepresented in the labour market (see Section 1.1), along with the young and women. While results have been defined for the latter two groups, they are missing for older workers. These are referred to briefly only in a paragraph dealing with equality between men and women.

(163) Youth employment initiative (YEI): It should be kept in mind that the reference to 2014 and 2015 is only related to the financial commitments of the YEI budget and not to the duration ("lifetime") of the YEI implementation itself. Second, it is more appropriate to refer everywhere within the text only to the YEI allocation for Croatia in current prices in which the resources are being programmed (EUR 66,177,144) and not to the above figure of EUR million 61, which is in 2011 prices.

(164) References to EAFRD under this section largely relate to young farmers and increasing farm households income, which is rather related to competitiveness and TO3.

(165) Please clarify the meaning of the sentence "The implementation of the provisions of the Integrated Maritime Policy in all segments is expected". Should it be understood as that maritime vocational training and labour mobility will be promoted by ESF?

Thematic objective 9

(166) Results to be achieved in social and health services should be separated.

(167) In the health sector, neither the results proposed nor the text focussing on the "downshifting" process or the "access" to health services do clarify the concrete investments considered with the ERDF Funds (self-care and primary care? and what concretely?). Would the intervention cover the entire national territory (in this case, a mapping of current and needed equipment should be prepared, on the basis of which the selection for ERDF support would be made) or target identified areas (and which ones)? Support from the ERDF and ESF to the reorganisation of the hospital network should be duly justified.

(168) The diagnosis of healthcare quality and access mentions low share of expenditures for prevention (0.68% of the total expenditure for healthcare, comparing to 2.68% in the EU countries in 2010). However, this issue seems not to be tackled in the part on ESI Fund contribution. In line with the CPP, it is recommended to take more clearly into account addressing preventable lifestyle-related risk factors and chronic diseases and reflecting it among strategic objectives and results.

(169) It should be clarified whether the social services would follow the same intervention logic (see questions above) as for the support to the health related ones. Explain how prioritization of the infrastructure investments have been made, as at presented these investments have been listed to cover six different areas.

(170) The PA refers to the needs of social services in all regions which seems too ambitious. Please ensure that prioritisation has been done. The PA refers to four group of beneficiaries identified in the plan for the deinstitutionalisation. While the needs of these groups are undeniable, the limited ESI Funds might not be sufficient to address all of them properly. Prioritize and justify which of these needs would be addressed.

(171) The PA usefully mentions the need for pilot projects to support an integrated ERDF/ESF approach addressing the specific needs of geographical areas most affected by poverty. More information is needed concerning the mode of selection of the areas concerned (or which are the identified areas), the implementation and the longer-term sustainability of this programme, as well as the scale of operations envisaged.

(172) Consistency between the main results expected and the needs analysis is needed (i.e. the main result for the ESF on "increased generation of social enterprises" does not generate from the analysis). Although the social entrepreneurship is an important factor in strengthening social cohesion, employment promotion and enhancement of social services in the community, it is poorly developed in comparison to other main results – there is only one sentence ("On the other hand, the employment of vulnerable groups will be supported through social entrepreneurship.").

(173) The vulnerable groups for whom high quality, integrated and personalized services will be provided should be specified. In general, the text should be clear whether generic terms such as "vulnerable groups" have the same or a different meaning in every context in which they are used.

(174) The issues linked to the effectiveness and transparency of the social protection system are largely neglected and should be described.

(175) The anti-poverty strategy outlined is limited to boosting employment and making sure that work pays. Unfortunately, given the fact that high unemployment and low labour-market participation have clearly increased the share of the population at risk of poverty and social exclusion to 32.7 % in 2011, significantly more than the 24.2 % average for the EU, such a strategy is difficult to implement relying only on Community-level interventions. As a result, the approach of the HR authorities to making use of the ESF is limited to actions supporting the return to the labour market of the people who are experiencing (social) exclusion. However, it should also take into account combatting poverty and social exclusion as a social goal per se.

(176) The Commission supports the deinstitutionalisation process but needs to clarify how the Croatian authorities plan to implement the process. No ERDF should be allocated to support building and renovation of long-stay institutions. ERDF can be used to close these long-stay institutions.

(177) In addition, the PA should highlight the need for a "social investment approach", resting on the three pillars of active inclusion.

(178) Regarding issues related to discrimination, it would be good to have more figures to illustrate the scale of the problem, for example: population of various ethnic communities (Roma, Serb, etc.), poverty rate in relation to average, unemployment as relation to average, etc.

(179) The issues linked to the effectiveness of the social protection system are largely neglected and should be described.

(180) The section concerning EAFRD is primarily written from the perspective of demarcation between ESIFs, and fails to present what is the strategy of the HR authorities for targeting EAFRD support to activities that bring best value added for to ensure growth and decrease depopulation of rural areas. Such targeting should be underpinned by an evidence based SWOT analysis identifying the needs of these areas.

Thematic objective 10

(181) Choices concerning concentration of the Funds on a limited number of investments need to be made, and they should be based on solid justification and a gap assessment, reflecting the challenges identified in the European Semester documents. Similar results of the Funds should be grouped together to highlight complementarity and focus.

(182) Strategic objectives are broken down into higher education, life-long learning and adult learning but the types of action that will be implemented to address them are not yet sufficiently set out.

(183) Apprenticeships: provision of quality apprenticeships will be needed to tackle low employment rates of graduates and skills mismatches (as highlighted in CSR; and as committed under the European Alliance for Apprenticeships). The PA does not make sufficient reference to strengthening availability and quality of apprenticeships; the existing statement that curricular reform will be accompanied by more work placements is not sufficient.

(184) Comprehensive development of quality assurance: it is stated that Funds should be invested in this area but there are insufficient indications what these investments will be used for.

(185) The presented investments in vocational education and training represent good potential for relevance, focus and coherence. A great deal of attention is devoted to VET in the PA. At the same time, VET reform is missing among strategic objectives, although it was highlighted as priority in the analytical section, VET being covered in general under reference to "pre-tertiary level". More prominence could be given to VET also under strategic objectives.

(186) Little is said on how the new curricula to be developed will perform better.

(187) Please clarify to what extent the upcoming Strategy for Education, Science and Technology will address the skills mismatch.

(188) The result of increased access to LLL is too wide and undefined. The issue of insufficient participation in lifelong learning should be further analysed if relevant for ESIF – what is the structure of programmes, are there more/ less successful ones, and what should be changed specifically, to contribute to the quality of labour in specific areas? The key problems are listed but the source should be provided as this is the core of the analysis that should lead to the solution on how ESIF investments could be focused. It is not considered justified that some programmes are already pre-defined to be implemented through ITIs.

(189) In the field of education, if the concentration of Funds allows, investment could be targeted to the attainment of the EU target on tertiary education. Infrastructure investments at tertiary level need to be accompanied by investments in improvement of quality of higher education, and the very high drop-out rate further analysed and more comprehensively addressed: counselling centres or the construction of accommodation for disadvantaged students cover only one part of the problems identified, and would not be sufficient to attain significant change in the attainment of the EU 2020 target in tertiary education. In addition, higher education interventions need to be geared towards reducing the skills mismatch (horizontal mismatch, low participation in STEM and ICT degrees etc).

(190) Investments into ICT infrastructure/digitalisation should be accompanied with parallel efforts in staff training in ICT literacy in order to make sure that the new equipment is used in a way that improves educational outcomes.

(191) ERDF "investment for enhanced tertiary education offer in alignment with smart specialisation" is vague and not justified, and should not be considered.

(192) ESF result "increased participation and more equal access for students at disadvantage in pre-tertiary and tertiary education" is vague and undefined and needs to be substantially revised to provide intervention logic and result-orientation. The "support to accommodation facilities to students at disadvantage" as the (only) supportive action, within ITI(s) is by far not sufficient to achieve a "widened access" to higher education for this targeted population at national level. A new strategic objective should be added in the area of pre-tertiary education to include all school-related investments currently identified under lifelong learning.

(193) The support the compulsory educational infrastructure is not considered as a priority by the Commission for ESIF funding, unless a strong case is made for these investments such as in the area of student accommodation for the purpose of greater access. Should EAFRD support be used, it should be in line with the targeting of rural infrastructure referred to in Part I. It is also unclear how EAFRD could support an 'increased participation in good quality childhood education' in small rural settlements.

(194) Pre-primary and other early childhood care and education programmes: low participation rates, regional differences in coverage, quality and lack of specialised educational staff are identified as a challenge in Section 1.1.1. Nevertheless, Section 1.3 does not develop on this issue: it is not identified under strategic objectives, neither developed in the section "How the ESI Funds will contribute to tackling the identified challenges and the EU value added". Please elaborate on which actions are envisaged to tackle this challenge.

(195) Digitalisation of schools can be considered for ERDF support as it could target a clearly defined potential and focus on achievable results. Investments into ICT infrastructure/digitalisation are also justified, but are conditional on parallel efforts in staff training in ICT literacy in order to make sure that the new equipment is used in a way that improves educational outcomes.

Thematic objective 11

(196) The expected results envisaged are very broad and need focus, in line with a substantiated analysis of the needs and challenges. The presentation does not allow an understanding of "actual change envisaged".

(197) From the explanation provided it is not clear how the ERDF will support actions under the TO 11. What does "rationalisation of public administration structures" mean? For targeting and critical mass purpose - see 1% of ERDF allocation under TO11 -, it is proposed that ERDF investments are not considered.

(198) Please clarify how the "depolitisation" will be tackled. Anti-corruption is mentioned, but the strategy to tackle it the reference is not elaborated.

(199) Coordination between TO 2 (ICT applications) and TO 11 should be elaborated.

1.4 THE INDICATIVE ALLOCATION OF SUPPORT BY THE UNION BY THEMATIC OBJECTIVE, TOTAL INDICATIVE AMOUNT OF SUPPORT FORESEEN FOR CLIMATE CHANGE OBJECTIVES

(200) Please see the observations in Part I point 2 of these observations.

(201) There seems to be a technical error in footnote 35 (total EAFRD figure includes (not excludes) funding under Article 40 of Regulation (EU) No 1305/2013. EAFRD allocation should be aligned with the relevant Annex to Regulation (EU) No1305/2013 once the Delegated Act addressing the transfers between CAP Pillars is adopted. Please correct the discrepancy of EUR 750 as compared to the EAFRD allocation for Croatia as laid down in the Regulation above-mentioned.

1.5 THE APPLICATION OF HORIZONTAL PRINCIPLES AND POLICY OBJECTIVES FOR THE IMPLEMENTATION OF THE ESI FUNDS

Partnership principle

This chapter should be reviewed, to be more concise and precise, articulated on the three main following points, in line with the European code of conduct⁸:

(202) *Identification of relevant partners for the Partnership Agreement:* It should be demonstrated that the partners as identified under Article 3 of the European code of conduct have been actually consulted. In particular, evidence should be provided on the involvement of the agricultural/rural development stakeholders⁹, and the institutions and non-governmental organisations working in the field of environment and sustainable development, social inclusion, gender equality and non-discrimination. The list of the partners involved should be annexed to the Partnership Agreement.

(203) *Information and consultation during the preparation of the Partnership Agreement:* Each step of the consultation process should be made clearer, as well as the measures to facilitate the accessibility to this process to all relevant stakeholders. A short but precise analysis should be provided on: the main concerns, comments and recommendations raised by multiple partners, and how the strategic choices have been significantly influenced following the consultations.

(204) *Role of the selected partners in the preparation of the progress reports:* Related information should be provided.

(205) It should be reminded that the ESI Funds support should be used as necessary to develop the capacities of the partners involved in the preparation, implementation, monitoring and evaluation of the programmes (using technical assistance if and as necessary).

Promotion of equality between men and women, non-discrimination and accessibility

(206) This chapter should be reviewed, to be more concise and precise. The listing of national regulatory frame is not necessary; instead, clarification should be provided on the precise mainstreaming and "positive" measures to be undertaken as regards these principles, during the preparation, implementation, monitoring and evaluation of the programmes.

(207) Furthermore, it should be described how the relevant institutions and non-governmental organisations are/will be involved in the programming, implementation, monitoring and evaluation, apart from the participation in the Monitoring Committees.

(208) The way gender equality, but specifically anti-discrimination will be implemented should be clarified - specific actions and/or mainstreaming -.

(209) It is mentioned that a Gender Equality Ombudsperson is active; will he be involved in the implementation, monitoring and evaluation of the programmes?

(210) It should be underlined that the "accessibility" should not be understood as the general "access to", but as a prerequisite to ensure that the ESI-funded investments will be "easy for disabled people to enter or use".

Sustainable development

⁸ Commission delegated Regulation of 7.01.2014 on the European code of conduct on partnership in the framework of the European Structural and Investment Funds, C(2013)9651 final of 7.0.1.2014

⁹ The information provided related to the consultation on the Rural Development Programme is not appropriate in the Partnership Agreement and should be deleted.

(211) This chapter should be reviewed, be more structured, concise and precise. The listing of national regulatory frame is not necessary; instead, clarification should be provided on the actual mainstreaming and possible "positive" measures to be undertaken as regards the sustainable development, during the preparation, implementation, monitoring and evaluation of the programmes.

(212) Furthermore, it should be described how the relevant institutions and non-governmental organisations are/will be involved in the programming, implementation, monitoring and evaluation, apart from the participation in the Monitoring Committees.

(213) Please elaborate further on how the polluter-pay and user-pay principles (ex: water management) will be applied concretely. It would be beneficial to extend the section on the polluter pays principle to be more specific on application of other economic instruments in the waste management field, e.g. pay as you throw scheme, landfill taxes, producer responsibility.

(214) Which is the exact type of criteria envisaged¹⁰ regarding the use of sustainable development criteria, (climate change mitigation and adaptation, resource efficiency, reducing environmental pressures...)? These criteria could be valid for other types of investments than those listed.

(215) It should be specified how environmental protection, resource efficiency, climate change mitigation disaster resilience and risk prevention and management will be promoted in the implementation of programmes. It is recommended that risk prevention and management requirements, as well as the adaptation to the climate change are mainstreamed in the policy areas and investments ("climate proofing"¹¹) as appropriate.

(216) Please elaborate further on how the "growth" and "green jobs" would be supported in developing targeted ESI Funds' investments in the relevant thematic objectives. Specify how this will be taken into account in the scoring at the selection phase of projects.

(217) The document rightfully highlights the outstanding biodiversity of Croatia. It should also be substantiated which horizontal measures would be taken to preserve and ensure sustainable use of this natural capital (nature-based solutions e.g. GI), as one of the pillars of the future green growth.

(218) The reference to the Energy efficiency and RES targets should be deleted as refers to implementation of European legislation and not to sustainable development mainstreaming tools. In the energy sector, use of energy accounting or energy management systems could be instead mentioned as horizontal tools for implementing sustainable development.

(219) The use of "green public procurement" needs to be described more clearly. Please specify also for which kind of projects "green public procurement" will be applied.

1.6 LIST OF THE PROGRAMMES

(220) The indicative allocation for the EMFF-funded programme and the related amount of performance reserve should be provided when the national allocation for this fund is decided.

(221) As regards the EAFRD, please correct the discrepancies of EUR 2750 (EUR 2000 in 2014 and EUR 125 in the remaining years) as compared to the EAFRD allocation for Croatia as laid down in the relevant updated Annex I to Regulation 1305/2013 (as also mentioned in Section 1.4).

¹⁰ Reference to the Energy efficiency and RES targets should be deleted as refers to transposition of European legislation and not to sustainable development mainstreaming tools. In the energy sector, the use of energy accounting or energy management systems could be instead mentioned as horizontal tools for implementing sustainable development

¹¹ In view of (1) minimising the emissions of greenhouse gases over the lifespan of the concerned investment and (2) ensuring and enhancing the resilience of the investment to the adverse impacts of climate change over its lifespan; and this should be reflected in the PA.

2.1 ARRANGEMENTS TO ENSURE COORDINATION BETWEEN THE ESI FUNDS AND OTHER UNION AND NATIONAL FUNDING INSTRUMENTS AND WITH THE EIB.

The text under this chapter should be reviewed to be shorter and more specific (less narrative).

(222) *Coordination between ESI Funds*: This chapter presents the demarcation between the ESI Funds, which should be clarified at the programme level. Some attempts to delimitate the use of Funds through quantitative criteria (size of projects, population served...) are artificial and could lead to difficulties during the implementation.

The chapter does not fully clarify the synergy and complementarity of the support from the Funds (ex: TOs 2 and 11 regarding e-administration, ESF/ERDF under TOs 9 to 11, TO 4 with TOs 5 and 7 regarding climate change actions...). Concrete arrangements allowing for complementary funding at the level of integrated operations, across programmes (ex: ESF/ERDF in TOs 9 to 11, potentially Union sectoral programme and ESIF) should be briefly outlined¹².

The coordination with the Connecting Europe Facility should also be provided (TO 5, 7).

Please update the intervention areas for the EMFF (table 21: the EMFF does not contribute to TO1, TO9 and TO10). The coordination with the FEAD should be elaborated.

Please confirm that the thematic working groups referred to are the same as the ones set-up for the programming of the ESI Funds.

The common evaluation arrangements should be described under this Section.

(223) *Coordination with the other relevant Union funding*: This section is still too long and descriptive (Swiss and EEA contribution). It should rather be clarified which are the main EU programmes active in the selected areas for ESI funding (Horizon 2020, Cosme for TOs 1 to 3, Life...), and explain how overlaps will be avoided and complementarity and coordination ensured at programme and project levels.

(224) *Complementarity with other national funding instruments*: this important issue is not addressed in this Section.

(225) *Complementarity with IFIs support (including EIB)*: Please specify which financial complementary support is expected to be provided by other IFIs, and clarify how the complementarity and coordination is arranged (MRDEUF, MAs and NCC?).

(226) *Coordination with the programmes under the European Territorial Cooperation (ETC)*: please see comments in chapter 3.1.4

(227) *Synergy between 1st and 2nd Pillar of the CAP*: This paragraph should also refer to greening as a major policy novelty in the direct payments support having relevance to rural development. The sentence '*Flexible programming and attention to synergies between two pillars, especially in the use and combination of different measures should better address the needs and opportunities in considered sectors*' should be clarified.

2.2 THE INFORMATION REQUIRED FOR EX-ANTE VERIFICATION OF THE COMPLIANCE WITH THE RULES ON ADDITIONALITY

(228) The additionality baseline targeted is 2.2% of GDP. However, if we base on the 2014 convergence programme and the fiscal projections for the period 2014-17 including projections for public investment, the additionality baseline would increase to 2.3% of GDP.

¹² In any case, it should be clarified that the same eligible costs cannot be co-financed by two different EU programmes or Funds.

The Commission proposes that the additionality baseline is increased to 2.6% of GDP. The presented baseline implies a nominal decrease in public investment from HRK 8.3 billion budgeted for 2014 to 8.2 billion in 2015 and further to 7.7 billion in 2016. These projections include co-financing from EU Funds, hence the decline of public investment funded solely from national sources would be even more pronounced. With a view to ensuring that public investment contributes to higher cohesion and supports growth, it is proposed to set the additionality baseline for general government GFCF at a higher level.

The arguments supporting a higher additionality's baseline are based on the Commission's projections of public investment, 2007-2013 investment levels, current macro-economic conditions and total allocation of the ESI Funds for 2014-2020.

We remind that the additionality target set now can be revised at the mid-term verification in 2018.

(229) Please add a short text commenting the table e.g. commenting the expected evolution of public investment trends taking into account the evolution of the fiscal space for public investment.

2.4 THE METHODOLOGY AND MECHANISM TO ENSURE CONSISTENCY IN THE FUNCTIONING OF THE PERFORMANCE FRAMEWORK

(230) This Section in the revised PA should present the findings of the ex-ante evaluations at programme level, including regarding the assessment of the suitability of milestones and targets in the performance framework. It should be specified how often the progress in reaching targets will be analysed.

(231) The last three paragraphs referring to coordination of evaluation activities should be presented under Section 2.1.

2.5 ASSESSMENT OF WHETHER THERE IS A NEED TO REINFORCE THE ADMINISTRATIVE CAPACITY OF THE MANAGEMENT AUTHORITIES AND BENEFICIARIES

(232) *Assessment of the needs to reinforce the administrative capacity:* This information is not provided, although it addresses a critical issue, given the current restricted capacities and the outstanding challenges ahead in 2014-2020. Lessons learnt from the current and programming period and specific requirements for 2014-2020 should be presented, as well as an assessment of the current capacities (staffing, skills) and the identification of capacity gaps at both levels, in a short (2014-2016) and long term, covering all sectoral programmes. A particular focus should be put on the single managing authority, and to the intermediate bodies in charge of new funded sectors. In line with the country-specific recommendations, specific actions should also relate to the strengthening of the transparency and efficiency of public procurement of the ESIF projects at both central and local levels, and the capacity to monitor implementation and to detect irregularities.

(233) *Actions taken or envisaged to reinforce the administrative capacity:* it is referred to a capacity development action plan and a strategic work load assessment that should be developed on a basis of a detailed programme absorption plans. Although these would be of course relevant for the full period, an assessment and short term action plan with clear steps is urgently needed for the strengthening of the capacities, having in mind that the implementation of the programmes will start upon their adoption. Both elements should be presented in the revised Partnership Agreement.

(234) *Management system and common rules:* Related information currently included in 2.5.1 should be placed in a specific chapter. Particular attention should be placed on the development of sufficient capacity in the managing authority to exert the necessary level of supervision of the delegated functions, as well as exert a strategic, results-oriented implementation and monitoring of the programme. Regarding the anti-corruption measures, it should be stated that necessary measures will be put in place and monitored, in line with the findings of the anti-corruption report. It should be

clarified that the Paying Agency for Agriculture, Fisheries and Rural Development (PAAFRD) is not yet accredited as regards EAFRD.

(235) *Support to project beneficiary*: this has proven to be a critical issue. Further to the PON network for awareness, and Jaspers facility and technical assistance for the development of the project pipelines, please elaborate on which structural and long term measures (ex: specific departments in the intermediate bodies level 2...) are envisaged to develop substantially the capacities of the local beneficiaries in the preparation and implementation of ESI funded projects.

2.6 ACTIONS PLANNED TO ACHIEVE A REDUCTION IN THE ADMINISTRATIVE BURDEN FOR BENEFICIARIES

(236) A short assessment of the administrative burden for the beneficiaries in 2007-2013 should be provided, as well as an indicative table for the implementation and monitoring of the actions proposed, which should also cover the EAFRD and EMFF funded programmes.

3. DESCRIPTION OF THE INTEGRATED APPROACH TO TERRITORIAL DEVELOPMENT

3.1.1 Community-led development (CLLD)

(237) Intended use of EAFRD support for "*continuation of activities of already established LAGs*" needs to be clarified.

(238) The fit of CLLD in fisheries with the funding priorities is not evident. There is nothing on the management and delivery of the approach for the EMFF except that a clear choice for mono-Fund mode is made. The Section 3.1.1 lacks in specificity, it is almost completely focused on Leader but even that is very lightweight. It appears to be restricting CLLD in fisheries to islands. Please specify the objectives of CLLD in fisheries. There is nothing on the role of the FLAGs and on how they propose to establish the approach e.g. using preparatory support etc. Synergies with LEADER should be better explained.

3.1.2 Integrated Territorial Investments (ITIs)

(239) The number of the ITIs and principles for selection of cities which would compete for implementing an ITI should be defined clearly. It is not clear what type of cities would be eligible to apply for an ITI: only those with population above 50 000 people or those with population above 35 000 people.

(240) The text related to the ITI implementation mechanism needs to be revised: at least the selection of operations needs to be fully delegated to the urban authorities, without the ITI Lead Ministry interference. Urban authorities would be also acting as IBs with the responsibilities proportionate to the level of delegation (at least project selection). The PA further states that the ITI Lead Ministry would check the compliance of projects with national strategies. The Lead Ministry could instead check the compliance of the ITI strategies and the national strategies.

(241) Please explain how the integrated transport projects and the ITIs will be implemented in a coordinated and integrated way.

(242) The principles for selection of urban areas need to be clearly spelled out.

3.1.4. Macro-regional strategies

(243) Please elaborate in 2.1.1 on the institutional and operational arrangements to ensure complementarity, and focus 3.1.4 on the main priority areas for cooperation.

(244) Broad areas of cooperation are mentioned (text and table), which do not match with current priorities of the country (ex: tourism not mentioned under EUSAIR; promotion of sustainable transport and removal bottleneck in key infrastructure network, though it is identified as priority objective for the cooperation). The complementarity and synergy of actions between the EUSAIR and EUDSR pillars¹³ and the identified ESIF intervention areas should be clarified, after consultation of the appropriate authorities (NCPs, NGPs and MRSs). This aspect should be further elaborated, in showing which main investment priorities under each TO match the pillars of both macro-regional strategies.

(245) The role of the EAFRD and EMFF in the implementation of the macro-regional strategies should also be described. It should also be specified which specific coordinating role Croatia is expected to take over under both strategies.

3.1.5 Geographical areas most affected by poverty

(246) The scope of the investments for urban regeneration needs to be more clearly presented. The focus is placed too strongly on social housing. Describe also: the target groups, the main measures planned under the investment and the ESI fund which will be involved.

(247) The difference between the "territorial" approach and the "target group" approach in the table is not clear since in both cases the ERDF will be focused on similar actions related to revitalisation of deprived and degraded communities.

(248) Provide the criteria for selecting the pilot areas where urban regeneration will be implemented.

(249) The intention to select – on the basis of a poverty mapping - small towns or settlements for social and economic regeneration projects needs to be clarified. It has to be also explained how such an approach would fit with the overall targeting and prioritisation of EAFRD support, should RDP funding be also intended.

(250) The activities described under this section are not always consistent with the description under the corresponding thematic objective.

3.1.6 Integrated approach to address demographic challenges of regions or specific needs of geographical areas which suffer from severe and permanent natural or demographic handicaps

(251) This Section may be relevant for Croatia (islands, mountains). Please clarify why it has been considered as non-relevant. The consistency with the analysis is not always evident especially considering that this Part of the PA does not explain how the challenges of some islands (transport, environmental and ICT) will be addressed.

4. ELECTRONIC DATA EXCHANGE

(252) The national authorities are strongly encouraged to establish adequate link (e.g. interface) between the various IT systems envisaged (SFC MIS and EIS under EAFRD) in order to avoid risk of double funding and ensure complementarity between the ESIF programmes.

¹³ The EUSAIR four thematic pillars have been renamed as follows: Blue growth, Connecting the region, Environmental quality, Sustainable Tourism. Please amend.