COMMISSION IMPLEMENTING DECISION

of 9.12.2022

on the authorisation of the disbursement of the second instalment of the non-repayable support for Croatia

(Only the Croatian text is authentic)
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THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,


Whereas:

(1) According to Article 4(2) of Regulation (EU) 2021/241, the specific objective of the Recovery and Resilience Facility is to provide Member States with financial support with a view to achieving the milestones and targets of reforms and investments as set out in their recovery and resilience plans.

Council Implementing Decision of 28 July 2021 on the approval of the assessment of the recovery and resilience plan for Croatia (the ‘Council Implementing Decision’) provides that the Union is to release instalments in accordance with the Financing Agreement conditional on a decision by the Commission, taken in accordance with Article 24(5) of Regulation (EU) 2021/241, that Croatia has satisfactorily fulfilled the relevant milestones and targets identified in relation to the implementation of the recovery and resilience plan.

(2) On 19 September 2022, Croatia submitted a request for payment, accompanied by a management declaration and a summary of audits. The request concerned the second instalment of the non-repayable support. Pursuant to Article 24(3) of Regulation (EU) 2021/241, the Commission assessed on a preliminary basis whether the relevant milestones and targets set out in the Council Implementing Decision had been satisfactorily fulfilled. For the purpose of this assessment, the operational arrangements concluded between the Commission and Croatia in accordance with Article 20(6) of Regulation (EU) 2021/241, were taken into account.

(3) The Commission made a positive preliminary assessment of the satisfactory fulfilment of all 25 relevant milestones and targets related to the non-repayable support and, in accordance with Article 24(4) of Regulation (EU) 2021/241, provided its findings to the Economic and Financial Committee asking for its opinion on the satisfactory fulfilment of the relevant milestones and targets. In accordance with Article 25(4)

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that Regulation, the Commission provided the competent committee of the European Parliament with an overview of its preliminary findings concerning the satisfactory fulfilment of the relevant milestones and targets. The Economic and Financial Committee agreed with the Commission’s positive preliminary assessment and was of the opinion that Croatia has satisfactorily fulfilled all the milestones and targets associated with the payment request. The Commission has taken the opinion of the Economic and Financial Committee into account for its assessment.

(4) Section 2(1)(1.2) of the Annex to the Council Implementing Decision provides the relevant milestones and targets that are to be satisfactorily fulfilled for the second instalment of the non-repayable support for an amount of EUR 804,597,701.

Milestones and targets related to the non-repayable support:

(5) Milestone 2 provides for the creation and operationalisation of a new digital platform for the on-line payment of the seven most frequent compulsory business fees in Croatia. Croatia provided an explanatory cover note including the constitutive elements, a set of snapshots to illustrate the different functionalities of the platform and the certificate for works completion signed by its developer, the state-owned Financial Agency FINA, and the Ministry of Economy and Sustainable Development. The evidence provided by Croatia demonstrates that the Digital Platform for Payment of Fees has been in full production since 30 March 2022 and its content and objectives are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(6) Target 6 provides for the implementation of the 2020 Action Plan to reduce non-tax and parafiscal charges. Adopted on 7 May 2020, the Action Plan sets out 33 measures to reduce non-tax and parafiscal charges and 17 measures to reduce fees for professional examinations. These measures consist of reducing or abolishing fees, and, in some cases, they provide for exemptions from such obligations. The cost relief for the private sector is achieved in various areas, including energy, agriculture and land cadastre as required by the Council Implementing Decision, as well as, for example, the environment, health, and transport. This target is the first one in an ongoing reform of the business environment under the investment aimed at further reducing the administrative and fiscal burden on businesses and improving the business environment. Croatia provided separate evidence on the implementation of each of the measures, showing the planned cost reduction. The evidence provided by Croatia demonstrates that all 50 measures have been implemented, accounting for full implementation of the 2020 Action Plan to reduce non-tax and parafiscal charges in line with the content and objectives of the target. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(7) Milestone 14 provides for the publication of a call for proposals for support on green transition for small and medium enterprises and mid-caps active in the energy-intensive industrial sectors. Croatia provided the documents of the call for proposals documents and the annexes, the eligibility and selection criteria for the award procedure, as well as a self-assessment questionnaire on DNSH. The content and objectives of the evidence provided by Croatia are in line with the requirements of the milestone and demonstrates that the call for proposals “Support to companies for the transition to an energy and resource-efficient economy” was published on 1 July 2022 and re-published on 28 July 2022 on the relevant websites. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
(8) Milestone 16 provides for the establishment of financial instruments (revolving funds) to support investment by micro, small and medium-sized enterprises. The Ministry of Finance and the Ministry of Economy and Sustainable Development entrust the management of financial instruments (micro-credits, loans and interest-rate subsidies) to the Croatian Agency for SMEs, Innovation and Investments (HAMAG-BICRO) through the signature of Funding agreements. Croatia provided the copies of the Funding Agreements signed on 30 March 2022. The content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(9) Milestone 19 provides for the establishment of financial instruments (revolving funds) to support investment by mid-caps and large companies. The Ministry of Finance and the Ministry of Economy and Sustainable Development entrust the management of the financial instruments (interest-rate subsidies, loans guarantees) to the Croatian Bank for Reconstruction and Development (HBOR) through the signature of Funding agreements. Croatia provided the copies of the Funding Agreements signed on 30 March 2022 and an explanatory report issued by HBOR justifying how its cooperation with financial intermediaries (banks and leasing companies) will achieve a “crowding in private sector” effect. The content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(10) Milestone 21 provides for the establishment of a financial instrument (revolving fund) to promote investment by public entities (companies and institutions owned by the State or local, regional government units). The Ministry of Finance and the Ministry of Economy and Sustainable Development entrust the management of the financial instrument (interest-rate subsidies) to the Croatian Bank for Reconstruction and Development (HBOR) through the signature of a Funding agreement. Croatia provided the copies of the Funding Agreement signed on 30 March 2022 and the annexes, as well as a “Model contract” to be signed between HBOR and other financial intermediaries. The content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(11) Milestone 25 provides for the amendments to the Electronic Media Act and the Law on Copyright and Related Rights. The amended legislative framework establishes effective legal protection of authors and facilitate online licensing of copyright works, addressing more recent developments in the Digital Single Market, such as online content-sharing platforms and ancillary broadcasting services. The objectives of the legislation also include facilitating cross-border distribution of television and radio programmes, promoting cultural, linguistic and media diversity, and ensuring transparency of media ownership structures. Croatia provided evidence of publication in the Official Gazette on 14 October 2021 of the amendments to the Copyright and Related Rights Act and the Electronic Media Act (No. 111/2021). The evidence provided by Croatia demonstrates that the adopted amendments address the objectives, based on the modernisation of the Union copyright and audiovisual media services framework, supporting the development of new and innovative products and services by the cultural and creative sector in the Digital Single Market in line with the content and objectives of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.
(12) Milestone 36 provides for the publication of an assessment document with recommendations to alleviate barriers and administrative procedures restraining to higher uptake of renewable energy sources. The assessment document includes measures for promoting the renewable self-consumption and renewable energy communities. Croatia provided the link to the website where the assessment document can be accessed, as well as a copy of the published assessment document, including a Decision by the Minister on the publication of the assessment document (Ref 391-01/22-01/221 / 517-07-1-2-22-9) and the explanatory report demonstrating how the actions foreseen in the assessment document contribute to achieving the objectives of the reform. The evidence provided by Croatia demonstrates that, after an initial version published on 30 June 2022, a revised version on 19 September 2022, the Ministry of Economy and Sustainable Development published a final version of the “Assessment with Recommendations to Remove Barriers and Relieve Administrative Procedures Limiting the Uptake of Renewable Energy” on 10 October 2022 on its official website in line with the content and objectives of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(13) Milestone 50 provides for the adoption of the Hydrogen Development Strategy. Croatia provided a copy of the adopted Strategy and a link to the website where it can be accessed, as well as a copy of the publication of the Croatian Hydrogen Strategy until 2050, as adopted by the Croatian Parliament on 25 March 2022, in the Official Gazette (No. 40/2022). The evidence provided by Croatia demonstrates that the Hydrogen Strategy of the Republic of Croatia until 2050 was adopted and published in the Official Gazette. The Strategy includes quantified targets on the production potential of renewable hydrogen based on electrolysis, by 2030 but also up to 2050. The Strategy also addresses the potential role of renewable hydrogen in the decarbonisation of the transport sector. The content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(14) Target 63 provides for at least 115 km of public sewerage network constructed or reconstructed, and that the investment shall ensure compliance with the Urban Wastewater Treatment Directive in subject areas, in line with the Multiannual Water and Wastewater Construction Programme. Croatia provided supporting documentary evidence for the 39 project areas. The documentation contains the following for each of the project areas: the Grant Agreements with their supporting annexes, the technical specifications, and the supervising engineer’s report/final report, as well as an Annex, which is a detailed overview table on the achievement of the indicator per project. The evidence provided by Croatia demonstrates that through the 39 approved projects, as of 30 June 2022, 125.99 km of public sewerage network constructed or reconstructed was achieved in line with the content and objectives of the target. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(15) Target 68 provides for at least 226 km of public water supply network constructed or reconstructed. Croatia provided supporting documentary evidence for the 48 project areas. The documentation contains the following for each of the project areas: the Grant Agreement with their supporting annexes, the technical specifications, extract from the main design and the supervising engineer’s report/final report, as well as an Annex, which is a detailed overview table on the achievement of the indicator by project. The evidence provided by Croatia demonstrates that through the approved 48
projects, as of 30 June 2022, 255,53 km of public water supply network constructed or reconstructed was achieved in line with the content and objectives of the target. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(16) Milestone 131 provides for the entry into force of the new Act on Agricultural Land Consolidation which introduces conditions for simplifying the consolidation process, reducing the number of participating bodies, shortening the time needed to carry out consolidation activities, and applying information technologies. Croatia provided a copy of the publication of the Act on Agricultural Land Consolidation (Official Gazette No. 46/2022). The evidence provided by Croatia demonstrates the entry into force of the legislative act. The content and objectives of the Act on Agricultural Land Consolidation are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(17) Milestone 138 provides for the establishment of an online platform for food waste prevention which contributes to disseminating best practices, raising awareness, and educating about the issue of food waste and food donation, and upgrading the existing food donation IT system with new functionalities. Croatia provided copies of the certificates of completion and contracts, links to the online platform and the IT system, and login details for the IT system. The evidence provided by Croatia demonstrates that the online platform and the IT system have been established or upgraded and that their content and objectives are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(18) Milestone 160 provides for the upgrading of the eFondovi IT system, previously used for monitoring the implementation of the European Structural and Investment Funds, to ensure alignment with the Recovery and Resilience Facility Regulation requirements for monitoring the implementation of the Recovery and Resilience Plan. The evidence provided by Croatia demonstrates that the upgrades to enable the functionalities required by the Regulation (collection, storage, monitoring and sharing of data) were done in the second half of 2021 and first months of 2022 and include both updates of existing and additional, newly developed modules of the system. These upgrades provide for a thorough monitoring of the achievement of milestones and targets and data at the level of final recipients through a newly developed, dedicated module in the eFondovi IT system, as well as data aggregated at higher levels. The upgraded IT system is in place and operational and it provides for robust and adequate monitoring of the management and implementation of the Plan, and collects, stores, and ensures access to the data in accordance with article 22(2), point (d) of the Recovery and Resilience Facility Regulation. The content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(19) Milestone 174 provides for the amendment of the legislative frameworks to encourage the voluntary functional or actual merger of the local government units (LGUs) and for the adoption of a Decision of the Croatian Government on the criteria for granting fiscal incentives for voluntary functional or actual mergers. Through financial incentives for the functional and actual mergers of local government units the provision of public services will be improved and become more efficient and transparent, providing the population with equal opportunities to meet their needs and
interests, regardless of their place of residence. The Act on the Execution of 2022 State Budget allocates adequate amounts to incentivise the actual merger of at least 20% of the local government units, and a functional merger of at least 40% of the local government units. It is considered that the content and objectives of the amendments to the legislative framework (Act on Execution of 2022 State Budget of the Republic of Croatia, adopted on 27 May 2022; Government Decision on the criteria for granting fiscal incentives for the voluntary functional or actual merger of local self-government) are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(20) Milestone 202 provides for the optimisation of the permit granting process for connectivity investment further develops the availability of electronic (fixed, wireless, and mobile) communications networks, including 5G networks. In line with this milestone, three legal acts have been adopted, the Electronic Communications Act, the amended Decree on determination of buildings, other interventions in space and areas of national and regional significance, and the amended Ordinance on simple and other buildings and works. The three acts entered into force in June and July 2022, and a copy was provided. These acts provide adequate conditions for the development of high-capacity networks, introduce simplified and transparent presentation of the electronic communication infrastructure in spatial plans, and address the administrative burden and regulatory barriers hampering the construction, including streamlining the licensing/authorisation process, the content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(21) Milestone 214 provides for the upgrade of the functionalities of the electronic tools and ensuring of adequate administrative capacities for the State Judicial Council (Državno sudbeno vijeće, DSV) and the State Attorney’s Council (Državnoodvjetničko vijeće, DOV) in order to improve the quality of work of both councils. Croatia provided a detailed list of the new equipment and the location where it was installed or distributed, anonymised personnel records demonstrating the human resources increase, proof of the DSV and the DOV electronic tool linkage to the common land registry and cadastre (ZIS) and tax administration information system, and the certificates of completion from the contractor. The content and objectives of the evidence provided by Croatia demonstrates that, in line with the requirements of the milestone, by 31 March 2022 electronic tools and adequate administrative capacities were in operation for the DSV and the DOV enabling the improvement of the quality of the work by both Councils, with their staffing levels were increased by 50% compared to the 2021 baseline (by recruiting 4 persons) and the DSV and the DOV electronic tools upgraded. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(22) Milestone 215 provides for the entry into force of amendments to the Bankruptcy Act and the Consumer Insolvency Act with the objective to ensure greater efficiency of insolvency proceedings and improve the system of organisation and appointment of insolvency practitioners and the supervision of the performance of the service. The legal framework also acts as a deterrent against a potential increase in the number of cases due to the conditions of the COVID-19 pandemic and to amend Article 212 of the Bankruptcy Act relating to avoidance proceedings. Croatia provided a copy of the publication of the Act on Amendments to the Bankruptcy Act and the Act on Amendments to the Consumer Insolvency Act (both published in the Official Gazette...
No. 36/2022). The evidence provided by Croatia demonstrates the entry into force of the amendments to the legislative acts and that the content and objectives of the acts are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(23) Milestone 216 provides for the entry into force of amendments to the Code of Criminal Procedure to allow for the use of information and communications technology (ICT) in criminal proceedings, including the introduction of remote hearings, the extension of the possibility of giving on-line testimonies for victims of crime, the possibility to communicate with lawyers via a secure video link and the preparation of hearings for accused persons in pre-trial detention, and the introduction of e-communications. Croatia provided a copy of the publication of the Act on Amendments to the Code of Criminal Procedure (Official Gazette No. 80/2022). The evidence provided by Croatia demonstrates the entry into force of the amendments to the legislative act and that the content and objectives of the Act is in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(24) Milestone 266 provides for the comprehensive analysis of secondary education needs which comprises the relevant elements that support the identification of measures on: increasing the share of students enrolled in general secondary education programmes; reducing the share of students enrolled in surplus vocational programmes and aligning vocational programmes with labour market needs. As set out in the Council Implementing Decision, the Comprehensive analysis, published on 19 September 2022, addresses the necessary requirements that are part of the structural reform of the education system, which aims to support access and quality on all levels of education: early childhood education and care, primary, secondary, tertiary, and adult education. Croatia provided a copy of the Comprehensive analysis, and its content and objectives are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(25) Milestone 286 provides for supplementing active labour market policies (ALMPs) and is the only milestone related to reform C.4.1.R1 Supplementing active labour market policies. The three new ALMPs promote the green and digital transition while increasing the competitiveness and employability of the labour force in line with labour market needs, with a particular focus on the activation of the long-term unemployed and less employable people from vulnerable groups. The milestone includes grant support in jobs related to the twin transitions for: 1) employment in jobs where special attention is given to disadvantaged groups and people with disabilities, 2) traineeships, with a focus on unemployed people with no prior work experience, and 3) unemployed people who decide to start a business (become self-employed). Croatia provided copies of the green-jobs guidelines and the Croatian Employment Services’ (CES) decision on the adoption and amendment of the Terms and Conditions for the implementation of the new ALMPs, as well as of the conditions and methods of using funds for the implementation measures in 2022. The content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(26) Milestone 291 provides for developing skills according to labour market needs by setting up a new voucher system for adult education, training, upskilling, and reskilling with the aim to increase the employability of workers and better match supply and demand on the labour market, as defined in reform C.4.1.R3 - Developing
skills according to market needs. The milestone supports lifelong learning through the introduction of the voucher system and the acquisition of new skills, particularly green and digital skills, with a particular focus on vulnerable groups (long-term unemployed, inactive or NEETs). The adoption of the new voucher system was approved by the Governing Council of the Croatian Employment Service (CES) on 30 March 2022, and it became operational as of 1 April 2022. Croatia provided a copy of the CES’s decision instituting the voucher system and its certificate of completion issued in accordance with the national legislation, as well as a factsheet containing all information about the design and operational aspects of the measure, the list of the eligible educational programmes and certified educational institutions under the Croatian Qualifications Framework (CROQF), the brief description and link to the platform and an extract of the relevant parts of the technical specifications. The authorities also provided the Adult Education Act, published on 27 December 2021 in the Official Gazette (No. 144/2021). The content and objectives of the evidence provided are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(27) Milestone 303 provides for the adoption of the new Social Welfare Act which sets, among others, changes related to the guaranteed minimum benefit, combining heating, and housing allowance and introducing a new social mentoring service. Croatia provided a copy of the Social Welfare Act (Official Gazette No.18/22) that entered in force on 17 February 2022 and a copy of the Minister Decision on the Guaranteed Minimum Benefit (Official Gazette No. 23/22) that entered into force on 26 February 2022. The Act introduces amendments to long-term care ensuring facilitating deinstitutionalisation and transition to home and community-based services, as well as provisions to mandate the cooperation and regular exchange of information between institutions providing social services and social benefits to ensure a coordinated approach across the range of delivered services. The evidence provided by Croatia demonstrates that the content and objectives of the Social Welfare Act as well as the accompanying Government Decision are in line with the requirements of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(28) Target 309 provides for the training of social mentoring professionals aiming to ensure sufficient human capacity to carry out social mentoring services, though better cooperation, and data sharing. This new social mentoring service is targeted at individuals at risk or already in marginalised position in society. Croatia provided an explanatory cover note including ten annexes, i.e., training documentation, materials records, as well as documentary evidence for the sample selected by the Commission. The evidence provided by Croatia demonstrates that in the period between May 9 and June 29, 2022, the training of social mentors was carried out through 15 educations which were conducted in nine cities of the Republic of Croatia. The trainings were successfully completed by 253 professionals, social workers from the Social Welfare Centres and employees of the Croatian Employment Service in line with the requirements of the target. On the basis of the due justification provided, the target should be considered as satisfactorily fulfilled.

(29) Milestone 352 provides for the adoption of the Programme for the energy renovation of public sector buildings for the period 2021-2030, encouraging comprehensive renovation of public sector buildings, which includes energy and resource efficiency measures while reducing the thermal needs and energy consumption of public buildings and increasing the use of RES and the consequent reduction of CO2
emissions. Croatia provided a copy of the Programme for the energy renovation of public sector buildings for the period 2021-2030 adopted by the Government. The evidence provided by Croatia demonstrates that the Programme has been adopted in line with the content and objectives of the milestone. On the basis of the due justification provided, the milestone should be considered as satisfactorily fulfilled.

(30) Furthermore, Croatia has also confirmed that previously satisfactorily fulfilled milestones and targets have not been reversed.

(31) Following the fully positive assessment concerning the Croatia’s payment request, in accordance with Article 24(5) of Regulation (EU) 2021/241, the disbursement of the financial contribution for the second instalment of the non-repayable support should be authorised.

(32) In accordance with Article 2(3) of the Council Implementing Decision, as specified in the Financing Agreement, the pre-financing of the financial contribution shall be cleared by being proportionally deducted against the payment of the instalments. As Croatia received 13% of the financial contribution as pre-financing, an amount of EUR 104 597 701 of the payment should be utilised to clear the pre-financing, equal to 13% of the instalment.

(33) This Decision should be without prejudice to procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 of the Treaty on the Functioning of the European Union. It does not override the requirement for Member States to implement the measures in accordance with Union and national law and, in particular, to notify instances of potential State aid to the Commission under Article 108 of the Treaty on the Functioning of the European Union.

(34) The measures provided for in this Decision are in accordance with the opinion of the Committee established by Article 35(1) of Regulation (EU) 2021/241,

HAS ADOPTED THIS DECISION:

Article 1

Authorisation of the disbursement of the non-repayable support

The disbursement of the second instalment of the non-repayable support as laid down in Section 2(1)(1.2) of the Annex to the Council Implementing Decision of 20 July 2021 on the approval of the assessment of the recovery and resilience plan for Croatia for an amount of EUR 804 597 701 is authorised.

In accordance with the Financing Agreement concluded pursuant to Article 23(1) of Regulation (EU) 2021/241 between the Commission and the Republic of Croatia, EUR 104 597 701 shall be utilised to clear the pre-financing of the financial contribution and EUR 700 000 000 shall be provided to Croatia by means of payment to the bank account indicated in the Financing Agreement.
Article 2
Addressee

This Decision is addressed to the Republic of Croatia.
Done at Brussels, 9.12.2022

For the Commission
Paolo GENTILONI
Member of the Commission