

**10 November 2022**

**Positive preliminary assessment of the satisfactory fulfilment of milestones and targets related to the second payment request submitted by Croatia on 19 September 2022, transmitted to the Economic and Financial Committee by the European Commission.**

**Executive summary**

In accordance with Article 24(2) of Regulation (EU) 2021/241, on 19 September 2022, Croatia submitted a request for payment for the second instalment of the non-repayable support. The payment request was accompanied by the required management declaration and summary of audits.

To support its payment request, Croatia provided due justification of the satisfactory fulfilment of the 25 milestones and targets of the second instalment of the non-repayable support, as set out in Section 2(1)(1.2.) of the Council Implementing Decision of 20 July 2021 on the approval of the assessment of the recovery and resilience plan for Croatia<sup>1</sup>.

For one target (#309) covering a large number of beneficiaries, in addition to the summary documents and official listings provided by Croatia, the Commission services have assessed a statistically significant sample of individual files. The sample size has been uniformly set at 60 which corresponds to a confidence level of 95% or above in all cases.

In its payment request, Croatia has confirmed that measures related to previously satisfactorily fulfilled milestones and targets have not been reversed. The Commission does not have evidence of the contrary. This includes the measures in relation to milestone #157 (Establishment of the implementation and audit and control system for the RRP) and the commitments on audit and controls that were undertaken in the context of the first payment request to ensure continuous compliance with milestone 157 and with Croatia's obligations under the Financing and Loan Agreements. Based on the documentation submitted, namely the summary of audits accompanying the second payment request, Croatia has further elaborated and implemented the fraud risk assessment procedures. Specifically, Croatia carried out risk assessments in accordance with the provisions of the Common National Rules and ensured that they had designated risk coordinators. Furthermore, at the level of the management and monitoring system of the RRF, the National Fund has aggregated all the individual action plans, under the RRF management and monitoring system, into a joint Integrated Fraud Risk Mitigation action plan containing measures to mitigate the specific risk of fraud of a given activity, timeframe and risk mitigating persons from each authority. On the basis of the evidence submitted, the Commission considers that Croatia has ensured continuous compliance with milestone 157 and with its obligations under the Financing Agreement with respect to these commitments.

Upon receipt of the payment request, the Commission has assessed on a preliminary basis the satisfactory fulfilment of the relevant milestones and targets. Based on the information provided by Croatia, the Commission has made a positive preliminary assessment of the satisfactory fulfilment of 25 milestones and targets.

The milestones and targets positively assessed as part of this payment request demonstrate significant steps in the implementation of Croatia's Recovery and Resilience Plan. They notably highlight the continuation of the reform momentum in key policy areas. This includes, among others, several

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<sup>1</sup> ST 10687/21.

reforms in the areas of social policy with the new Social Welfare Act and training of social professionals, energy with the assessment of the barriers to higher uptake of renewable energy sources (RES), the adoption of the Hydrogen Development Strategy, a Decision on incentives for the voluntary functional and actual mergers of the local government units (LGUs), as well as necessary legal and administrative conditions for the further development of electronic communications, including the 5G. The milestones and targets also confirm progress in the implementation of investment projects related to the water management, labour market, education, social and justice systems, as well as in the area of the green and digital transition of public authorities, SMEs and mid-caps.

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

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**[Non-repayable support]**

<b>Number: 2</b>	<b>Related Measure:</b> 2 - HR-C[C111]-I[R1-I1] Digitalisation of government and public administration services provided to the business sector (G2B)
<b>Name of the milestone:</b> Operational digital platform to pay fees	
<b>Qualitative indicator:</b> Digital platform to pay fees in operation	<b>Time:</b> Q2 2022
<p><b>Context:</b> The objective of this investment on ‘digitalisation of government and public administration services provided to the business sector (G2B)’ aims at improving the accessibility, transparency, and efficiency of public services for businesses through their digitalisation.</p> <p>The milestone consists of creating and operationalising a new digital platform for the on-line payment of the seven most frequent and cost-intensive compulsory business fees in Croatia. It enables a less costly and administratively simpler business environment for the private sector, through simplification and digitalization of administrative procedures.</p> <p>Milestone #2 represents the initial step for completing investment C1.1.1.R1-I1 “Digitalisation of government and public administration services provided to the business sector (G2B)”. The investments include a series of other milestones and targets (#3, #4 and #5) that should be implemented by Q4 2024.</p>	
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (cover note),</li> <li>b) <b>A set of snapshots provided by the Ministry of economy and Sustainable development</b> to illustrate the different functionalities of the platform attached in the Annex to the Summary document.</li> <li>c) <b>The certificate for works completion delivered by state-owned agency FINA</b>, signed by the Ministry of Economy and Sustainable Development (as contracting authority) and the Financial Agency (as Executing authority) on 10 May 2022- certifying that the platform is completed and operational, with link to the platform.</li> </ol>	
<p><b>Analysis:</b> Prior to this e-service, entrepreneurs had to refer to each individual institution to find the information on their obligation as regards the payment of business fees. This digital platform, as described in milestone #2, provides a “one-stop” application for information, but also for the payment of the most common compulsory fees. The platform developed by the state-owned Financial Agency (FINA) is operational for use since 30 March 2022.</p> <p>The Certificate for works completion was signed by the Ministry of Economy and Sustainable Development and the Financial Agency on 10 May 2022. The platform is accessible to the public through national platforms: e-citizens (public services platform) and START (services for businesses). According to the certificate of work completion, the platform developed by the state-owned Financial Agency (FINA) has been operational for use since 30 March 2022.</p> <p><b>Business charges targeted:</b> The service provided through the platform includes seven mandatory fees from different institutions:</p> <ol style="list-style-type: none"> <li>i. the tax administration fees (to be paid to the Croatian Chamber of Commerce membership)</li> <li>ii. The tax administration fee (Croatian Chamber of Trades and Crafts chamber),</li> <li>iii. the Forest ecosystem service fees (Ministry of Agriculture),</li> </ol>	

- iv. the levies for not meeting the employment quota for people with disabilities (Institute for Expert Evaluation, Professional Rehabilitation and Employment of People with Disabilities (ZOSI)),
- v. the HRT Croatian Radio-television (HRT) subscription fee,
- vi. the tourist board membership fee (Tax Administration),
- vii. The Monument annuity (Tax administration).

These fees were identified as most frequent ones on the basis of surveys and consultations with the business community and include typical contributions that most businesses must pay during the year. The services provided through the platform can be expanded with the payment of other mandatory fees.

**Functionalities of the platform:** with this new e-service, users get in one place the information on the current balance of obligations for the main business fees they have to pay, based on their personal identification number. User can pay fees directly, using their mobile or internet banking. The status of the obligation is updated each time the user logs in to the service, by data which competent institutions send to the platform at that point of time.

The platform includes different functionalities, including those identified in the description of the Milestone in the CID annex: List of fees to be paid by the business operator (functionality 1), the payment calendar with deadlines for their settlement (functionality 2), the possibility of direct online payment of fees (Functionality 3) and the overview of commitments paid (functionality 4).

The user of the service can be a legally authorized person of a business entity or another person who has been given an authorization to work in the service through the e-Authorization system. After login (see snapshots, pictures 1 and 2), the user has access to the current balance of payments for a particular business entity, due to institutions competent for the calculation, analytical monitoring and collecting each fee (snapshots, pictures 3 and 4). In addition to access to the amount of fees and their due payment dates (functionalities 1 and 2 in the CID annex), the service also provides the option of entering data (snapshots, picture 8), complete and post forms as necessary (functionality 3), as well as creating payment orders that can be executed using the business entity's e-banking (snapshots, pictures 5 to 7). After settling the payment due, the new balance will be visible (functionality 4) after the institution competent for the collection records the payment and updates the balance in its records (Snapshots picture 10). The e-payment platform for mandatory fees is protected in accordance with the ISO 27001 standard. Security safeguards include TLS communication protocol for data exchange, the National Identification and Authentication System (NIAS) for authentication, the constant security surveillance (DAM) for the storage of data, protection systems against malicious programs (AV and APT system) and other security systems that detect and prevent malicious network traffic (IDS/IPS).

It is estimated that since the launch of the e-service on 30 March 2022 until 15 June 2022, the total number of 1 321 users have signed in the e-service, representing 485 business entities. The platform alleviated the burden for companies in the amount of HRK 118 million (ca. EUR 15.3 million) mandatory fees, representing a 67% reduction of the of administrative burden reduction).

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 6	<b>Related Measure:</b> 6 - HR-C[C111]-[R1-I2] Continuing administrative and fiscal burden relief	
<b>Name of the target:</b> Implementation of the Action Plan to reduce non-tax and parafiscal charges 2020		
<b>Quantitative indicator:</b> Percentage (100%)		<b>Time:</b> Q1 2022
<b>Context:</b>		

The investment is aimed at further reducing the administrative and fiscal burden on businesses and improving the business environment, thereby supporting implementation of measure C1.1.1. R1-I2 'Continuing administrative and fiscal burden relief'.

This target (#6) consists of implementing the Action Plan to reduce non-tax and parafiscal charges. The Action Plan to reduce non-tax and parafiscal charges was adopted by the Croatian government on 7 May 2020. It contains 33 measures to reduce non-tax and parafiscal charges and 17 measures to reduce fees for professional examinations.

Target #6 is the first target in an ongoing reform of the business environment under Investment C1.1.1 R1-I2 'Continuing administrative and fiscal burden relief'.

**Evidence provided:**

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

- a) **Summary document** duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled.

The authorities also provided:

- b) **Copies of acts** (legislative amendments and decisions) as evidence of the implementation of 33 measures to reduce parafiscal and non-tax charges and 17 measures to reduce fees for professional examinations, as well as links to the Official Journal where applicable:

1. Decision on the financing of the Croatian Chamber of Economy (*Odluka o financiranju Hrvatske gospodarske komore*, Official Gazette No. 139/20), published on 14 December 2020, entered into force on 1 January 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_12\\_139\\_2693.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_12_139_2693.html)),
2. Decision on the mandatory chamber contribution for the unified craft organisation system (*Odluka o obveznom komorskom doprinosu za jedinstveni sustav organiziranosti obrta*, Official Gazette No. 146/20) published on 28 December 2020, entered into force on 1 January 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_12\\_146\\_2841.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_12_146_2841.html)),
3. Law on the amendments to the Law on free zones (*Zakon o izmjenama Zakona o slobodnim zonama*, Official Gazette No. 58/20), published on 19 May 2020, entered into force on 20 May 2020 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_05\\_58\\_1160.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_05_58_1160.html)),
4. Regulation on the amendment to the Regulation on the management of waste batteries and accumulators (*Uredba o izmjeni Uredbe o gospodarenju otpadnim baterijama i akumulatorima*, Official Gazette No. 57/20), published on 15 May 2020, entered into force on 16 May 2020 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_05\\_57\\_1142.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_05_57_1142.html)),
5. Regulation on the amendment to the Regulation on unit charges, corrective coefficients and detailed criteria and benchmarks to determine a special environmental charge for motor vehicles (*Uredba o izmjenama Uredbe o jediničnim naknadama, korektivnim koeficijentima i pobližim kriterijima i mjerilima za utvrđivanje posebne naknade za okoliš na vozila na motorni pogon*, Official Gazette No. 2/21), published on 8 January 2021, entered into force on 16 January 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_01\\_2\\_26.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_01_2_26.html)),
6. Regulation on the amendment to the Regulation on unit charges, correction coefficients and more detailed criteria and benchmarks for determining the fee on CO<sub>2</sub> emissions (*Uredba o izmjeni Uredbe o jediničnim naknadama, korektivnim koeficijentima i pobližim kriterijima i mjerilima za utvrđivanje naknade za emisiju u okoliš ugljikovog dioksida*,

- Official Gazette, No. 46/21), published on 30 April 2021, entered into force on 8 May 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_04\\_46\\_934.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_04_46_934.html)),
7. Regulation on the amendment to the Regulation on the amount of the water contribution (*Uredba o izmjeni uredbe o visini vodnoga doprinosa*, Official Gazette No. 73/20), published on 26 June 2020, entered into force on 27 June 2020 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_06\\_73\\_1414.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_06_73_1414.html)),
  8. Decision on the amount of the fees for performing the activities of regulation of energy activities (*Odluka o visini naknada za obavljanje poslova regulacije energetske djelatnosti*, Official Gazette, No. 38/22), published on 25 March 2022, entered into force on 2 April 2022 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2022\\_03\\_38\\_452.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2022_03_38_452.html)),
  9. Decision on the amendment to the Decision on changes to fees in waste vehicle and waste tyre management systems (*Odluka o izmjeni Odluke o izmjenama naknada u sustavima gospodarenja otpadnim vozilima i otpadnim gumama*, Official Gazette No. 57/20), published on 15 May 2020, entered into force on 16 May 2020 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_05\\_57\\_1150.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_05_57_1150.html)),
  10. Decision on the amendment to the Decision on the change of the fee in the waste oil management system (*Odluka o izmjeni Odluke o izmjeni naknade u sustavu gospodarenja otpadnim uljima*, Official Gazette No. 57/20), published on 15 May 2020, entered into force on 16 May 2020 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_05\\_57\\_1149.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_05_57_1149.html)),
  11. Decision on the amendment to the Decision on the fee for renewable energy sources and high-efficiency cogeneration (*Odluka o izmjeni Odluke o naknadi za obnovljive izvore energije i visokoučinkovitu kogeneraciju*, Official Gazette No. 57/20), published on 15 May 2020, entered into force on 1 July 2020 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_05\\_57\\_1151.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_05_57_1151.html)),
  12. Regulation on the criteria for payment of the reduced fee for renewable energy sources and high-efficiency cogeneration (*Uredba o kriterijima za plaćanje umanjene naknade za obnovljive izvore energije i visokoučinkovitu kogeneraciju*, Official Gazette No. 57/20), published on 15 May 2020, entered into force on 1 July 2020 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_05\\_57\\_1140.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_05_57_1140.html)),
  13. Regulation on substances that deplete the ozone layer and fluorinated greenhouse gases (*Uredba o tvarima koje oštećuju ozonski sloj i fluoriranim stakleničkim plinovima*, Official Gazette No. 83/21), published on 21 July 2021, entered into force on 29 July 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_07\\_83\\_1527.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_07_83_1527.html)),
  14. Decision on the amount of the fees paid by the food business operators to cover the costs of monitoring for food supplements for which notification of the placing on the market of the Republic of Croatia is required (*Odluka o visini naknade koju plaća subjekt u poslovanju hranom radi podmirjenja troškova provođenja monitoringa za dodatke prehrani za koje je potrebno dostaviti obavijest o stavljanju na tržište Republike Hrvatske*, Class: 011-02/20-01/504, Reg. No: 534-02-2-2/4-20-2), adopted by the Minister of Health and entered into force on 1 July 2020,
  15. Decision on the amount of the fee to be paid by the food business operator to cover the costs of monitoring for food supplements for which a decision must be obtained before being placed on the market in the Republic of Croatia (*Odluka o visini naknade koju plaća subjekt u poslovanju hranom radi podmirjenja troškova provođenja monitoringa za dodatke prehrani za koje je potrebno ishoditi rješenje prije stavljanja na tržište Republike Hrvatske*,



- Class: 011-02/20-01/505, Reg. No: 534-02-2-2/4-20-2), adopted by the Minister of Health and entered into force on 1 July 2020,
16. Decision on the amount of the fee to cover the costs of the procedure for the allocation of the notification number at the time of the first placing on the market of the Republic of Croatia of a food supplement (*Odluka o visini naknade za pokrivanje troškova postupka dodjele notifikacijskog broja prilikom prvog stavljanja na tržište Republike Hrvatske dodatka prehrani*, Class: UP/I-01-1-01/09-01/07, Reg. No:534-08-1-2/2-09-2), adopted by the Minister of Health and Social Services on 22 January 2009,
  17. Decision on the amount of the fee to cover the costs of monitoring the first marketing of food supplements (*Odluka o visini naknade za pokrivanje troškova obavljanja monitoringa prilikom prvog stavljanja na tržište dodataka prehrani*, Class: 011-02/12-01/34, Reg. No: 534-09-1-1-3/3-13-12), adopted by the Minister of Health on 9 April 2013,
  18. Ordinance on determining the amount of fees to be paid for performance of activities of the Croatian Civil Aviation Agency (*Pravilnik o utvrđivanju visine naknada za rad Hrvatske agencije za civilno zrakoplovstvo*, Official Gazette No. 118/20), published on 28 October 2020 and entered into force on 1 January 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_10\\_118\\_2297.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_10_118_2297.html)),
  19. Order on determining the amount of fees to be paid for the performance of activities of the Civil Aviation Agency (*Naredba o utvrđivanju visine naknada za rad agencije za civilno zrakoplovstvo*, Official Gazette No. 40/10) ([https://narodne-novine.nn.hr/clanci/sluzbeni/2010\\_04\\_40\\_1026.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2010_04_40_1026.html)),
  20. Ordinance on amendments to the Ordinance on payment of fees for right to use addresses, numbers and radio frequency spectrum (*Pravilnik o izmjeni i dopuni Pravilnika o plaćanju naknada za pravo uporabe adresa, brojeva i radiofrekvencijskog spektra*, Official Gazette No. 73/20), published on 26 June 2020, entered into force on 30 June 2020 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_06\\_73\\_1419.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_06_73_1419.html)),
  21. Law on amendments to the Law on membership fees in tourist boards (*Zakon o izmjenama i dopunama Zakona o članarinama u turističkim zajednicama*, Official Gazette No. 144/20), published on 23 December 2020, entered into force on 1 January 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_12\\_144\\_2766.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_12_144_2766.html)),
  22. Law on amendments to the Law on forests (*Zakon o izmjenama Zakona o šumama*, Official Gazette No. 145/20), published on 24 December 2020, entered into force on 1 January 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_12\\_145\\_2795.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_12_145_2795.html))
  23. Ordinance on amendments to the Ordinance on the amount of fees for performance of activities in accordance with the Law on sustainable use of pesticides (*Pravilnik o izmjenama Pravilnika o visini naknada za obavljanje poslova u skladu sa Zakonom o održivoj uporabi pesticida*, Official Gazette No. 87/21), published on 4 August 2021, entered into force on 1 January 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_08\\_87\\_1612.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_08_87_1612.html)),
  24. Decision annulling the Decision on the type of services provided for a fee by the Agency for Regional Development of the Republic of Croatia, Class: 001-01/17-02/1, Reg. No: 328-18-2 of 11 June 2018 (*Odluka kojom se stavlja van snage Odluka a vrsti usluga koje Agencija za regionalni razvoj Republike Hrvatske pruža uz naknadu*, Class: 001-01/17-02/1, Reg. No: 328-18-2), Class: 910-05/19-01-1, Reg. No: 538-10-5-3/505-20-9, adopted by the Minister of Regional Development and EU funds and entered into force on 8 June 2020,
  25. Ordinance on amendments to the Ordinance on the amount and method of payment of fees for metrological activities performed by the State Office for Metrology or authorised legal entities (*Pravilnik o izmjenama pravilnika o visini i načinu plaćanja naknade za*

- mjeriteljske poslove koje obavlja državni zavod za mjeriteljstvo ili ovlašteno tijelo*, Official Gazette No. 133/20), published on 2 December 2020, entered into force on 1 January 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_12\\_133\\_2546.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_12_133_2546.html)),
26. Decision on the adoption of the Price List of Publications and Services of the Croatian Bureau of Statistics for 2021 (*Odluka o usvajanju cjenika publikacija i usluga Državnog zavoda za statistiku*, Class: 307-01/20/01/1, Reg. No: 555-01-02-03-20-1), adopted by the Croatian Bureau of Statistics and entered into force on 16 December 2020,
27. 2020 Publishing programme of the Croatian Bureau of Statistics (*Program publiciranja 2020 Državnog zavoda za statistiku*),
28. Law on amendments to the Law on State Survey and Real Property Cadastre (*Zakon o izmjenama i dopuni Zakona o državnoj izmjeri i katastru nekretnina*, Official Gazette No. 39/22), published on 30 March 2022, entered into force on 7 April 2022 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2022\\_03\\_39\\_477.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2022_03_39_477.html)),
29. Regulation on the Administrative Charge Tariff (*Uredba o tarifi upravnih pristojbi*, Official Gazette No. 92/21, 93/21 and 95/21), published on 20 August 2021, entered into force on  
1 September 2021  
([https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_08\\_92\\_1662.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_08_92_1662.html), [https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_08\\_93\\_1683.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_08_93_1683.html), [https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_08\\_95\\_1734.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_08_95_1734.html)),
30. A comparison table of the provisions from the new and old Regulations on the Administrative Charge Tariff,
31. Regulation on the amendments to the Regulation on fees for special costs for the provision of information services of the State Intellectual Property Office (*Uredba o izmjenama i dopunama uredbe o naknadama za posebne troškove i troškove za pružanje informacijskih usluga Državnog zavoda za intelektualno vlasništvo*, Official Gazette No. 89/20), published on 31 July 2020, entered into force on 8 August 2020 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_07\\_89\\_1679.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_07_89_1679.html)),
32. Ordinance on the amendment to the Falconry Ordinance (*Pravilnik o izmjeni Pravilnika o sokolarstvu*, Official Gazette No. 122/20), published on 9 November 2020, entered into force  
on 17 November 2020  
([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_11\\_122\\_2373.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_11_122_2373.html)),
33. Ordinance on the amendment to the Ordinance on the amount of fees for performing activities in accordance with the Law on Sustainable Use of Pesticides (*Pravilnik o izmjenama pravilnika o visini naknada za obavljanje poslova u skladu sa zakonom o održivoj uporabi pesticida*, Official Gazette No. 87/21), published on 4 August 2021, entered into force  
on 1 January 2022  
([https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_08\\_87\\_1612.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_08_87_1612.html)),
34. Decision determining the amount of the fee for passing a professional exam for the performance of recovery, leak checking, installation and maintenance or servicing activities of appliances and equipment containing or relying on fluorinated greenhouse gases (SF6) and on determining the amount of the remuneration of the members of the examination body conducting the professional examination (*Odluka o utvrđivanju iznosa naknade za polaganje stručnog ispita za obavljanje djelatnosti prikupljanja, provjere propuštanja, ugradnje i održavanja ili servisiranja uređaja i opreme koji sadrže fluorirane stakleničke plinove (SF6) ili o njima ovise i o utvrđivanju iznosa naknade članovima ispitnog ocjenjivačkog tijela koje provodi stručni ispit*), Class: 351-01/20-04/14, Reg. No: 517-04-1-1-20-1, adopted by the Minister of Economy and Sustainable Development and entered into force on 29 September 2020,

35. Decision determining the amount of the fee for passing a professional exam for the performance of activities related to the collection, verification, installation and maintenance or servicing of equipment and appliances containing or dependent on ozone depleting substances or fluorinated greenhouse gases and on determining the amount of the compensation to the members of the testing body conducting the professional examination (*Odluka o utvrđivanju iznosa naknade za polaganje stručnog ispita za obavljanje djelatnosti prikupljanja, provjere propuštanja, ugradnje i održavanja ili servisiranja opreme i uređaja koji sadrže tvari koje oštećuju ozonski sloj ili fluorirane stakleničke plinove ili o njima ovise i o utvrđivanju iznosa naknade članovima ispitnog ocjenjivačkog tijela koje provodi stručni ispit*), Class: 351-01/20-04/15, Reg. No: 517-04-1-1-20-1, adopted by the Minister of Economy and Sustainable Development and entered into force on 29 September 2020,
  36. Decision on the amount of fees for the professional exam for the independent conduct of geological surveys (*Odluka o iznosu naknada vezanih uz polaganje stručnoga ispita za samostalno obavljanje geoloških istraživanja*), Class: 112-04/20-01/00510, Reg. No: 533-03-20-0001, adopted by the Minister of Science and Education and entered into force on 22 December 2020,
  37. Decision on the amendment to the Decision on the amount of compensation paid by candidates for examinations for boat master, yacht master and seafarers' professional titles, the method of payment of fees and distribution of proceeds (*Odluka o izmjeni Odluke o visini naknade koju plaćaju kandidati koji polažu ispite voditelja brodice, zapovjednika jahte i stručna zvanja pomoraca, načinu uplate naknada i raspodjele uprihođenih sredstava*), Class: 342-01/10-07/32, Reg.No: 530-04-3-1-20-10, adopted by the Minister of Sea, Transport and Infrastructure and entered into force on 12 November 2020,
  38. Ordinance on the amendments to the Ordinance on the examination of professional qualifications to engage in public road transport services (*Pravilnik o izmjeni pravilnika o ispitu o stručnoj osposobljenosti za obavljanje djelatnosti javnog cestovnog prijevoza*, Official Gazette No. 4/21), published on 15 January 2021, entered into force on 23 January 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_01\\_4\\_79.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_01_4_79.html)),
  39. Decision of the Croatian Chamber of Pharmacists, Class: 023-08/20/-2/12, Reg. No: 330-02-20-3, adopted and entered into force on 28 November 2020,
  40. Decision of the executive body of the Croatian Chamber of Physiotherapists, adopted and entered into force on 28 May 2020,
  41. Decision of the State Geodetic Administration, Class: 133-01/18-01/10, Reg. No: 541-07-01/1-20-2, adopted by the State Geodetic administration on 3 September 2020 and entered into force on 1 October 2020,
  42. Ordinance on the amendments to the Ordinance on the conditions for and form of the examination for authorised metrology officer and repairer and the form and content of the official identity card of the authorised metrology officer and authorised repairer (*Pravilnik o izmjenama Pravilnika o uvjetima i načinu polaganja ispita za ovlaštenog mjeritelja i ovlaštenog servisera te obliku i sadržaju službene iskaznice ovlaštenog mjeritelja i ovlaštenog servisera*, Official Gazette No 133/20), published on 2 December 2020 and entered into force on 1 January 2021 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_12\\_133\\_2547.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_12_133_2547.html)).
- c) **A copy of the Action Plan for reduction of non-tax and parafiscal charges** adopted on 7 May 2020 ('Action Plan'),
  - d) **A copy of the Government Conclusion of 7 May 2020** on the acceptance of the Action Plan for reduction of non-tax and parafiscal charges.

**Analysis:**

The authorities provided separate evidence on the implementation of each of the 33 measures to reduce non-tax and parafiscal charges and each of the 17 measures to reduce fees for professional examinations. This was in line with the requirement specified in the description of the target, namely to bring direct cost relief to the private sector by implementing the measures in the 2020 Action Plan for reduction of non-tax and parafiscal charges.

The evidence provided accounts for the full implementation of the Action Plan in the areas of energy activities, agriculture and the land cadastre, these areas of reduction being identified in the measure description in the Council Implementing Decision.

**1. Energy activities – 4 Action Plan measures***i. Non-tax and parafiscal charges – 2 Action Plan measures*

The fees for issuing permits for different energy activities are reduced by 25% (measure 8, act 8, Official Gazette No. 38/22, baseline rates in Official Gazette Nos. 155/08, 50/09 and 103/09). A reduction in the fee for the production of electricity from renewable energy sources applies to energy-intensive industries which meet the criteria set by the Regulation on the criteria for payment of the reduced fee for renewable energy sources and high-efficiency cogeneration (measure 11, act 11, Official Gazette No. 57/20).

*ii. Fees for professional examinations – 2 Action Plan measures*

The full cost of two professional examinations for installation, safety and servicing procedures for electrical, heating and cooling devices is assumed by the Ministry of Economy and Sustainable Development, thus abolishing the fees. This includes activities to collect certain fluorinated greenhouse gases from high-voltage switchgear, as well as activities to recover, perform leakage checks, and install and service refrigeration, air conditioning and heat pumps (measure 7, act 34, Class: 351-01/20-04/14, Reg. No.: 517-04-1-1-20-1 and measure 8, act 35, Class: 351-01/20-04/15, Reg. No.: 517-04-1-1-20-1).

**2. Agriculture – 15 Action Plan measures***i. Non-tax and parafiscal charges – 11 Action Plan measures*

The exemption from the fee for the use of public forest functions has been broadened and now applies to legal and natural entities whose annual revenue or income, is below HRK 7.5 million, up from HRK 3.5 million. Furthermore, the fee is reduced from 0.0265% to 0.024% of the total revenue or income (measures 17 18 respectively, both in act 22, Official Gazette No. 145/20, baseline rates in Official Gazette No. 68/18).

Fees applied to nine different categories of pesticide sprayers for the cost of their regular inspection are reduced by 50 % (measures 19–27, act 23, Official Gazette No. 87/21, baseline rates in Official Gazette No. 140/14).

*ii. Fees for professional examinations – 4 Action Plan measures*

Fees have been reduced for basic and additional training as well as examinations required for professional pesticide users, pesticide distributors and advisors on plant protection and safe use of pesticides (measures 4, 5 and 6, act 33, Official Gazette No. 87/2021, baseline rates in Official Gazette No. 140/14). A further measure is the reduction in the fee for the professional exam for falconry (measure 3, act 32, Official Gazette No. 122/20, baseline rate in Official Gazette No. 47/19).

**3. Land cadastre – 1 Action Plan measure***i. Non-tax and parafiscal charges – 1 Action Plan measure*

Fees have been abolished for the actual expenses related to the use of documents from registers managed by the State Geodetic Administration, including the State Survey, Real Property Cadastre,

Infrastructure Cadastre, Register of Buildings, Register of Spatial Units and Register of Geographic Names. The same applies to fees for certain procedures available on request (measure 32, act 28, Official Gazette No. 39/22, baseline rate in Official Gazette No. 112/18).

#### 4. Other- 30 Action Plan measures

##### *i. Non-tax and parafiscal charges – 19 Action Plan measures*

Several measures provide relief that is not sector-specific, but rather applies to enterprises more generally. A two-year exemption is granted from mandatory membership of the Croatian Chamber of Economy and the Croatian Chamber of Trades and Craft for newly established enterprises and newly established crafts (registered after 1 January 2021) (measure 1, act 1, Official Gazette No. 139/20 and measure 2, act 2, Official Gazette No. 146/20, respectively). The obligation to pay a concession fee for the establishment of (economic) free zones is abolished altogether through amendments to the Law on free zones (measure 3, act 3, Official Gazette No. 58/20, baseline rate in Official Gazette, No. 44/1996). The 20% reduction in the fee for carbon dioxide (CO<sub>2</sub>) emissions concerns all companies whose installations meet the criteria of such obligations (measure 6, act 6, Official Gazette No. 46/21, baseline rate in Official Gazette No. 48/09, 73/07). The reduction in the membership fee for tourist boards impacts a variety of economic activities classified into five tiers that are part of the tourism sector (measure 16, act 21, Official Gazette No. 144/20, baseline rates in Official Gazette, No. 52/19).

A number of relief measures focus on charges related to the environment. The fee charged to the producers of batteries and accumulators to offset waste management costs incurred by the Environmental Protection and Energy Efficiency Fund related to their products is reduced by 6% (measure 4, act 4, Official Gazette No. 57/20, baseline rate in Official Gazette No. 105/15). The special environmental charge for the owners of motor vehicles is reduced by 50% for hybrid vehicles and 5% for other vehicles, with vehicles using electric or alternative modes of operation exempt altogether (measure 5, act 5, Official Gazette No. 2/21, baseline rates in Official Gazette No. 114/2014). The fee for management of waste tyres is reduced by 3% for all types of vehicles (charged per tyre) and for imported and/or produced tyres (charged per tonne) (measure 9, act 9, Official Gazette No. 57/20, baseline rates in Official Gazette, no. 40/15). The fee for disposal of waste lubricating oils is reduced by 10% (measure 10, act 10, Official Gazette No. 57/20, baseline rate in Official Gazette No. 95/15). In addition, the disposal fee charged to traders who place on the market substances that deplete the ozone layer and fluorinated greenhouse gases is reduced by 50% (measure 12, act 13, Official Gazette No. 83/21, baseline rate in Official Gazette No. 90/14).

Further relief measures are in the areas of health, transport and communication infrastructure. The cost of registration for certain categories of food (such as food supplements and foods purporting health benefits) is reduced by 40% per unit fee for notices of marketing. When administrative authorisation is needed to market the product, the reduction is 25% (measure 13, act 14, Class: 011-02/20-01/504, Reg. No.: 534-02-2-2/4-20-2 and act 15, Class: 011-02/20-01/505, Reg. No.: 534-02-2-2/4-20-2, baseline rates in act 16, Class: UP/I-01-1-01/09-01/07, Reg. No.:534-08-1-2/2-09-2 and act 17, Class: 011-02/12-01/34, Reg. No.: 534-09-1-1-3/3-13-12). The fee charged to cargo shipping airlines by the Croatian Civil Aviation Authority is reduced from 0.02 EUR/kg to 0.01 EUR/kg per tonne of carried cargo (measure 14, act 18, Official Gazette No. 118/20, baseline rate in act 19, Official Gazette No. 40/10). The annual fee for the use of unpaired radio frequency spectrum is reduced by 50% (measure 15, act 20, Official Gazette No. 73/20, baseline rate in Official Gazette No. 99/18 and No. 154/08).

Several relief measures apply to both enterprises and individuals. The water contribution charge is reduced by 50% for all obliged entities, including residential, public, commercial and industrial buildings (measure 7, act 7, Official Gazette No. 73/20, baseline rates in Official Gazette No. 83/2015). The Croatian Bureau of Statistics also reduced the fees for special data processing requests of users

by 10% (measure 31, act 26, Class: 307-01/20/01/1, Reg. No.: 555-01-02-03-20-1, baseline rates in act 27, p. 121).

The reduction or abolition of administrative charges constituting state budget revenue is implemented through the amendment to the Regulation on the Administrative Charge Tariff (measure 33, act 29, Official Gazette No. 92/21, 93/21 and 95/21, baseline rates in act 30, the comparison table between the amended and the previous Regulation). In Section A on general charges, the Regulation establishes the applicable pecuniary level of the charge (tariff) for administrative decisions by public administration bodies at the state, regional and local levels. Reductions are achieved in the amended Regulation by establishing the general rule that no charges apply before state administration bodies for administrative decisions (unless special charges apply). Appeals against administrative decisions are not subject to a charge. The amended Regulation contains 58 tariffs, in contrast to 95 tariffs before the amendment. Several tariffs in Section B on charges in special areas were abolished or partially abolished. Taking into consideration relevance to the business environment, this includes charges related to the licensing of business activities (notably fees pertaining to the register of craft businesses), commerce (notably charges related to import and export activity), cadastre, real estate acquisition procedures, transport, and implementation of competition rules (procedures concerning market concentrations).

Fees imposed by the Agency for Regional Development for administrative and field controls related to transnational and interregional cooperation programmes are abolished (measures 28 and 29, act 24, Class: 910-05/19-01-1, Reg. No: 538-10-5-3/505-20-9). Monthly fees owed by authorised legal entities to the Croatian State Office for Metrology for maintenance of their systems (verification of measuring instruments) are reduced from 15% to 10% or from 10% to 5% of the proscribed tariffs (measure 30, act 25, Official Gazette No. 133/20, baseline rates in Official Gazette No. 121/14).

*ii. Fees for professional examinations – 11 Action Plan measures*

The fees for professional examinations required for authorised representatives in the area of industrial property rights are reduced, both for first-time examinations and for those taking the examination a second time (measures 1 and 2, Act 31, Official Gazette No. 89/20, baseline rates in Official Gazette No. 109/2011). Further reductions in fees for professional examinations are implemented in various areas, including independent geological research (measure 9, act 36, Class: 112-04/20-01/00510, Reg. No.: 533-03-20-0001, baseline rate in the Action Plan, p. 18), maritime navigation (measure 10, act 37, Class: 342-01/10-07/32, Reg. No.: 530-04-3-1-20-10, baseline rate in the Action Plan, p. 18), road transport (measure 11, act 38, Official Gazette No. 4/21), pharmacology (measure 12, act 39, Class: 023-08/20/-2/12, Reg. No.: 330-02-20-3, baseline rate in the Action Plan, p. 18), physiotherapy (measures 13, 14 and 15, act 40, baseline rate in the Action Plan, p. 19), geodesy (measure 16, act 41, Class: 133-01/18-01/10, Reg. No.: 541-07-01/1-20-2, baseline rate in the Action Plan, p. 19) and metrology (measure 17, act 42, Official Gazette No. 133/20, baseline rates in Official Gazette No. 80/17).

The measures listed above are in line with the objective to improve regulatory conditions for businesses and continue administrative and fiscal burden relief, as specified in the description of the reform. All measures consist of reducing or completely abolishing fees, or they provide for a temporary or permanent exemption from such obligations.

With the implementation of each of the 33 measures to reduce non-tax and parafiscal charges and the 17 measures to reduce fees for professional examinations, as listed and described above, the 100% target to implement the 2020 Action Plan to reduce non-tax and parafiscal charges has been reached.

Regarding the milestone requirement to bring direct cost relief to the private sector, the relevant measures are estimated by the Croatian authorities to reduce the burden on the economy by HRK 531 995 772.62.

**Commission Preliminary Assessment: Satisfactorily fulfilled**

<b>Number:</b> 14	<b>Related Measure:</b> 14 - HR-C[C111]-I[R4-I1] Support to enterprises for the transition to an energy- and resource efficient economy	
<b>Name of the milestone:</b> Publication of calls for funding for investments targeting environmentally friendly activities with established eligibility criteria for applicants and projects (including DNSH compliance criteria)		
<b>Qualitative indicator:</b> Publication of notice of call for proposal for grants		<b>Time:</b> Q2 2022
<p><b>Context:</b></p> <p>The investment consists in granting support to small, medium-sized and mid-cap companies who invest in productive investments in green technologies which contribute to an energy- and resource-efficient economy. It targets specifically the decarbonisation process of the energy-intensive industries, which require considerable investments.</p> <p>This milestone consists of launching the call for proposals to select eligible projects to receive investment grants. The expected impact of the grant scheme is a reduction of harmful emissions by at least 20% (compared with investments not aimed at energy efficiency and the use of renewable energy sources), as well as a 20% use of recyclates and recyclable materials in the total material volume in production.</p> <p>Milestone #14 represents the initial step for completing the investment C1.1.1.R4-I1 "Support to enterprises for the transition to an energy- and resource efficient economy". Final step is implementing target #15, according to which grants supporting at least 290 SMEs and mid-cap companies shall be awarded by end 2024.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li><b>Summary document</b> duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note),</li> <li><b>The main document of the call for proposals documents ("Upute za prijavitelje")</b> introducing the purpose and conditions of the grant scheme (<i>Hereinafter "the Call document"</i>),</li> <li><b>The eligibility and selection criteria for the award procedure (Prilog 3. Kriteriji postupka dodjele)</b> (Annex 3 of the main call document), corresponding to the main technical specifications of the call as referred to in the Operational arrangements, aligned with the description, criteria and conditions set out in the description of the investments and milestones in the CID,</li> <li><b>A self-assessment questionnaire</b> for applicants on compliance with the DNSH principle (Annex 5 of the main call document).</li> </ol>		
<p><b>Analysis:</b></p> <p>The call for proposals was published on 1 July 2022 and re-published on 28 July 2022, after a revision of the selection criteria to better cover the actual market needs in Croatia and ensure the achievement of the connected RRP target #15.</p>		

1. **Eligibility conditions:** The targeted applicants are SMEs or a private mid-cap companies (Section 2.1 of the Call document, p.24). As required under the CID measure, grants shall only be awarded to financially viable companies (Section 2.3 of the Call document). The milestone as described in the CID refers to targeting support to energy-intensive industries; in line with this, the applicant must be officially registered as active in the manufacturing industry and be active in one of the fifteen energy-intensive industrial sectors identified in the call<sup>2</sup> (Section 2.1 of the Call document), including metalworking, textile, food, chemical, construction and woodworking industries. As required by the CID, activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not substantially below the relevant benchmarks are excluded as per the provisions of the “further specifications” of the operational arrangements (Section 2.6 of the Call document).  
The planned project’s investments should contribute to one or the two following objectives, as required by the measure description: a) promote a circular economy by introducing resource efficiency in the production cycle and life cycle of products, including the sustainable supply of primary and secondary raw materials; b) decarbonisation and emission reduction of energy-intensive industries, including demonstration and deployment of innovative low-emission technologies (Section 2.1 of the Call document).  
The eligibility requirements are reiterated in detail in Annex 3 to the Call document (Section on ‘Criteria for verifying the eligibility of projects and activities’).
2. **Selection criteria:** the quality of the eligible project applications is assessed against a set of criteria, including: the share of recyclates or recovered material to be used in the production, the share of renewable energy used in the energy consumption, the energy savings achieved, the CO2 reduction achieved, the creation of new jobs (FTE) directly linked to the project (*Section on Quality assessment of Annex 3 to the Call document, point 1*). It ensures that at project level that harmful emissions are reduced by at least 20% compared with investments not aimed at energy efficiency and the use of renewable energy sources, and that the use of recyclates and recyclable materials in the total material volume in production is at least 20%. These selection criteria were designed in line with the climate tracking for the measure, as per Annex VI of the RRF regulation.
3. **Actions targeted:** concern investment in tangible assets and/or in activities (such as: infrastructure; purchase of equipment and machinery or other capital expenditure; technological developments; energy efficiency renovations and the preparation of environmental studies) which directly contribute to the objectives of the call (Section 2.7 of the Call document).
4. **Financial support** (Section 1.6 of the Call document): The indicative breakdown of the distribution of grants is the following: 40% for SMEs and 60% for mid-cap companies. The maximum amount of EU grants for individual SMEs shall be up to EUR 1 000 000, while for individual mid-caps up to EUR 4 700 000.

In line with Annex VI and VII of Regulation (EU)2021/241,

5. **Compliance with the Do-not-significant Harm principle (DNSH):** In line with the description of the Measure in the CID Annex, and in order to ensure that the financial instruments activities comply with the ‘Do no significant harm’ Technical Guidance (2021/C58/01), the Agreements and Strategies provide that HAMAG-BICRO and HBOR ensure during the selection of projects that:

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<sup>2</sup> listed in the NACE 2007 (**European statistical classification of economic activities**), under sector C Manufacturing industry. The 15 sectors selected are: the production of food products, production of beverages, textile production, manufacturing of clothing, processing of wood and wood and cork product (except for furniture), production of paper and paper products, printing and duplication of recorded records, production of chemicals and chemical products, manufacturing of basic pharmaceutical products and pharmaceutical preparations, production of rubber and plastic products, production of other non-metallic mineral products, metal production, manufacture of finished metal products (except machinery and equipment), manufacturing of machines and devices, furniture manufacturing



- (i) the Commission’s Technical Guidance on sustainability proofing for the InvestEU Fund (2021/C280/01) is applied (Call document p.29 and 40, Annex 5 to the Call document p.1 and 16).
- (ii) The activities and assets as listed in the description of the measure in the CID annex are excluded from eligibility (Section 2.6 of Call document Annex 5 to the Call p.9 and 10, Annex 3 to the Call p.10).
- (iii) A verification of legal compliance with the relevant EU and national environmental legislation of the projects for all transactions, including those exempted from sustainability proofing is required (Section 2.6 of the Call document, Annex 2a of Annex 5 to the Call).

The “Self-assessment questionnaire on the compliance of the project with the DNSH principle” (Annex 5) is meant to help the project applicants and the assessor to check and assess the legal compliance, its impact on the climate and environment, as well as its environmental sustainability.

**Commission Preliminary Assessment: Satisfactorily fulfilled**

<b>Number:</b> 16	<b>Related Measure:</b> 16 - HR-C[C111]-I[R4-I2] Financial instrument for micro, small and medium-sized enterprises	
<b>Name of the milestone:</b> Establishment of financial instrument to support investment by micro, small and medium-sized enterprises		
<b>Qualitative indicator:</b> Agreements published between (i) the relevant ministries (MINGOR or MINFIN and HAMAG BICRO, and between (ii) the relevant ministry (MINGOR or MINFIN) and HBOR to provide favourable financing conditions for investments and working capital assets necessary to carry out the investments and/or increase the scale of operations of economic operators.		<b>Time:</b> Q1 2022
<b>Context:</b>		
<p>The objective of the investment is to further encourage investment activity on the Croatian market by providing more favourable financing conditions for micro, small and medium enterprises (MSMEs) in the growth and development phase (entities with access to finance) and supporting access to finance of specific target groups that usually do not have such access (such as micro entrepreneurs, start-ups, young entrepreneurs, investments in RDI or economic operators investing in less developed areas).</p> <p>This milestone aims to encourage investment by micro, small and medium-sized enterprises in new technologies, the purchase of modern machinery, equipment, and increasing production and service capacity, as well as green transition measures (such as the adoption of green technologies, the introduction of business models based on the circular economy, renewable energy sources, energy efficiency). The milestone achieves that through financial instruments (revolving funds) for loans and interest-rate subsidies.</p> <p>Milestone #16 represents the initial step for completing the investment C1.1.1.R4-I2 “Financial instrument for micro, small and medium-sized enterprises”. The investments include two more targets #17 and #18, according to which at least 1 300 loans and interest subsidies supporting micro- and small-medium size enterprises will be awarded by Q2 2026.</p>		

**Evidence provided:**

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

- a) **Summary document** duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (cover note)
- b) **Copies of the Funding Agreements signed on 30 March 2022 by the Ministry of Economy and Sustainable Development (MINGOR, in charge of the RRP measure), the Ministry of Finance (MoF, RRP coordinating authority) and the entrusted authorities for the management of the Instruments, establishing the funding Instruments:**
  1. Funding Agreement 1 (hereinafter "*Agreement 1*") entrusting HAMAG-BICRO with the management of a microcredit Instrument as well as with an Interest rate Subsidies Instrument, with annexes related to the investment strategy for the Financial instruments (hereinafter referred to as "*Strategy 1*"), the procedure for the implementation and sustainability test and DNSH criteria, the list of applicable legal framework and legally relevant documents, the list of restricted activities;
  2. Funding Agreement 2 entrusting HBOR with a direct loan Instrument for micro-, small, and medium business entities (hereinafter "*Agreement 2*"), with annexes related to the investment strategy for the Instrument (hereinafter referred to as "*Strategy 2*"), and the list of applicable legal framework and legally relevant documents.
  3. Funding Agreement 3 entrusting HBOR with an Instrument of subsidies for interest rates on loans for micro-, small and medium business entities (hereinafter "*Agreement 3*"), with annexes related to the investment strategy for the Instrument (hereinafter referred to as "*Strategy 3*"), and the list of applicable legal framework and legally relevant documents.

The authorities also provided:

- c) **HBOR DNSH methodology,**
- d) **HBOR DNSH self-questionnaire.**

**Analysis****1. Scope of support**

In line with the description of the measure and the milestone in the CID Annex, the national Agency for SMEs, innovation and investment (HAMAG-BICRO) and the national Bank for Reconstruction and Development (HBOR) is mandated to manage four financial instruments (hereinafter referred to as "*Instrument(s)*") as follows:

- (1) HAMAG BICRO microloans Instrument, under which direct microloans of up to EUR 100, 000 to be granted to companies with difficult access to commercial bank loans (Articles 1 and 15 of Agreement 1, Section 2 of Strategy 1),
- (2) HBOR loans Instrument, under which direct loans higher than EUR 100 000 to be granted to projects borne by special target groups such as start-ups, young entrepreneurs, women entrepreneurs, investments in disadvantaged areas and in research, development, and innovation, which due to the higher degree of risk do not have access to bank financing (Art. 1 and 16 of Agreement 2, Section 2.1 of Strategy 2),
- (3) HAMAG BICRO interest rate subsidy Instrument, which to be granted to projects borne by micro, small and medium-sized enterprises benefitting already from HAMAG BICRO guarantee instruments (Articles 1 and 15 of Agreement 1, Section 2 of Strategy 1),
- (4) HBOR interest rate subsidy for lending to micro, small and medium-sized enterprises using HBOR's existing lending programs (Article 1 of Agreement 3).

As per the description of the measure in the CID Annex, the supported investments for the eligible enterprises directly contribute to (Section 2.2 of Strategies 2 and 3, Section 4 of Strategy 1):

- (i) their green transition (with actions such as the adoption of green technologies, the introduction of business models based on circular economy, renewable sources of energy, energy efficiency etc.),
- (ii) their digital transition (with actions such as the digitalisation of the production, procurement and sales processes and other business areas, acquisition of digital technologies, digital education of employees etc.) or
- (iii) their competitiveness and resilience (with actions such as new technologies, purchase of modern machinery, equipment, and to increase the production and service capacity, the employment and business internationalisation etc.).

## **2. Financial support**

In line with the description of the Milestone in the CID annex, as set out in (i) a minimum of EUR 27 898 772 is allocated to supporting environmentally friendly production processes and resource efficiency in SMEs, with the expectation that at least EUR 11 128 934 is used to reduce greenhouse gases; (ii) EUR 23 199 509 is dedicated to assisting SMEs in the digitalisation of operations; (iii) EUR 94 896 808 is dedicated to investments aimed at strengthening competitiveness and resilience. More specifically, in line with the description of the measure in the CID Annex:

- i. under HAMAG BICRO micro-credits Instrument, it is expected that EUR 39 816 843 (HRK 300 000 000) of funding is granted, with a minimum of EUR 7 608 756 (HRK 57 328 173) to supporting environmentally -friendly production processes and improving resource efficiency in SMEs; EUR 6 327 139 (HRK 47 671 827) to help SMEs digitalising their operations;, and the remaining EUR 25 880 948 (HRK 195 000 000) to investments aimed at strengthening competitiveness and resilience (Article 9 of Agreement 1, Annexes 2 and 4 of Strategy 1).
- ii. under HBOR Direct loans Instruments, it is expected that EUR 66 361 404 (HRK 500 000 000) of funding is granted, with a minimum of EUR 12 681 260 (HRK 95 546 955) dedicated to supporting environmentally friendly production processes and improving resource efficiency in SMEs, EUR 10 545 231 (HRK 79 453 045) used to help SMEs to digitalise their operations, and the remaining EUR 43 134 913 (HRK 325 000 000) dedicated to investments aimed at strengthening competitiveness and resilience (Article 10 of Agreement 2, Section 2.3.2 of Strategy 2).
- iii. under HAMG-BICRO interest rate subsidy Instrument, it is expected that EUR 13 272 281 (HRK 100 000 000) of funding is granted, with a minimum of EUR 2 536 252 (HRK 19 109 391) dedicated to supporting environmentally-friendly production processes and improving resource efficiency in SMEs, EUR 2 109 046 (HRK 15 890 609) used to help SMEs to digitalise their operations, and the remaining EUR 8 626 983 (HRK 65 000 000) dedicated to investments aimed at strengthening competitiveness and resilience (Article 9 of Agreement 1, Annexes 2 and 4 of Strategy 1).
- iv. under HBOR interest rate subsidy Instrument, is expected that EUR 26 544 562 million (HRK 200 000 000) of funding is granted, with a minimum of EUR 5 072 504 (HRK 38 218 782) to support environmentally friendly production processes and improving resource efficiency in SMEs, EUR 4 218 093 million (HRK 31 781 218) to help SMEs to digitalise their operations, and the remaining EUR 17 253 965 million (HRK 130 000 000) dedicated to investments aimed at strengthening competitiveness and resilience (Article 10 of Agreement 3, Section 2.3.2 of Strategy 3).

The above amounts under the Instruments cumulatively meet the requirements as set out in the milestone description and provide support in the amount of: i) a minimum of EUR 27 898 772 to supporting environmentally friendly production processes and resource efficiency in SMEs, with the expectation that at least EUR 11 128 934 shall go to reducing greenhouse gases; (ii) EUR 23 199 509 dedicated to assisting SMEs in the digitalisation of operations; (iii) EUR 94 896 808 dedicated to investments aimed at strengthening competitiveness and resilience.

### 3. Compliance with the Do-Not-Significant Harm (DNSH) principle

In line with the description of the Measure in the CID Annex, and in order to ensure that the financial instruments activities comply with the ‘Do no significant harm’ Technical Guidance (2021/C58/01), the Agreements and Strategies provide that HAMAG BICRO and HBOR ensure during the selection of projects that:

- i. the Commission’s Technical Guidance on sustainability proofing for the InvestEU Fund (2021/C280/01) is applied (Art.9 of Agreement 1, Art.10 of Agreements 2 and 3),
- ii. The activities and assets as listed in the description of the measure in the CID annex are excluded from eligibility (Section 4 of Annex 1 to Agreement 1; Sections 2.3.2 of Annexes 1 to Agreements 2 and 3);
- iii. A verification of legal compliance with the relevant EU and national environmental legislation of the projects for all transactions, including those exempted from sustainability proofing (Art. 9 of Agreement 1; Art.10, 12 and 12(9) of Agreement 2; Art.10 of Agreement 3).

A DNSH methodology and questionnaire for the review and monitoring of investment has been drawn up, to be also used by the financial intermediaries (Evidence d) and e) for HBOR Instruments; Annexes 2 and 4 of Strategy 1 for HAMAG-BICRO Instruments).

As per the provisions under the “further specifications” in the Operational Arrangements, the project’s activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not substantially below the relevant benchmarks have been excluded. Where a supported activity achieves projected greenhouse gas emissions that are not significantly lower than the relevant benchmarks an explanation of the reasons why this is not possible should be provided (Section 2.3.2 of Strategies 1 and 2, Annex 4 to Strategy 1).

**4.** In line with the description of the Measure in the CID Annex, **the Instruments are managed** separately from other ones managed by HAMAG-BICRO and HBOR (Art. 1 of Agreements 1, 2 and 3). Unused funds or reflow from the Instruments through the reimbursement of the capital, are to be used for similar purpose and with the same eligibility conditions with regards to environmental impact (Art. 1 of Agreements 1, 2 and 3).

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 19	<b>Related measure:</b> 19 - HR-C[C111]-I[R4-I3] Financial instrument for mid-cap and large enterprises	
<b>Name of the milestone:</b> Establishment of financial instrument to support investment by mid-caps and large companies		
<b>Qualitative indicator:</b> Agreement between the competent ministry (MINGOR or MINFIN) and HBOR to provide favourable (incentivising) financing conditions and guarantees for investments and working capital necessary to make the investments and/or increase the scale of economic activity published.		<b>Time:</b> Q1 2022
<b>Context:</b>		

The objective of the investment is to promote the competitiveness and green and digital transition of mid-caps and large companies by providing more favourable sources of financing their investment growth in the short and medium term.

The milestone consists of setting up of two new financial instruments (revolving funds) (hereinafter "*Instrument(s)*"): The first one grants (individual and portfolio) guarantees for new investment loans and leasing financing necessary for the implementation of investments. The second one grants interest rate subsidies for contracts under HBOR's existing lending programs.

Milestone #19 represents the initial step for completing the investment C1.1.1.R4-I3 "Financial Instrument for mid-cap and large enterprises". Final step is target #20 which envisages that at least 150 projects (totalling at least EUR 331 807 021) for mid-caps and large enterprises will be supported through financial instruments by Q2 2026.

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

- a) **Summary document** duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (cover note),
- b) **Copies of the Funding Agreements signed** on 30 March 2022 by the Ministry of Economy and Sustainable Development (in charge of the RRP measure), the Ministry of Finance (RRP coordinating authority) entrusting the management of the Instruments, establishing the funding Instruments:
  - i. Funding Agreement 1 (hereinafter referred to as "*Agreement 1*") entrusting HBOR with the management of a new umbrella guarantee Instrument, with annexes related to the investment strategy for the Instrument (hereinafter referred to as "*Strategy 1*"), and the list of applicable legal framework and legally relevant documents, the list of restricted activities.
  - ii. Funding Agreement 2 (hereinafter referred to as "*Agreement 2*") entrusting HBOR with the management of the interest rate subsidy, with annexes related to the investment strategy for the Instrument (*hereinafter referred to as "Strategy 2"*), and the list of applicable legal framework and legally relevant documents, the list of restricted activities.

c) **An explanatory report** issued by HBOR justifying how cooperation of itself with financial intermediaries (banks and leasing companies) will achieve a "crowding in private sector" effect.

The authorities also provided:

- d) **HBOR DNSH methodology,**
- e) **HBOR self-questionnaire.**

**Analysis:**

### **1. Scope of support**

In line with the description of the measure and milestone in the CID Annex, the national Bank for Reconstructions and Development (HBOR) is mandated to manage 2 financial instruments (*hereinafter referred to as "Instrument(s)"*) as follows:

1. Umbrella guarantee scheme targeting mid-caps and large enterprises, to issue guarantees for investment loans and working capital loans necessary for the implementation of investments and the growth of mid-caps and large entities.
2. Financial instrument of interest rate subsidies for lending to MidCap and large enterprises using HBOR's existing lending programs.

The final beneficiaries of the financial instruments are MidCap and large enterprises (Article 1 of Agreement 1, Section 2.3.2. of Strategy 1; Article 1 of Agreement 2, Section 2.3.1. of Strategy 2).

Companies in difficulties are excluded (Article 9 of Agreement 1 and Section 2.3.2 of Strategy 1, Article 9 of Agreement 2 and Section 2.3.1 of Strategy 2).

As per the description of the measure in the CID Annex, the supported investments for the eligible enterprises should directly contribute to encourage/support investments of MidCap's and large enterprises, primarily investments in new technologies, procurement of modern machinery and equipment and increase of production and service capacity, as well as measures for green transition (such as green technologies, business models based on circular economy, renewable sources energy, energy efficiency) of final beneficiaries' (Section 2.3.3 of Strategy 1, Section 2.3.2 of Strategy 2). Digital transition projects include the development and/or deployment of digital technologies (e.g., digitalisation of production, procurement, and sales processes) in individual business areas, as well as the education of employees. Projects enhancing the competitiveness and resilience cover investments in tangible and intangible fixed assets (new technologies, vehicles, and equipment; construction and/or extension and/or adaptation/upgrading/regulation of business and/or manufacturing and/or service facilities; etc.) relevant to increasing business volume, boosting productivity, employment, business internationalisation, etc. (Section 2.2 of Strategies 1 and 2).

## **2. Financial support**

In line with the description of the Measure and Milestone in the CID annex, the total allocation for the umbrella guarantee Instrument amounts to EUR 79 633 685 and the allocation of the interest rate subsidy Instrument amounts to EUR 26 544 562 (HRK 200 000 000. This is set out in Article 9 of Agreement 1 and Section of Strategy 2, Article 9 of Agreement 2 and Section 4 of Strategy 2, in line with the description of the Measure and Milestone in the CID annex, ). More specifically, out of the total amount of the measure, in line with the description of the milestone in the CID Annex:

- (i) a minimum of EUR 26 544 562 is to be allocated to supporting environmentally friendly production processes and resource efficiency in mid-cap and large enterprises, with the expectation that at least EUR 10 617 824 is to be allocated to reducing greenhouse gases;
- (ii) EUR 79 633 685 is to be dedicated to investments aimed at strengthening competitiveness and resilience.

## **3. Compliance with the Do-No-Significant Harm (DNSH) principle**

In line with the description of the measure and the milestone in the CID Annex, and in order to ensure that the financial instruments activities comply with the "Do no significant harm" Technical Guidance (2021/C58/21), the Agreements and Strategies provide that HBOR ensured during the selection of projects that:

- i. the Commission's Technical Guidance on sustainability proofing for the InvestEU Fund (2021/C280/01) is applied (Art.10 of Agreements 1 and 2).
- ii. The activities and assets as listed in the description of the measure in the CID annex are excluded from eligibility (Section 2.3.3. of Annexes 1 to Agreements 1 and 2).
- iii. A verification of legal compliance with the relevant EU and national environmental legislation of the projects for all transactions, including those exempted from sustainability proofing is carried out (Article 10 of Agreements 1 and 2).

As per provisions under the "further specifications" in the Operational Arrangements, the project's activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not substantially below the relevant benchmarks have been excluded. Where a supported activity achieves projected greenhouse gas emissions that are not significantly lower than the relevant benchmarks an explanation of the reasons why this is not possible should be provided.

These provisions are reflected in Article 10 of Agreement 1 and Section 2.3.3 of Strategy 1, Article 10 of Agreement 2 and Section 2.3.2 of Strategy 2. A DNSH methodology and questionnaire for the review and monitoring of investment has been drawn up, to be also used by the financial intermediaries (Evidence d) and e)).

Final beneficiaries that derived more than 10% of their revenues during the preceding financial year from activities or assets in the exclusion list are required to adopt and publish green transition plans (Respectively Sections 2.3.3 and 2.3.2 of Strategies 1 and 2).

**4. The financial instruments are managed** separately from other HBOR instruments, and separately from each other and other EU instruments (Article 15 (4) of Agreement 1, Article 14(4) of Agreement 2). Unused funds or reflow from the Instruments are to be used for similar purpose and with the same eligibility conditions with regards to environmental impact (Articles 17 and 18 of Agreements 1 and 2, Sections 6 and 7 of Strategies 1 and 2).

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 21	<b>Related Measure:</b> 21 - HR-C[C111]-I[R4-I4] Financial instrument for public sector entities	
<b>Name of the milestone:</b> Establishment of financial instrument for more favourable financing of public entities		
<b>Qualitative indicator:</b> Publication of the Agreement between the competent ministries (Ministry of Economy and Sustainable Development, Ministry of Finance) and HBOR containing eligibility and compatibility criteria for activities and beneficiaries of the measures.		<b>Time:</b> Q2 2022
<p><b>Context:</b> The objective of this investment is to provide concessional financing to public entities to stimulate public investment and improve the quality, efficiency and sustainability of public services and reduce the cost of public sector financing.</p> <p>Under this milestone, a financial instrument (hereinafter <i>“Instrument”</i>) for interest-rate subsidies is established, that would benefit loans borne by the public entities (companies and institutions owned by the State or local, regional government units) to develop necessary economic, municipal, transport and social infrastructure, as well as investments in new technologies and systems.</p> <p>Milestone #21 represents the initial step for completing the investment C1.1.1.R4-I4 <i>“Financial instrument for public sector entities”</i>. The next and final step under this investment is the fulfilment of target #22 that requires the provision of subsidised loans by HBOR for public sector projects in accordance with the investment policy and eligibility criteria under milestone #21. It is expected that the instrument will invest at least EUR 132 722 808 by end-June 2026.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (Cover note)</li> <li>b) <b>A copy of the Funding Agreement</b> (Hereinafter <i>“Agreement”</i>) signed on 30 March 2022 by the Ministry of Economy and Sustainable Development (MINGOR, in charge of the RRP measure), the Ministry of finance (MoF, RRP authority) and HBOR, establishing the Financial Instrument. It includes annexes related to the investment Strategy (referred to in below text as <i>“Strategy”</i>), the list of applicable legal framework and legally relevant documents.</li> </ul>		

- c) A “Model contract” to be signed between HBOR and other financial intermediaries (banks and leasing companies). This contract includes provisions regarding the share of funds per main investment priorities (Article 1 (7) of the model contract, and the compliance with the DNSH principle (Article 5 of the model contract)

The authorities also provided:

d) HBOR DNSH methodology

e) HBOR self-questionnaire.

## Analysis

### 1. Scope of support

In line with the description of the measure and milestone in the CID Annex, the national Bank for Reconstruction and Development (HBOR) manages a grant interest subsidy financial instrument (*hereinafter “Instrument”*) to reduce the ordinary interest on credit and leasing placements granted to public sector entities (Strategy, introduction to Section 2).

The eligible final beneficiaries are companies and institutions owned by the State or local, regional, and regional government units. Companies in difficulties are excluded (Article 9 of Agreement, Section 2.3.1 of Strategy).

As per the description of the measure in the CID Annex, through the Instrument, investment stimulate the development of economic, municipal, transport and social infrastructure, as well as the acquisition of new technologies and systems necessary to increase the efficiency of public sector entities, improve the quality of public services and reduce the cost of public sector financing (Article 1 of Agreement, Section 2.1 of Strategy).

More specifically, in line with the description of the milestone in the CID Annex, the Instrument will support (Section 2.2 of the Strategy):

(i) Green transition actions including green technologies, business models based on circular economy, renewables, energy efficiency,

(ii) Digital transition actions including the development/deployment of digital infrastructure and technologies, digital change in all forms of business and processes, as well as digital research and marketing,

(iii) Other investments meant to increase the efficiency of public sector entities, which include economic, municipal, transport, social (and other) infrastructures, investments in new technologies and systems as well as investments in long-term tangible and intangible assets (new technologies, vehicles, and equipment; construction and/or extension and/or adaptation/upgrade/design of infrastructure and/or business and/or manufacturing and/or service facilities; etc.)

### 2. Financial support

In line with the description of the Measure and the Milestone in the CID annex (Article 9 (17) of the Agreement, Section 4 of the Strategy), the planned allocation of EUR 26 544 562 (HRK 200 000 000), of which:

(i) a minimum EUR 7 963 368 shall be aimed at supporting environmentally friendly projects, with the expectation that at least EUR 3 185 347 shall be allocated to reduction of greenhouse gases.

(ii) EUR 18 581 193 shall be dedicated to investments aimed at enhancing the sustainability and quality of infrastructure.



- 3. Compliance with the Do-No-Significant Harm (DNSH) principle:** in line with the description of the measure and the milestone in the CID Annex, and in order to ensure that the financial instruments activities comply with the ‘Do no significant harm’ Technical Guidance (2021/C58/01), the Agreements and Strategies provide that HAMAG BICRO and HBOR ensure during the selection of projects that:
- i. the Commission’s Technical Guidance on sustainability proofing for the InvestEU Fund (2021/C280/01) is applied (Art 10 of Agreement).
  - ii. the activities and assets as listed in the description of the Measure in the CID annex are excluded from eligibility (Section 2.3.2 of Annex 1 to the Agreement).
  - iii. a verification of legal compliance with the relevant EU and national environmental legislation of the projects for all transactions, including those exempted from sustainability proofing, is carried out (Art 10 of the Agreement).

As per provisions under the “further specifications” in the Operational Arrangements, the project’s activities and assets under the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not substantially below the relevant benchmarks have been excluded. Where a supported activity achieves projected greenhouse gas emissions that are not significantly lower than the relevant benchmarks an explanation of the reasons why this is not possible should be provided (Section 2.3.2 of Annex 1 to the Agreement).

Section A DNSH methodology and questionnaire for the review and monitoring of investment has been elaborated, to be also used by the financial intermediaries (Evidence d) and e)).

Final beneficiaries that derived more than 10% of their revenues during the preceding financial year from activities or assets in the exclusion list are required to adopt and publish green transition plans (Strategy 2.3.2).

- 4. The management of the Instrument** is based on the applicable methodologies and procedures of the HBOR, on contracts and/or agreements between the HBOR and the Financial Institutions, and on additional agreements to regulate the use of the interest Subsidies (Section 2.3.3 of the Strategy).

The Agreement signed enable cooperation with other financial institutions and crowding in private sector effect (Article 12 of the Agreement, Section 2.3.3. of the Strategy). A “Model contract” between HBOR and other financial intermediaries (banks and leasing companies) has been provided, setting out similar provisions as the one’s of the Instrument’s Agreement, in particular as regards the allocation of funds per priority (see point 2 above) (Article 1 (7) of the model contract) as well as the DNSH provisions (Article 5 of the Model Contract). The “Model contract” stipulates ensures that the relevant requirements from the measure and milestone description are to be respected by the financial intermediaries implementing the Instruments.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 25	<b>Related Measure:</b> 25 - HR-C[C111]-R[R6] Developing resilient cultural and creative sectors	
<b>Name of the milestone:</b> Amendments to the legal framework		
<b>Qualitative indicator:</b> Entry into force of the Electronic Media Act and Law on Copyright and Related Rights.		<b>Time:</b> Q2 2022
<b>Context:</b> The objective of the reform is to foster the online business activity of the cultural and creative sector by providing a stable legal framework, considering the need to remove obstacles to commercial		

exploitation of protected content in the Digital Single Market. The reform is largely linked to the recent modernisation of the Union copyright and audiovisual media services framework brought on by Directive (EU) 2019/790 on copyright and related rights in the Digital Single Market, Directive (EU) 2019/789 on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations, and Directive (EU) 2018/1808 amending Directive 2010/13/EU on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive) in view of changes regarding the Digital Single Market.

Under this milestone, the legislative framework should provide effective legal protection of authors and facilitate online licensing of copyright works, thereby incentivising creative industries to adapt their business activities to the digital environment and supporting the development of new and innovative cultural and creative offer (products and services) on the internet. The reform is also expected to facilitate the cross-border distribution of television audiovisual media services and radio programmes, and to ensure transparency of ownership and funding of media service providers. It should be noted that ‘direct injection’ is the term used in the context of transmission of programme-carrying signals by broadcasting organisations, rather than ‘direct signal circulation’ as specified in the CID Annex. The latter term is used in the analysis.

This milestone is the only one under this measure.

**Evidence provided:**

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

- a) **Summary document** duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (Cover note)
- b) Copy of the publication in the Official Gazette on 14 October 2021 of the **Copyright and Related Rights Act** (No. 111/2021)
- c) Copy of the publication in the Official Gazette on 14 October 2021 of the **Electronic Media Act** (No. 111/2021)

**Analysis:**

In line with the requirements of the Council Implementing Decision annex, the amendments to both, the Law on Copyright and Related Rights and the Electronic Media Act, were adopted by the Parliament and published in the Official Gazette on 14 October 2021.

As specified in Article 315, the Law on Copyright and Related Rights entered into force the eighth day following its publication in the Official Gazette on 14 October 2021, with the exception of Article 69, which entered into force on 7 June 2022, and Articles 217(3)(2)(a) and 218(3)(4)(a), which shall enter into force on 1 January 2023. These latter provisions concern collective management of copyright in specific cases for print publications and do not relate to any of the elements of the CID.

The Council Implementing Decision requires that the amendments to the legal framework have entered into force. As specified in Article 108, the Electronic Media Act (EMA) entered into force on the day of publication in the Official Gazette on 14 October 2021, with the exception of Articles 51 and 101 which shall enter into force on 1 January 2023. These latter provisions concern cultural, linguistic and media diversity. According to Article 51, television broadcasters must invest at least 5% of their total annual gross income generated in the pursuit of their activity in the previous year in audiovisual works of independent producers in the current year. According to Article 101, in the first year of application (2023) this requirement is set at 2.5%. No further legal act is necessary and as such there is legal certainty that these provisions will apply. The reason for the entry into force of these provision in 2023 is that the broadcasters must first plan the distribution of their income (in 2022), and in the following year (2023) realise this plan by using the funds to meet the threshold on their total annual gross income invested in audiovisual works of independent producers. Moreover, the

delay between the adoption of this law and the actual application of the provisions is considered both limited and proportional, notably as the delay is for a short duration and is proportional to the time necessary for the television broadcasters to prepare to meet the required level of investments into audiovisual works of independent producers in the current year (the first year of application), by taking them into consideration in their total annual gross income in the previous year.

The assessment of the Copyright and Related Rights Act and the Electronic Media Act is solely done for the purposes of implementation of the Recovery and Resilience Facility. It is without prejudice to the Commission's findings in the conformity assessment of the notified transposition measures with Directive (EU) 2018/1808, Directive (EU) 2019/789, and Directive (EU) 2019/790<sup>3</sup> by Croatia.

#### **1. Amendments to the Law on Copyright and Related Rights**

Amendments to the Croatian regulatory framework in the areas of the copyright and related rights are based on the requirements of the milestone in the Council Implementing Decision Annex to 'support businesses in the field of cultural and creative sectors in adapting their business models to the Digital Single Market and the new EU and Croatian regulatory framework', as further specified in the analysis below.

##### **i. Removing obstacles to the successful commercialisation of protected content on the internet**

The Law on Copyright and Related Rights sets the regulatory framework on copyright and related rights and introduces provisions on the use of protected content on the internet, addressing more recent developments in the Digital Single Market such as online content-sharing platforms and ancillary broadcasting services, and taking into account the need to remove obstacles to the successful commercialisation of protected content on the internet. As explained in the summary document, before the adoption of the amended Copyright and Related Rights Act, the cultural and creative sectors faced legal uncertainty when engaging in digital activities. Legal uncertainty and lack of detailed and coherent rules prevented cultural and creative industries in Croatia from rapidly transforming into new business conditions, and from benefitting fully from digital technologies. The amendments to the legal framework analysed below have brought clarity on the applicable rules for the use of creative content in the digital environment, which is contributing to the competitiveness of businesses in the cultural and creative sectors in the digital environment, as well as to their capacity to tap the potential of that market.

##### **ii. Establishing the effective legal protection of the authors of creative, cultural and media content on the internet and supporting the development of new and innovative products and services**

To provide a basis for effective legal protection of the authors of creative, cultural and media content on the internet, new rules have been introduced on online content-sharing platforms, as required under Directive (EU) 2019/790. Based on the Directive, Articles 50 to 53 of the Law specifically address the licencing of content on online content-sharing platforms. The online content-sharing service

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<sup>3</sup> Directive (EU) 2018/1808 of the European Parliament and of the Council of 14 November 2018 amending Directive 2010/13/EU on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive) in view of changing market realities. Directive (EU) 2019/789 of the European Parliament and of the Council of 17 April 2019 laying down rules on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes and amending Council Directive 93/83/EEC (Text with EEA relevance.) Directive (EU) 2019/790 of the European Parliament and of the Council of 17 April 2019 on copyright and related rights in the Digital Single Market and amending Directives 96/9/EC and 2001/29/EC (Text with EEA relevance.)

providers are required to obtain an authorisation from rightsholders and to ensure fair treatment of authors in licensing agreements, when they make available to the public protected content uploaded by their users (Article 50). This provision will reinforce the position of authors and creative industries when negotiating with online content-sharing platforms for the use of the content uploaded by users, as well as their opportunities to be remunerated. A provision sets out the liability of online content-sharing service providers in case of unauthorised use of protected content, taking into account the business model of such services based on users' uploads, by requiring that they make their best effort to swiftly address unauthorised uses, while not unduly restricting their operations (Article 51). The online content-sharing service providers are required to operate an effective complaint and redress mechanism for their users (Article 53). This set of rules provides for a clear framework for the operation of online content-sharing services, which can facilitate digital innovation in the cultural and creative sectors.

iii. **Fostering the cultural and creative industries by providing a stable legal framework for the creation of online platforms and applications, facilitating the online licensing of creative, cultural and media content**

The new rules mentioned above (Articles 50 to 53) are facilitating the conclusion of licensing agreements between right holders and online content sharing platforms and stimulating the creation and sharing of content in the online environment, contributing further to a stable legal framework for the development of online platforms. In addition, the new rules provide for collective licensing with an extended effect to enable users to obtain licences more easily, without the need to engage in the process of concluding individual contracts with authors of potentially large amount of copyright-protected content. Mandatory collective management of rights and related rights is stipulated in Articles 216 to 218. As provided for in Directive (EU) 2019/790, press publishers are recognised as a new category of rightsholder. Further rules were introduced on the management of their rights and to facilitate conclusion of licenses for use of their publications, which are widely used by new online services (Part III Related Rights, Chapter 6). In addition, there are provisions addressing copyright works created under an employment contract and during the public and state service (Articles 100 to 110), as well as commissioned works (Article 96 to 99). In both cases, a legal presumption is introduced stipulating that the employer or the commissioner as the rightsholder, respectively, unless proven otherwise. These amendments improve legal certainty for the licensing of creative, cultural and media content in the digital market.

iv. **Facilitating the re-use of public content for creation of new innovative products and services on the Digital Single Market for creation of new innovative products and services on the Digital Single Market**

In light of new uses of works enabled by digital technologies, limitations and exceptions to copyright and related rights in the field of research, education and preservation of cultural heritage are updated or introduced (Articles 187 to 212), based on the new EU copyright framework. Such provisions allow use of protected works under certain conditions, without the authorisation of rightsholders, thus facilitating the re-use of protected content in the digital and cross-border environment. In particular, use of orphan works (Article 189), out-of-commerce works (Article 192), preservation of cultural heritage (Article 191), text and data mining for scientific purposes (Article 187), cross-border teaching (Article 199) is addressed. These new limitations and exceptions contribute to strengthening the possibilities for collaboration, research, and innovation in the digital environment, thereby stimulating production of new cultural and creative content.

v. **Facilitating the cross-border distribution of television and radio programmes, by providing clear rules on so-called direct injection**

Based on Directive (EU) 2019/789 the Croatian legal framework has been amended to reflect new ways of accessing television and radio programmes, including online, and to facilitate the cross-border

distribution of such programmes. New rules have been introduced on retransmissions, direct injection (Articles 44 and 45) and ancillary online services of broadcasters (Articles 48 and 49). These provisions are facilitating the clearance of rights when radio and television programmes are made available online and across borders, through the broadcasters' online services (e.g., catch-up TV services) or through retransmission operators (e.g., cable, satellite, IPTV retransmission services).

## 2. Amendments to the Electronic Media Act

Amendments to the **Electronic Media Act** introduce notably changes regarding the regulatory framework for audiovisual media services, as specified in the annex to the Council Implementing Decision. Relevant amendments to the legal framework include rules on video-sharing platforms, related definitions, the protection of minors, and investment obligations on European works for on-demand audiovisual media services. In addition, changes relate to the transparency of media ownership structures. Overall, the revised Act aims at improving the possibilities for independent and Croatian producers of audiovisual works and providers of audiovisual media services to achieve competitiveness and tap the potential of the market, thus promoting cultural, linguistic and media diversity in the Digital Single Market.

### i. Promoting cultural, linguistic and media diversity

The revised Act contains provisions, based on the EU framework, which are supportive of European and independent audiovisual producers, thus promoting cultural, linguistic and media diversity. For example, on-demand audiovisual media services are required to secure at least a 30% share of European works in their catalogues and ensure prominence of those works (Article 27). Moreover, such providers are required to invest 2% of their total annual gross revenue in the production of Croatian audiovisual works by independent producers, or to purchase Croatian audiovisual works produced by independent producers (Article 27). Television broadcasters are required to invest at least 5% of their total annual gross income generated in the pursuit of their activity in audiovisual works of independent producers (Article 51). These provisions improve the visibility and availability of audiovisual works of independent producers in the internal market and strengthen the offer of European works.

### ii. Ensure transparency in the publication of ownership structures linked to the Register of Beneficial Owners and the publication of this information on the media service and electronic publications provider's website, and introduce more transparency with regard to information on amounts and sources of funding

With the revised Electronic Media Act, media service providers and providers of electronic publications are required to report to the national regulatory authority, the Agency for Electronic Media (AEM) their yearly income and sources of funding and need to publish this information on their websites (Article 25). Media service providers likewise have the duty to report to the AEM information on their ownership structure, along with the evidence from the register of beneficial owners, as well as to swiftly report any changes to the ownership (Articles 61 and 63). These obligations are expected to ensure transparency of media ownership structures and to improve the transparency of information on amounts and sources of funding, as specified in the Council Implementing Decision Annex.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 36	<b>Related Measure:</b> 36 - HR-C[C12]-R[R1]: Decarbonisation of the energy sector	
<b>Name of the milestone:</b> Publication of an assessment document with recommendations to alleviate barriers and administrative procedures restraining to higher uptake of renewable energy sources		
<b>Qualitative indicator:</b> Publication of an assessment document by the Ministry of Economy and Sustainable Development		<b>Time:</b> Q2 2022

**Context:**

The objective of the measure is to facilitate the decarbonisation of the energy and transport sectors and to support the national contribution to the EU renewable energy target and achieving the 2030 target of 36.6% share of renewable energy sources that was set by Croatian National Energy and Climate Plan (NECP).

The milestone addresses the production and publication of an assessment document of the existing bottlenecks and aims to provide recommendations to alleviate barriers and administrative procedures restraining the higher uptake of renewable energy sources.

Milestone #36 is the first step in the implementation of the related measure and is the base for the next steps, Milestone #37 C1.2. R1 “Entry into force of legislation and/or regulation to improve uptake of renewable energy sources, including introduction of a premium-based system for the support of renewable energy sources’, due in Q4 2022, and Milestone #38 C1.2. R1 ‘Entry into force of the Act amending the State Assets Act, which will provide a legal basis for the complete separation of the management of the gas transmission system operator (Plinacro) from state-owned production and supply activities’, due in Q4 2023.

**Evidence provided:**

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

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled (Cover note), including the **link to the website** where the assessment document can be accessed.
- b) **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).
- c) **Explanatory report** demonstrating how the actions foreseen in the assessment document contribute to achieving the objectives of the reform.

**Analysis:**

As set out in the Council Implementing Decision, the assessment document with recommendations to alleviate barriers and administrative procedures restraining to higher uptake of renewable energy sources was published on the website of the Ministry of Economy and Sustainable Development on 30 June 2022. Revised versions of the documents were published on 19 September 2022 and on 10 October 2022.

As stipulated in the CID Annex, the assessment document identifies the overly complex administrative set-up and other so called ‘process-related’ type of barriers, restraining the higher uptake of renewable energy sources. It then proposes solutions on how to tackle them, providing recommendations on policy measures that aim to alleviate barriers and administrative procedures restraining the higher uptake of renewable energy sources.

The introductory part of the assessment document **addresses the legal framework and administrative procedures** through which renewable energy projects go through, starting from the early stages of project development such as amending spatial plans to the actual construction and commissioning of the project (pp. 5 – 16).

The assessment document provides the analysis of the relevant legislative framework, i.e., the new Act on Renewable Energy Sources and High-Efficiency Cogeneration and the new Electricity Market Act, as well as relevant bylaws. The **assessment of the administrative procedures** restraining to the higher uptake of renewable energy sources, i.e. the assessment of bottlenecks, is focused especially on: spatial planning; environment and nature impact assessment; obtaining permits and decisions under the new Act on Renewable Energy Sources and High-Efficiency Cogeneration, Official Gazette (No. 138/2021) and the new Electricity Market Act, Official Gazette (No. 111/2021); connecting to the electricity grid; self-consumption of renewable energy; renewable energy communities; other

administrative procedures; register of renewable energy sources and cogeneration; and on preferential producers and regulatory alignment. On the basis of the administrative procedure presented and on the estimate of the duration of each phase, steps and obstacles are identified that significantly affect the length of administrative procedures (pp. 16 – 31).

For all identified barriers (i.e., bottlenecks) **recommendations are proposed** in a way that ensures the acceleration of procedures, to create a positive investment climate in the field of renewable energy sources. Recommendations address the key obstacles identified in terms of the necessary simplification of procedures and the necessary capacity building of participants in administrative procedures.

The complete list of all 43 barriers with proposed recommendations, and the entity responsible for the implementation and the timeline, can be found in the Annex I of the document (pp. 49 – 53). In addition, p. 45 of the document presents the 10 main measures, that need to be implemented to ensure that the preparation and implementation of renewable energy projects in Croatia will be accelerated. Annex II (pp. 54 – 55 in the assessment document) provides for more specific information regarding the recommendations that aim to strengthen the administrative and technical capacity at the level of line ministries.

Furthermore, as stipulated in the CID Annex, an emphasis was placed on **measures for promoting the renewable self-consumption and renewable energy communities**. Chapters 8 and 9 are dedicated to analysis, recommendations and measures for promoting the renewable self-consumption and renewable energy communities (pp. 31 – 39). Special attention is given to deployment of renewable energy communities and uptake of renewable self-consumption, which includes promotional activities and allocation of potential funds (through grants, tax reductions, financial instruments, etc.).

**Commission Preliminary Assessment: Satisfactorily fulfilled**

<b>Number:</b> 50	<b>Related Measure:</b> 50 - HR-C[C12]-I[R1-I3]: Hydrogen use and new technologies	
<b>Name of the milestone:</b> Adoption of the Hydrogen Development Strategy		
<b>Qualitative indicator:</b> Entry into force of the Hydrogen Strategy for Croatia		<b>Time:</b> Q1 2022
<b>Context:</b>		
<p>The objective of this measure is to improve the use of hydrogen and new technologies in Croatia, to decrease greenhouse gas (GHG) emissions in transport sector and industry.</p> <p>This milestone consists of the adoption of the Strategy that creates a strategic framework for production, storage, transportation, use and application of hydrogen by 2030 and beyond, up to 2050. This is the first national strategic document of the Republic of Croatia on hydrogen.</p> <p>This Milestone #50 is the second step in the implementation of the related measure. The next steps are the fulfilments of Target #51 C1.2. R1-I3, (<i>New hydrogen production capacity installed</i>), due in Q2 2025, Milestone #52 C1.2. R1-I3, (<i>Public tender for additional hydrogen capacity</i>), due in Q2 2026, Target # 53 C1.2. R1-I3, (<i>at least 6 hydrogen charging stations for cars, buses and heavy-duty vehicles have been built</i>), due in Q2 2026, and the final step Milestone #54 (<i>Pilot carbon capture and geological storage (CCS) investment with a capacity of 190 000 tonne CO2/year</i>), due in Q2 /2026.</p>		
<b>Evidence provided:</b>		
<p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <p>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note).</p>		

- b) **Copy of the adopted Strategy and a link to the website** where it can be accessed.
- c) **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).

**Analysis:**

As set out in the Council Implementing Decision, the Strategy was adopted by the Croatian Parliament on 25 March 2022 and published in the Official Gazette (No. 40/2022).

The Strategy envisages four strategic directions for the development of a hydrogen-based economy: hydrogen production (pp. 9 - 11), storage and transport of hydrogen (pp. 11 - 14), hydrogen use (pp. 14 - 19) and education, research and innovation (pp. 19 - 23).

The framework provided by the Strategy is the basis for updating the National Energy and Climate Plan, based on the Regulation (EU) No 2018/1999 on the Governance of the Energy Union and Climate Action, which will thus become an action plan for this Strategy (pp. 26 – 27).

The Strategy includes quantified targets on the production potential of renewable hydrogen based on electrolysis, by 2030 but also up to 2050 (pp. 23 - 26). In terms of production, the Strategy is focused on renewable hydrogen, and the scenarios and quantification of the targets are based on climate- neutrality assumptions. The Strategy addresses the potential role of renewable hydrogen in the decarbonisation of the transport sector (pp. 15 – 17). In relation to the use in road transport, the Strategy envisages the use of hydrogen primarily for heavy-duty vehicles (e.g., buses and trucks).

The Strategy provides a framework for hydrogen production and use with a focus on renewable and green hydrogen as a substitute for fossil fuels, as well as for increasing the stability of the renewable energy source-based electricity system for energy self-sufficiency, clean energy transition and sustainable mobility.

The Council Implementing Decision states the '*Entry into force of the Hydrogen Strategy for Croatia*' as the qualitative indicator. It has to be taken into account that, in Croatia, strategies are adopted and do not go into a legislative process that is finalised by entry into force. The strategy cannot enter into force as it is not a law, but the adoption has the same effect in terms of implementation, meaning that, by its adoption, the strategy becomes part of the strategic framework under which the public authorities must make their policy choices and decisions.

**Commission Preliminary Assessment: Satisfactorily fulfilled**

<b>Number:</b> 63	<b>Related Measure:</b> 63 - HR-C[C13]-I[R1-I1] Public sewage development programme		
<b>Name of the target:</b> Public sewerage network constructed or reconstructed			
<b>Quantitative indicator:</b> Number of km	<b>Baseline:</b> 0	<b>Target:</b> 115	<b>Time:</b> Q2 2022
<b>Context:</b>			
<p>The investment aims to achieve renovation and rehabilitation of 775 km of public sewerage networks; and the construction and putting into operation of 12 wastewater treatment plants, to ensure access to appropriate wastewater treatment for an additional 12% of the population. The investment also helps to improve the public sewerage infrastructure, including purchase of equipment, establishment of control management and geographical information systems and works supervision.</p> <p>This target consists of 115 km of constructed or reconstructed public sewerage network. It is the initial phase of the public sewerage development programme measure. Future targets, namely targets #66 C1.3. R1-I1 (Public sewerage network constructed or reconstructed) include at least 775</p>			



km of public sewerage (drainage) network being built or reconstructed by the end of Q4 2025 and #67 C1.3. R1-I1 (Population benefitting from improved access to an improved wastewater treatment system) which aims to reach 200 000 inhabitants benefitting from improved access to an improved wastewater treatment system, due in Q2 2026.

The next steps also include target #64 C1.3. R1-I1 (Works contracts concluded for wastewater infrastructure projects) which requires at least 60 signed work contracts for wastewater infrastructure projects by Q4 2023 and target #65 C1.3. R1-I1 (Wastewater treatment plants constructed and operational), which requires at least 12 wastewater treatment plants that have been upgraded or built and are in operation by Q4 2025.

**Evidence Provided:**

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

- a) **Summary document** duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note).
- b) **Package of supporting documentary evidence for the 39 project areas.** The documentation contains the following for each of the project areas:
  - a. The Grant Agreements with their supporting annexes,
  - b. Technical specifications,
  - c. Supervising engineer's report/final report.
- c) **As an Annex, a detailed overview table** on the achievement of the indicator by project.

**Analysis:**

As required by the Council Implementing Decision, the target requires at least 115 km of public sewerage (drainage) network built or reconstructed. In addition, the target description requires that the investment shall ensure compliance with the Urban Wastewater Treatment Directive (UWWTD) in subject areas, in line with the Multiannual Water and Wastewater Construction Programme.

**At least 115 km of public sewerage (drainage) network built or reconstructed.**

The authorities provided evidence that the target of 115 km has been met. Based on the evidence provided, the target was exceeded, as in total 125.99 km of public sewerage network were built or reconstructed in 39 project areas. Based on the evidence provided, the amount of built or reconstructed kilometres per project is verified by the certificate of a supervising engineer and, as such, marked in column L of the detailed overview table. In column K of the overview table, for each project, the reference to the supervising engineer certificate (Evidence b and c.) confirming completion or entry into service is further detailed by document name and concrete page where the kilometre amount is indicated and confirmed by the supervising engineer.

**Built or reconstructed investments shall ensure compliance with the Urban Wastewater Treatment Directive, in line with the Multiannual Water and Wastewater Construction Programme.**

The Multiannual Water and Wastewater Construction programme (reform C1.3 R1, milestone #59) provides a long-term investment framework for the development of water and wastewater systems in Croatia, including methodology for prioritisation of investments. For wastewater investments, the prioritisation is made based on Article 17 of the Urban Wastewater Treatment Directive, focusing on mature projects in larger agglomerations (above 2 000 population equivalent, as defined by the UWWTD Directive).

For constructed or reconstructed sewerage network, the Croatian authorities submitted documentation in order to demonstrate that each of the 39 project areas have been selected in line

with the Directive (evidence earmarked in column G of the annexed overview table) and the Multiannual Water and Wastewater Construction Programme (evidence earmarked in column D of the annexed overview table). In order for a project to be approved, each beneficiary had to fill out an application form, which is annexed to the Grant Agreement and legally binding. In the Grant Agreements (with the supporting annexes), beneficiaries committed to achieving the requirements prescribed in the UWWTD and the Council Implementing Decision. Also, the evidence provided links each project area to the respective wastewater treatment plant to which sewerage networks are or shall be connected to and notes the appropriate level of treatment of wastewater in line with the UWWTD (columns M and N, respectively, of the Annexed overview table). All investments are, therefore, aligned with the investment priorities of the water sector in Croatia and with CID requirements. Additional investments would take place under target #66 (amounting to at least 775 km of public sewage (drainage) network built or reconstructed by the end of Q4 2025) and target #67 (amounting to 200 000 inhabitants benefitting from improved access to an improved wastewater treatment system by the end of Q2 2026).

In line with the investment description in the CID Annex, the cover note, and evidence provided also show that this investment has been implemented through grants to municipalities, prioritising projects in line with the requirements of the UWWTD. Concretely, grant agreements (Articles 3 and 9) and application forms (heading 8.4. Planned financing sources) state that financing was provided jointly with the beneficiary and Croatian Waters. 80% of the total eligible costs have been financed by the Ministry of Economy and Sustainable Development's budget line for implementing RRP measures (07705-581), while 20% of the national project co-financing share is provided by Croatian Waters (10%) and the recipient (10%). Part of the funding was earmarked specifically for the development of rural areas, where the quality of water service provision is lagging behind the national average. Such project areas have been earmarked in column F of the detailed overview table and in respective Grant Agreements.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 68	<b>Related Measure:</b> 68 - HR-C[C13]-I[R1-I2] Public water supply development programme		
<b>Name of the target:</b> Public water supply network constructed or reconstructed			
<b>Quantitative indicator:</b> Number of km	<b>Baseline:</b> 0	<b>Target:</b> 226	<b>Time:</b> Q2 2022
<b>Context:</b>			
<p>The investment aims to achieve renovation and rehabilitation of 956 km of public water supply networks, especially in rural, mountainous, and demographically disadvantaged areas, and purchase and installation of metering devices on water abstractions, to ensure drinking water and improved public water supply systems for around 45 000 people. The investment helps reduce water losses in the public water supply systems.</p> <p>This target consists of 226 km of constructed or reconstructed public water supply network. It is the initial phase of the public water supply development programme measure and, as such, contributes to the achievement of future targets, namely targets #71 and #72 related to C1.3. R1-I2, which require at least 673 and 956 km of public water supply network constructed or reconstructed, due by Q4 2023 and Q4 2025 respectively.</p> <p>Next steps also include targets #69 C1.3. R1-I2 (Water metering devices installed at water abstraction sites) which plans at least 526 metering devices installed at water abstraction sites by the end of 2022, #70 C1.3. R1-I2 (Works contracts concluded for water supply projects), which aims to have at least 100 works contracts for water-based projects signed, due in Q4/ 2023, #73 C1.3. R1-I2 (Population with improved access to water supply), which aims to improve access to water supply for at least 45 000 inhabitants by Q2 2026 and #62 C1.3. R1, which aims to reduce water losses in public water supply systems by 7% at national level by Q2 2026.</p>			

**Evidence Provided:**

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

- a) **Summary document** duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note).
- b) **Package of supporting documentary evidence** for the 48 project areas. The documentation contains the following, for each of the projects:
  - a. The Grant Agreements with their supporting annexes.
  - b. Technical specifications and extracts from the Main Design.
  - c. Supervising engineer's report/final report.
- c) **As an Annex, a detailed overview table** on the achievement of the indicator by project.

The authorities also provided a package of supporting documentary evidence for a number of projects for which parts of the water supply network are completely finalised, which includes a report on performed water impermeability test (pressure test) of the water supply network.

**Analysis:**

As per the Council Implementing Decision (CID), the target requires at least 226 km of public water supply network built or reconstructed. In addition, the target description states that the investment consists in (i) building drinking water supply systems with an average energy consumption of  $\leq 0,5$  kWh or an Infrastructure Leakage Index (ILI) of  $\leq 1,5$ , and (ii) renovating existing drinking water supply systems to decrease the average energy consumption by more than 20% or decrease leakage by more than 20% (efficiency criteria).

**At least 226 km of public water supply network constructed or reconstructed.**

The authorities provided evidence that the target of 226 km has been met. Based on the evidence provided, the target was exceeded, as in total 255.53 km of public water supply network were built or reconstructed in the period from 1 February 2020 until 30 June 2022 in 48 project areas. Based on the evidence provided, the number of built or reconstructed kilometres per project is verified by a certificate of supervising engineer and, as such, marked in column T of the detailed overview table. In column S of the overview table, for each project, a reference to the provided copy of the supervising engineer's certificate (Evidence b) and c.) confirming completion or entry into service is further detailed by the document name and reference to the page where the kilometre amount is indicated and confirmed by the supervising engineer.

**The description of the target additionally makes reference to requirements of the investment as a whole. Investment HR-C[C13]-I[R1-I2] contains six targets, three of which directly concern this public water supply network construction or reconstruction. Whilst these requirements apply to the investment as a whole and will need to be assessed following the completion of the water supply network under target #72, their application at this stage of the implementation of the investment has been analysed. These requirements specify that the investment shall consist of building drinking water supply systems with an average energy consumption of  $\leq 0,5$  kWh or an Infrastructure Leakage Index (ILI) of  $\leq 1,5$ , and in renovating existing drinking water supply systems to decrease the average energy consumption by more than 20% or decrease leakage by more than 20%. While evidence on the number of kilometres of water supply systems built or renovated is fully available, it is only partially possible, at the time of the assessment of the target, to measure and provide complete evidence as concerns the efficiency gains produced by the investment.**

The authorities state that pressure test results, which establish that there is no water leakage, are essential to measure Infrastructure Leakage Index (ILI) and water leakage in general. However, the authorities confirmed that water pressure tests can only be conducted following completion of the construction/renovation of a network. Accordingly, compliance with the ILI coefficient and percentages of energy consumption and water losses reduction can be proven through measurements only when the water supply systems are completely finalised and in function. This means when the entire measure is completed and the full length of the new or reconstructed water supply network is in place. This is not yet the case for many of the pipelines accounted for in this first target of the Investment R1-I2, as their reference network system includes additional kilometres to be built/renovated as part of future targets #71 and #72 C1.3. R1-I2, due in Q4 2023 and Q4 2025 respectively.

In addition, as concerns the measurement of reduction in losses brought by renovation, the baseline for the calculation is not always available, given the pervasive lack of measuring equipment in Croatia. It should be recalled that to overcome this shortcoming in the Croatian water supply system, the authorities are installing 526 metering devices at water abstraction sites (a measure to be completed by the end of 2022 as set in target #69 C1.3. R1-I2).

While water pressure tests cannot be conducted in many cases yet and there is only partial historical data available, there is nevertheless sufficient reassurance that the energy efficiency criteria in the target have been fulfilled for the 226 km required by the target, given a combination of elements:

- a. The conformity achieved by those pipelines constructed as part of this target under the required technical standards for which pressure tests have been conducted as the network was already completed. As evidenced in column L of the annexed overview table, all those pipelines for which pressure tests have been conducted achieve an efficiency which is in line with the requirements of the CID. This applies to 29 projects, representing 155,51 km.
- b. The clear legal obligation in the project documentation to comply with the CID requirements and to conduct pressure tests when the conditions are in place. The cover note and submitted supporting evidence demonstrate that the CID requirements have been included in the project documentation and are legally binding. In particular, the efficiency criteria are legally binding for all project areas, as per contractual obligations within Grant agreements, signed with beneficiaries (Articles 1 and 12). Concretely, Article 12 of every grant agreement confirms that the application form is legally binding for beneficiaries, while every application form states the respective main design in heading '10.3. Project-technical documentation', and specific pages in the main design or technical specifications which confirm the obligation to conduct the water pressure tests are referenced in column I of the annexed table.
- c. The estimates made by the authorities about the quality of the pre-existing pipelines (performing very poorly) replaced/renovated with new pipelines built according to the project documentation, consistent with the CID requirement. Compliance with the improvement in the efficiency criteria has been verified on the basis of estimations provided by the authorities, comparing the situation before the investments with the targeted values to be reached according to authorities. The authorities explained that out of 48 project areas under this target, 13 areas have detailed data on water losses, while in others water losses have been estimated (based on the number of defects or breakages, with assessments of the volume of water lost in that period). For the latter subset, the authorities have stated that the selected projects are parts of drinking water supply systems which were identified as having the most critical water losses, as well as other criteria. Concretely, the estimates have been made by the authorities using the data provided for each of the 48 project areas in the annexed overview table. The data includes the values of the ILI coefficient or electricity consumption (column K), the percentages of total water losses or energy consumption values (columns L and N) and the current annual real losses (column M). The available data indicates that at least 226 km of

constructed or reconstructed water supply networks concern water supply systems that have either (very) high ILI or a (very) high percentages of total water losses. The table allows comparing the baseline values available or estimated for each project area with the target efficiency values (ILI coefficient or electricity consumption) for the water supply systems under construction (column Q of the annexed overview table) and target values for the improvement in efficiency (target reduction of water loss and energy consumption, column O of the annexed overview table). On this basis, the authorities provide satisfactory evidence that the efficiency target values for the pipelines built or renovated under the target are adequate to meet the improvement in efficiency criteria as prescribed in the CID Annex.

In line with the investment description in the CID Annex, the cover note and evidence provided also show that this investment has been implemented through grants to municipalities, several of which are in rural areas. Concretely, grant agreements (Articles 3 and 9) and application forms (heading 8.4. Planned financing sources) state that financing was provided jointly with the beneficiary and Croatian Waters. 80% of the total eligible costs have been financed by the Ministry of Economy and Sustainable Development's budget line for implementing RRP measures (07705-581), while 20% of the national project co-financing share is provided by Croatian Waters (10%) and the recipient (10%). Part of the funding was earmarked specifically for the development of rural, mountainous and demographically disadvantaged areas, where the quality of water service provision is lagging behind the national average. Such project areas have been earmarked in column F of the annexed overview table.

For the further implementation of this investment beyond this target, the authorities have indicated in the cover note that they will update and upgrade the information relative to the efficiency of the investment by the time of the second target (#71) related to this investment, making use of the newly installed metering stations whenever relevant, and by further collecting information in areas for which estimates had to be used for this assessment. They confirmed that all measurements will be conducted in line with standards at EU level and that supporting evidence will be provided until targets #62 and #72 are met, through a yearly report on conducted measurements of efficiency requirements set in the CID in relation to those targets.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 131	<b>Related Measure:</b> 131 - HR-C[C15]-R[R2] Improving the agricultural land restructuring and consolidation systems.	
<b>Name of the milestone:</b> New Act on Agricultural Land Consolidation		
<b>Qualitative indicator:</b> Entry into force of the new Act on Agricultural Land Consolidation		<b>Time:</b> Q1 2022
<b>Context:</b> The objective of the reform is to facilitate consolidation procedures and continuous monitoring of agricultural land, which shall create preconditions for applying modern farming methods, for building infrastructure (such as networks of field roads and melioration channels), and for dealing with legal relations on agricultural land. This milestone entails the entry into force of the new Act on Agricultural Land Consolidation, which will, as a part of the reform, contribute to a more efficient use of agricultural land, increasing productivity and sustainability of agricultural production with a focus on preserving the environment and improving life in rural areas. The next step under this reform is the fulfilment of target #133 which requires the upgrade of the operational information system for monitoring agricultural land and the establishment of 90 permanent stations to monitor the condition of agricultural land, due in Q2 2025, followed by the consolidation of 18 000 ha of agricultural land, as required by target #132, due in Q1 2026.		
<b>Evidence provided:</b>		

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

- a) **Summary document** justifying how the milestone was satisfactorily fulfilled (Cover note).
- b) **Copy of the publication in the Official Gazette** (No. 46/2022) and reference to the relevant provisions indicating the entry into force of the **Act on Agricultural Land Consolidation** including a copy of the text of the Act on Agricultural Land Consolidation.

**The authorities also provided:**

- c) A comparative table of the provisions from the new and from the old Act on Agricultural Land Consolidation.

**Analysis:**

As set out in the Council Implementing Decision, the Act on Agricultural Land Consolidation was published in the Official Gazette No.46/2022 and entered into force on 23 April 2022.

The Act:

**1. Introduces conditions for simplifying the consolidation process.**

Considering the provisions of the previous Land Consolidation Act the new Act introduces conditions for simplifying the consolidation process, *inter alia*, through Articles 1, 5, 17 - 22, 25, 26, 29, 30, 32, 33, 35, 37, 39, 41 - 46, 49, 50.

For example, Article 1 introduces the concept of simple consolidation when administrative and technical procedures are carried out on a smaller scale. According to Article 5, the Ministry responsible for agricultural land prepares the Agricultural Land Consolidation Programme (adopted by the Government), as an act of planning the implementation of land consolidation on the approximate land area, for the implementation period proposed according to the available funds. This is instead of the Annual (adopted by the Parliament) and Multi-annual Programmes (adopted by the Government) that the former Agency for Agricultural Land (AAL) was obliged to prepare based on the provisions of the previous Land Consolidation Act.

According to Article 6, point 8 and Article 11 para. 2, the consolidation holder (the authority in charge of initiating and carrying out the consolidation procedure), can be a local government unit represented by the municipal chief or mayor, the City of Zagreb represented by the mayor, or the Ministry represented by the minister, while the provisions of the previous Act specified that the decision on initiating the consolidation procedure had to be issued by the AAL.

Furthermore, according to the former Act, after publication of the final decision on the initiation of the consolidation procedure, the contract on mutual rights and obligations had to be concluded between the Agency and the local and the regional government unit, while the implementation of the consolidation procedure was under the jurisdiction of the County consolidation commission.

The procedures for complaints at different stages of land consolidation process have been simplified and deadlines for resolving complaints have been clearly set (Articles 19, 30, 39, 42, 43).

Unlike the previous Land Consolidation Act, the new Act does not provide for the filing of appeals but provides the possibility to initiate an administrative dispute before the competent administrative court. In most cases the Act prescribes that the dispute does not delay the execution of the decision in question.

Furthermore, the number of participating bodies involved in planning and the implementation of the land consolidation has been reduced, thus ensuring a more streamlined consolidation process. In particular, the Act prescribes the establishment of one Commission as an expert body (Article 6, para. 1, item 9), instead of four Commissions, as was the case under the former Land Consolidation Act procedure.

Additionally, Article 13 provides for the establishment of a Land Consolidation Information System, with a module for implementing the consolidation procedure and for the purposes of

more efficiently implementing consolidation procedures and managing the consolidated land, as indicated below. This contributes to the overall simplification of the process.

2. **Reduces the number of participating bodies involved in planning and implementing the land consolidation** from 17 to 11 bodies, as set out in Articles 5, 9, 11, 17, 19, 21, 25, 27. For example, the Land Evaluation Commission and Special Assets Commission are no longer participating bodies in the process.

3. **Shortens the time needed to carry out activities in the framework of the allocation.** Article 2 of the Act stipulates that all the procedures carried out for the purposes of consolidation are considered urgent, which emphasises the importance of the consolidation and the need to speed-up related processes conducted by the public administration bodies or courts. Additionally, the overall result of introducing provisions simplifying the consolidation process and reducing the number of participating bodies participating in the process is the reduction of the time needed to carry out activities in the framework of the allocation.

4. **Applies information technologies and connects to existing and new databases of various stakeholders, while creating a soil quality database.**

The Act establishes the importance of determining the quality of the land (Article 4).

Article 13 prescribes the establishment of a Land Consolidation Information System (LCIS) as an interoperable multi-platform system linking information systems of individual public bodies for consolidation purposes (Article 13, para 2).

The LCIS is established for the purposes of planning, implementing, supervising and permanent monitoring of the condition of the consolidated land (Article 13, para. 1). According to Article 13 para. 4, the LCIS is to contain a module for the implementation of the land consolidation procedure, for the purpose of simulating the formation of the consolidation blocks and land allocation. The data used in the module is to be formatted in a way to enable exchange with other existing land register and cadastre management information systems which are already in use in Croatia (Article 13 para. 5).

A consolidation register is to be set up within the LCIS (Article 13, para 3) which ensures the creation and connection of a database on soil quality in accordance with the state of the agricultural land before and after the consolidation process (Article 13, para 7). Based on the available data on physical, chemical and biological results of soil analysis and the spatial data contained in soil samples, it should be possible to determine the soil quality of each cadastral plot of agricultural land where the analysis was made.

**Commission Preliminary Assessment: Satisfactorily fulfilled**

<b>Number:</b> 138	<b>Related Measure:</b> 138 - HR-C[C15]-R[R4] Improving food donation systems	
<b>Name of the milestone:</b> The online platform for food waste prevention and upgraded food donation IT system		
<b>Qualitative indicator:</b> The online platform for food waste prevention and upgrade of the technical solution for the IT system for food donation are operational and available to public		<b>Time:</b> Q2 2022
<b>Context:</b> The objective of the reform is to promote the circular economy in the agri-food sector, reduce food waste and increase food security by improving the food donation system.  The milestone entails launching an online platform on food waste prevention and reduction, to disseminate best practice, raise awareness and educate about the issue of food waste and food		

donation. The milestone also entails upgrading the food donation IT system, which is already in operation with new functionalities, in particular by offering the possibility of regional governance of the system and statistical representation of data.

It is the first out of two milestones in the implementation of the measure, followed by milestone #139 which requires the implementation of the support scheme for the infrastructural equipping of food banks and intermediaries in the food donation chain, due in Q4 2023.

**Evidence provided:**

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

- a) **Summary document** justifying how the milestone (including all the constituent parts) was satisfactorily fulfilled (Cover note).
- b) **Copy of the certificates of work completion** signed by the contractor and by the Ministry of Agriculture, demonstrating that the Online platform for food waste prevention has been completed and is operational and that the food donation IT system has been upgraded with new functionalities.
- c) **Report** by the Ministry of Agriculture proving that the online platform for food waste prevention and the food donation IT system are aligned with the description of the milestone and the investment in the CID Annex.
- d) **Links** to the online platform and the system.  
(<https://edoniranjebrane.mps.hr/#/auth/login>, <https://hrana-nije-otpad.mps.hr/>)

**The authorities also provided:**

- e) Login details for the upgraded food donation IT system.
- f) Contracts 87/2022/JN for food donation IT system upgrade, and 201/2022/JN for setting up an online platform for food waste prevention, with project assignments.

**Analysis:**

**The online platform for food waste prevention and reduction was launched to disseminate best practices, raise awareness, and educate about the issue of food waste and food donation.**

The certificate of completion was signed on 1 June 2022 by the contractor and the Ministry of Agriculture. The modular platform was published under the domain of the Ministry of Agriculture and consists of a publicly accessible internet portal and an administrative part of the portal for entering and editing content, which is managed by the officials of the Ministry of Agriculture.

The platform main menu offers several tabs, including *Share your knowledge* tab and links to the following pages:

- *'Food Waste Prevention'* page, with subpages on *Activities and Implementation, Guidelines and Instructions, Examples of good practice, Innovations and science, Education (for children) and Tenders/Funds.*
- *'Food Donation'* page, providing access to *E-donation, Register of intermediaries, Legislation, Instructions and guides, and Examples of good practice.*
- *'For consumers'* page, with subpages on *Recipes for using food surplus* and *Useful information.*

Based on the content of the pages and subpages it is concluded that the online platform contributes to disseminating best practices, raising awareness and educating about the issue of food waste and food donation, in line with the description of the milestone.

Link: <https://hrana-nije-otpad.mps.hr/>

**The food donation IT system, which was already in operation, has been upgraded with new functionalities**, particularly through the adaptation of the IT system for regional management (instead of having one central manager for all the counties), and through statistical representation



of data for better monitoring. The IT system is available to registered users. The registration can be done by all subjects in the food business who are interested in donating food through the system, as well as intermediaries in the food donation chain who are registered with the Ministry of Agriculture.

The certificate of completion was signed on 27 June 2022 between the contractor and the Ministry of Agriculture. According to the contract 87/2022/JN, new functionalities were introduced, *inter alia*, in the Admin, Donator and Manager/County Manager roles.

More specifically, in the admin role, adding/creating new managers for every county in Croatia has been enabled. Furthermore, the Reports module, as a new functionality for the admin role, enables users to review data and prepare reports on donors and intermediaries for a selected time periods. For example, data on the amount of food donated, number of users in the system, number of donations made, etc.

An upgrade was also made for the donator role. If a donator creates a new donation, the county to which they geographically belong is selected as a destination of the food donation by default, but it is also possible for the donator to choose to send the donation to the manager of another county. The existing format for entering donation items has been adapted for the donator role, by requiring the donator to enter the mass or volume of donated food. This allows for an accurate collection of information, which can ultimately be converted into kilogrammes of food.

New donation management options were introduced for the role of county managers, for example, forwarding the donation to another county manager and dividing a donation into several parts. Furthermore, the county manager is now automatically offered a list of three intermediaries to whom they should offer the donation received. The list is created on the basis of an algorithm with a combination of three criteria: distance to the intermediary, number of final recipients of the intermediary and the date of the last donation to the intermediary, as well as two limiting factors: intermediaries' food transport and storage options and VAT criteria.

Considering that the already-operational food donation IT system did not contain these functionalities, it is concluded that the new functionalities constitute an upgrade to the original food donation IT system.

Link: <https://edoniranjehrane.mps.hr/#/auth/login>

### **Implementation of an information and education campaign on food waste prevention and food donation**

Several information and education campaigns on food waste prevention and food donation took place, as part of the measure and a monitoring indicator for this milestone, as follows:

1. A thematic week dedicated to the prevention of food waste was organised in 2021.
2. An exhibition entitled 'Food is not a waste, I can influence!' took place in September 2021, ([Izložba "Hrana nije otpad, i ja mogu utjecati!", 2021. Hrana nije otpad > Novosti \(mps.hr\)](#)). Furthermore, a cook book with recipes for optimal use of food leftovers ([Objavljena slikovnica Kako su Dora i Mario spasili hranu Hrana nije otpad > Novosti \(mps.hr\)](#)) was distributed to first graders in all primary schools in the Republic of Croatia. The Minister of Agriculture visited a primary school in Zagreb and handed out thematic picture books to first graders, after which an educational workshop 'Food is precious, not for garbage' was held.

The thematic week ended on 5<sup>th</sup> of October when an expert meeting entitled "Food is not waste, together to the goal" took place ([Ministarstvo poljoprivrede - Održan stručni skup „Hrana nije otpad, zajedno do cilja“ \(gov.hr\)](#)). The conference gathered all the relevant stakeholders (authorities, food business operators, academia, scientific community and civil society organisations) who shared experience and best practice and also discussed possible solutions for food waste prevention and food donation in Croatia.

3. During December 2021, a TV and radio campaign for food waste reduction (<https://www.youtube.com/watch?v=wOMQ8teDXFA>) was held to raise awareness about food waste prevention.

Considering that:

1. the online platform for food waste prevention and reduction was launched with the goal of spreading best practice, raising awareness and educating people about food waste and food donation,
2. the food donation IT system has been improved,
3. the authorities have implemented the information and education campaign on food waste prevention and food donation,
4. it can be concluded that the milestone contributes to promoting the circular economy in the agri-food sector, reducing food waste and improving the food donation system.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 160	<b>Related Measure:</b> 160 - HR-C[C21]-R[R2] Strengthening the capacity to prepare and implement EU projects	
<b>Name of the milestone:</b> Upgrading of the eFondovi IT system: Repository system for Audit and Controls: information for monitoring implementation of RRF		
<b>Qualitative indicator:</b> Audit report confirming repository system functionalities		<b>Time:</b> Q1 2022
<b>Context:</b> The reform aims to strengthen the capacity of the administration to prepare and implement EU projects. As part of the reform, the IT system used for European Structural and Investment Funds (ESIF) must be upgraded to be aligned with the Recovery and Resilience Facility Regulation and allow for robust monitoring of the plan.  The milestone is covered by the second instalment for non-repayable support. However, it is examined whether the information provided on this milestone demonstrates that it was satisfactorily fulfilled at the time of the first payment request. This is because the measure C2.1-R2 stipulates that the reform must have been completed before the submission of the first payment request. The milestone consists of the upgrade of the IT system used for European Structural and Investment Funds (ESIF) that allows for the collection of data and monitoring of the achievement of milestones as well as collection, storage and access to data as required by Article 22(2)(d)(i) to (iii) of the Recovery and Resilience Facility Regulation. This milestone is the only one relating to this measure.		
<b>Evidence provided:</b> In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided: <ol style="list-style-type: none"> <li>a) <b>Summary document/Cover note</b> duly justifying how the milestone (including all constitutive elements) was satisfactorily fulfilled.</li> <li>b) <b>Final audit report of the IT system</b> as carried out by the national Audit Authority (ARPA), confirming the functionalities of the repository system (full report).</li> <li>c) <b>Follow-up report from the national audit authority</b> confirming that the updates relating to the safety and security risks were put in operation.</li> </ol>		
Other evidence: <ol style="list-style-type: none"> <li>d) <b>Summary of audits</b> as submitted by the authorities with the second payment request.</li> </ol>		

**Analysis:**

As set out in the Council Implementing Decision, the Audit report confirming repository system functionalities has been completed. The repository system is an upgrade to the existing eFondovi IT system, already used for European Structural and Investment Funds (ESIF) monitoring, with the relevant functionalities to ensure collection, storage, monitoring and sharing of data on the implementation of the Recovery and Resilience Plan, including at the level of final recipients.

The requirements to ensure collection, storage, monitoring and sharing of data on the implementation of the Recovery and Resilience Plan, including at the level of final recipients, stemming from the Recovery and Resilience Facility Regulation, were included in the existing as well as newly developed modules of the eFondovi IT system. The upgrades to enable the functionalities listed above were done in the second half of 2021 and first months of 2022 and include both updates of existing modules of the system as well as additional, newly developed modules such as the module dedicated to storage and monitoring of data on milestones and targets. 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 authorities ensured that all required data are in the system and that the accesses related to the first payment claim are provided. The audit report confirmed, on p. 7, that the IT system:

- allows data to be collected and the achievement of milestones and targets to be monitored,
- allows for the collection and storage of the information required under Article 22(2)(d)(i) to (iii) of the Recovery and Resilience Facility Regulation, and that access to this data, by the Commission, is ensured. This entails that the relevant bodies were granted access and entered all the relevant information to monitor the progress related to the milestones and targets relevant for the first payment request.

The dedicated audit report of the IT system reported several findings related to potential security risks and deficiencies in the operation of the system. The Commission required the authorities to address these findings – which were qualified as urgent by the National Audit Authority - and to provide updates to the system by 8 April 2022. On 7 April 2022, the national audit authority confirmed that the updates relating to the safety and security risks had been carried out.

It can therefore be considered that the IT repository system is in place and operational. 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.

As set out in the Council implementing decision, the information provided on this milestone, clearly indicates that the reform had been completed and the milestone satisfactory fulfilled at the time of the submission of the first payment request on 15 March 2022.

Over the course of July and August 2022 the authorities implemented additional functionalities of the system that go beyond the requirements set out in the milestone. These include a direct link with the Registry of beneficial owners, granting access rights to further bodies involved in the management and implementation, the input into the system of the data on retroactive projects (all data relevant to the first and second payment requests has been included), and extra functionalities (further development of modules for reporting, selection, and preparation of calls). The Summary of audits submitted with the second payment request confirmed (on pp. 20 and 21) the implementation of these additional functionalities.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 174	<b>Related Measure:</b> 174 - HR-C[C22]-R[R4] Functional and sustainable local government	
<b>Name of the milestone:</b> Amendment of the legislative frameworks to encourage the voluntary functional or actual merger of the local government units (LGUs) and adoption of a Decision of the Croatian Government on the criteria for granting fiscal incentives for voluntary functional or actual mergers		
<b>Qualitative indicator:</b> Entry into force of the legislative framework		<b>Time:</b> Q1 2022
<p><b>Context:</b></p> <p>The reform under the component <i>Functional and sustainable local government</i>, aims to establish a high quality and efficient system of local and regional government through incentivising both the functional and actual integration of local government units. The reform is expected to contribute to the improved, efficient and transparent provision of public services, providing them with equal opportunities to meet their needs and interests, regardless of their place of residence.</p> <p>The milestone itself requires the entry into force of the amendments to the legislative framework to encourage the voluntary functional or actual merger of the local government units (LGUs) and adoption of a Decision of the Croatian Government on the criteria for granting fiscal incentives for voluntary functional or actual mergers.</p> <p>This milestone is the first step in the implementation of the measure, and it is complemented by milestone #175, C2.2.R4-I1, concerning the putting in place of a support mechanism for voluntary functional and real connections and the establishment of a complete support system for functional and effective coupling of units, due in Q2 2025.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Copy of the publication of the Act on Execution of 2022 State Budget</b> of the Republic of Croatia in the Official Gazette and link to the publication: Official Gazette (No. 62/2022, 2 June 2022), Article 68 (indicating the entry into force on 3 June 2022) and Article 30 (indicating that the state budget includes amounts to incentivise mergers and that the subsequent Decisions on the incentives would be adopted - see point 2 below)</li> <li>b) <b>State budget for 2022 and projections for 2023 and 2024:</b> Official Gazette (No 62/2022, 2 June 2022), Section III. Article 4 indicating the entry into force on the first day after publication in the Official Gazette, on 3 June 2022, on p. 40, indicating that HRK 100.000.000 have been allocated for incentives to stimulate voluntary functional and actual mergers</li> <li>c) <b>Copy of the publication of the government's decision</b> on the criteria for granting fiscal incentives for the voluntary functional or actual merger of local government units and link to the publication: Official Gazette (No. 88/2022, 29 July 2022), Article XIII indicating the entry into force on the first day after publication in the Official Gazette, on 30 July 2022 – providing the legal basis for incentives to stimulate actual and functional mergers of the local government units.</li> <li>d) <b>Report (summary document)</b> explaining amendments that were made to the legislative framework, including description of the financial support mechanism put in place to encourage both functional and effective mergers of the local government units.</li> <li>e) <b>Copy and link to the public invitation to the local government units</b> for expression of interest in the voluntary functional or actual merger published on the official website (Number 513-05-06-22-1 of 8 September 2022, link included in the Cover note, p. 1) :</li> </ul>		

- f) Calculation methodology for functional or actual mergers, pp. 1-2 showing how the amounts allocated in the state budget were determined and how they would be sufficient to incentivise the required share of mergers.
- g) Cover note, summarising how the milestone requirements were met.

**Analysis:**

As set out in the Council Implementing Decision, the legislative framework and the financial support mechanism were designed and put in force.

1. The Act on Execution of 2022 State Budget of the Republic of Croatia was adopted on 27 May 2022 by the Croatian Parliament, published in the Official Gazette on 2 June 2022 and entered into force on 3 June 2022. Article 30 of the Act provides for the establishment of a **financial support mechanism to incentivise both functional and actual mergers of the local government units** in line with the CID description. Concretely, Article 30 of the Act ensures that sufficient resources have been allocated in the State budget, under heading 025 falling under the Ministry of finance, to financially encourage 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 in accordance with the CID. On p. 40 of the State budget for 2022 and projections for 2023 and 2024 in the Official Gazette (No 62/2022, 2 June 2022), HRK 100 million (EUR 13.3 million) has been provided as incentives for the voluntary functional and actual mergers of local government units. The authorities also provided the calculations, which confirm that the allocated amount is sufficient to achieve the above percentage targets, in the form of an additional document (Calculation methodology for functional and real mergers).
2. Pursuant to Article 30 of the Act on the Execution of the State Budget of the Republic of Croatia for 2022 Official Gazette (No 62/2022, 2 June 2022), the government of the Republic of Croatia adopted a **Decision on the criteria for granting fiscal incentives for the voluntary functional or actual merger of local government** (Official Gazette, No. 88/2022, 29 July 2022), which lays down the provisions for allocating incentives to stimulate local government units' mergers, differentiating between different types of mergers with higher incentives available for actual mergers (Articles III to IX of the Decision).
3. Article VIII of the Decision on the criteria for granting fiscal incentives for the voluntary functional or actual mergers of local government (Official Gazette, No. 88/2022, 29 July 2022) indicates that the functionally merged units must **retain the same budget resources available to them prior to the merger, for a minimum period of two years**. Article IV, VII and IX of the Decision on the criteria for granting fiscal incentives for the voluntary functional or actual mergers of local self-government (Official Gazette, No. 88/2022, 29 July 2022) prescribe the formulas for allocating additional resources and blending costs, including maximum ceilings, in line with the CID provisions calling for the incentives to also cover **one-off blending costs and shall provide additional resources based on the savings achieved over the next five years**.
4. Article IX of the Decision on the criteria for granting fiscal incentives for the voluntary functional or actual merger of local government (Official Gazette, No. 88/2022, 29 July 2022) stipulates that the incentives for real local government units' mergers include **one-off capital transfers over five years**. As indicated in the cover note, these amounts can only be used for **infrastructure projects**, which is confirmed also by the fact that according to the budgetary classification in Croatia, capital transfers can only be used for infrastructure projects.
5. The Decision on the criteria for granting fiscal incentives for the voluntary functional or actual merger of local government (Official Gazette, No. 88/2022, 29 July 2022), indicates that **different levels of incentives would be allocated depending on the type of merger**. Greater fiscal incentives are envisaged for actual mergers (Article IX), while the incentives for functional

mergers depend on the number and type of functions merged. Specifically, the Decision distinguishes between mergers of administrative functions, and a second type of functional mergers, which relate to mergers of other functions, such as utility companies, waste management companies, kindergartens, local tourist boards etc. For those kind of mergers, different incentives are prescribed than for the mergers of the administrative functions.

6. The Cover note includes a link to the public invitation (Number 513-05-06-22-1 of 8 September 2022), a permanently open public call, to local government units for expression of interest in the voluntary functional or actual merger, as also required in Article XII of the Decision on the criteria for granting fiscal incentives for the voluntary functional or actual merger of local government units (Official Gazette, No. 88/2022, 29 July 2022). This call is the operational part of the reform, providing the possibility for the local government units to submit applications for receiving incentives, with a view to undergo either a functional or actual merger.

It is considered that the amendments made to the legislative framework and outlined above contribute significantly to the overall reform process of the systemic organisation of local government in Croatia. **The structure for incentives sets out different levels of incentives both for different types of mergers and for different sizes of local government units merging**, with levels of incentives for functional mergers set based on the types of functions to be merged as well as the population of the local units merging, providing higher incentives to local units with smaller population. **These incentives aim to improve the quality and efficiency of services provided to the public, while also ensuring long-term savings for the national and local budgets.**

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 202	<b>Related Measure:</b> 202 - HR-C[C23]-R[R4] Strengthening connectivity as a cornerstone of the digital transition of society and the economy	
<b>Name of the milestone:</b> Optimisation of the permit granting process for connectivity investments		
<b>Qualitative indicator:</b> Entry into force of a revised legal framework		<b>Time:</b> Q2 2022
<p><b>Context:</b> The measure aims to further develop the availability of electronic (fixed, wireless, and mobile) communications networks, including 5G networks, to the households and socio-economic drivers in Croatia, in line with the objectives of the European Gigabit Society.</p> <p>Through this milestone, three legal acts are adopted and have entered into force, providing adequate conditions for the development of high-capacity networks, and addressing the administrative burden and regulatory barriers hampering the construction, including streamlining the licensing/authorisation process, as well as introducing a simplified and transparent presentation of the electronic communication infrastructure in spatial plans.</p> <p>The entry into force of the legal acts should help the implementation of the two RRP connectivity targets by June 2026 (RRP targets 204 and 206): the access of 80% of the Croatian population to 5G, and the broadband access for 486 000 households living in white Next Generation Access (NGA) areas. This milestone is the only one under this reform.</p>		
<p><b>Evidence provided:</b> In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the target (including all the constitutive elements) was satisfactorily fulfilled (Cover note).</li> <li>b) <b>The Electronic Communications Act (referred to below as “Act”), transposing Directive (EU) 2018/1972</b> establishing the European Electronic Communications Code. It includes provisions aimed at encouraging investment and further development of connectivity and high-speed</li> </ul>		

electronic communications networks and creating preconditions for the introduction and development of 5G networks.

- c) **The amended Decree on determination of buildings, other interventions in space and areas of national and regional significance (referred to below as “Decree”)** determines the national importance of confirms the competence of national authorities of the entire electronic communications infrastructure and associated equipment, therefore empowering the jurisdiction of state-level bodies in the issuance of building permits and other acts, instead of local-level bodies. It is meant to reduce unnecessary barriers and prevent obstructions and delays in the construction.
- d) **The amended Ordinance on simple and other buildings and works (referred to below as “Ordinance”)** further regulates the construction of the electronic communications infrastructure and other related equipment. It prescribes the inclusion of these infrastructures in the spatial planning corridors of infrastructure buildings and the building plots of existing infrastructure buildings and optimizes the licensing process by reducing the number of procedures.

### **Analysis**

***Streamlined legal, administrative and frame conditions for the development of high-capacity networks are set out in the Act (see reference to relevant articles below):***

1. The *National Regulatory Authority (HAKOM) identifies and addresses obstacles affecting the development of broadband investments (Article 19 of the Act)*, provides assistance to public authorities and businesses in the planning/implementation/monitoring of projects, coordinates the public action, assists in/monitors/reports (on) the execution of the National Broadband Plan. It adopts with the consent of the relevant Ministry(ies) the Ordinances prescribing the conditions for spatial planning and construction (*Art. 55) p.35*).
2. HAKOM collects and makes available detailed information regarding the *geographical mapping of electronic communications networks* to the authorities, the operators and citizens, for transparency purposes and to promote investment („geographical review“, *Art. 58 of the Act*). The mapping covers a maximum period of 3 years; operators and public authorities are required to inform whether they intend to deploy very High-Speed Communication networks (VHCN) or significantly improve/expand their network to achieve at least 100 Mbps.
3. HAKOM maintains and publishes a *database on submitted statements of commercial interest in the construction of broadband networks*, ensures that the project is developed as per the initial commitment and in line with the state-aid provisions (*Art. 60 of the Act*). In case of public funding support, HAKOM consider the results of a geographical survey of the availability of broadband network; the expressions of market interest are provided when a sponsor announces its intention or conducts a public consultation procedure on granting state aid, in line with the EU broadband state-aid guidelines (2013/C 25/01).
4. The *non-discriminatory access to physical infrastructure inside the building should be ensured (Art. 55 of the Act)*. All newly built building has access point and physical infrastructure for high-speed network (*Art. 56-57 of the Act*). The building investor constructs the high-speed electronic communications network up to the building plot, as well as an access point and physical infrastructure within the building. The operators build the network to an access point at their own expense. The landlord or other right holders have access to the network on fair and non-discriminatory terms. The provisions also apply to older buildings in which connections are introduced upon request and in agreement with the tenants. The public owner should respect the non-discrimination principle when giving access to its property. An agreement on property issues with the operator should be reached in 60 days from the access request. The Right of Way fee (RoW) represents the only fee due by the operator; it is calculated in a

proportionate way of the costs borne by the property owner and the operator (*Art 61-66 of the Act*).

5. The technical, operational and other conditions for certain types of electronic communications networks and infrastructure are set-out in the Act (*Art. 55 of the Act*), while details prescriptions are elaborated by HAKOM. Specifically, *the deployment and operation of small-area wireless access points (SAWAP) is facilitated* (*Art. 88 of the Act*). It is not conditioned by any construction, urban or other prior permit, except in exceptional cases. The required physical and technical characteristics of SAWAP points are determined by the implementing regulations of the Commission on State-aid. HAKOM and other competent authorities ensure that operators have access to public physical infrastructure for installation and can connect wireless access points to the core network. The amount of the fee for setting up a SAWAP cannot exceed the administrative cost for processing the request for its installation; no fee is requested for buildings or premises owned or operated by public authorities.

#### ***Simplified & transparent presentation of the electronic communication infrastructure in spatial plans:***

Article 59 of the Act sets out the obligation to plan an electronic communication infrastructure and related facilities in spatial planning documents. These are the spatial plans of local and regional self-government units, which have not always favoured and supported the development of new technologies. Therefore, a set of measures haven been taken:

1. The Ministry in charge ensures that HAKOM provides a preliminary opinion on the final spatial plan proposal; it can suspend the application of the spatial plan or any other act from the local authority, which is contrary to it, and challenge the suspended act before the High Administrative Court<sup>4</sup> (*Art. 59 of the Act*);
2. A project can be developed in contradiction to the current (regional and local) spatial plan for works on the existing construction of electronic communications infrastructure, if it is meant to maintain or replace existing equipment (new equipment and/or new technology) (*Art. 1.4 of the Ordinance*);
3. Provisions of spatial plans that do not allow the construction of new and replacement of existing equipment according to the "Uniform plan on mobile communications operator" and which are not in accordance with the regulations in the field of electronic communications become irrelevant (*Ordinance, Art 1.5 of the Ordinance*);
4. Electronic communication infrastructure and associated equipment, control measuring stations with a control-measuring system of passive antennas intended for protection and control spectrum can be built in accordance with regulations in the field of electronic communication infrastructure, in the spatial planning corridors of infrastructure buildings and within the building plots of existing infrastructure buildings (*Art 1.5 of the Ordinance*).

#### ***Streamlined licensing/authorisation process***

1. The revised Decree (*Art. 2.1 and 4.1 of the Decree*) establishes the national competence over the entire electronic communication infrastructure and associated equipment, empowering state-level authorities (instead of local-level authorities) in the issuance of building permits and other acts, which should contribute to a more traceable and efficient procedure.

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<sup>4</sup> The Court confirmed recently the irregularity of decisions banning the 5G technology by local authorities, see cases 63/21 [https://narodne-novine.nn.hr/clanci/sluzbeni/2022\\_05\\_58\\_857.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2022_05_58_857.html) ; 58/21 [https://narodne-novine.nn.hr/clanci/sluzbeni/full/2022\\_05\\_58\\_856.html](https://narodne-novine.nn.hr/clanci/sluzbeni/full/2022_05_58_856.html)



2. The revised Ordinance reduces the number of existing procedures for the issuance of the relevant licences; it includes new provisions determining in which cases a building permit is (no longer) necessary (Art. 3.12-16 of the Ordinance)-

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 214	<b>Related Measure:</b> 214 - HR-C[C25]-R[R1] Increasing the efficiency of the justice system to increase citizens' trust	
<b>Name of the milestone:</b> Electronic tools provided and adequate administrative capacities for the State Judicial Council (Državno sudbeno vijeće, DSV) and the State Attorney's Council (Državnoodvjetničko vijeće, DOV).		
<b>Qualitative indicator:</b> Electronic tools and adequate administrative capacities provided for the State Judicial Council (Državno sudbeno vijeće, DSV) and the State Attorney's Council (Državnoodvjetničko vijeće, DOV)		<b>Time:</b> Q1 2022
<p><b>Context:</b></p> <p>The objective of the reform is to establish a legal, organisational and technological framework that will contribute to reducing backlogs and shortening court proceedings, focusing on transparent and efficient administration of the justice system.</p> <p>The milestone requires the implementation of measures to improve the quality of the work done by the State Judicial Council (Državno sudbeno vijeće, DSV) and the State Attorney's Council (Državnoodvjetničko vijeće, DOV), by requiring electronic tools and adequate administrative capacities for both Councils to be operational.</p> <p>This milestone is the first of a set of milestones (milestones #214, #215 and #216) and represents the initial step for completing reform C2.5.R1 'Increasing the efficiency of the justice system to increase citizens' trust'. The reform also includes other milestones (milestones #217 to #233), with indicative time of completion at Q2 2026.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>a) <b>Summary document</b> justifying how the milestone was satisfactorily fulfilled (Cover note).</li> <li>b) <b>Detailed list of the new equipment and the location</b> where it was installed or distributed: <ol style="list-style-type: none"> <li>1. Confirmation of 4 computers delivered to the State Attorney's Council (DOV).</li> <li>2. Confirmation of 4 computers delivered to the State Judicial Council (DSV).</li> <li>3. Detailed list of the new equipment and description of the IKS Application (the property card system of judicial officials' application ('Sustav imovinskih kartica pravosudnih dužnosnika')).</li> </ol> </li> <li>c) <b>Anonymised personnel records demonstrating the human resource increase:</b> <ol style="list-style-type: none"> <li>4. Decision of the President of the State Attorney's Council (DOV) on admission of a civil servant into the state administration.</li> <li>5. Decision of the President of the State Attorney's Council (DOV) on assignment of a civil servant to the workplace.</li> <li>6. Bilateral Agreement and Decision on temporary transfer of a civil servant to the State Attorney's Council (DOV).</li> <li>7. Public tender for one civil servant from 9 February 2022 State Attorney's Council (DOV).</li> <li>8. Public tender for one civil servant from 4 March 2022 State Attorney's Council (DOV).</li> <li>9. Decision of the President of the State Attorney's Council (DOV) on suspending the public tender for one civil servant from 2 March 2022 State Attorney's Council (DOV).</li> </ol> </li> </ol>		

10. Decision of the President of the State Attorney's Council (DOV) on suspending the public tender for one civil servant from 24 March 2022 State Attorney's Council (DOV).
- 11 Order of Ministry of Justice and Public Administration on temporary transfers of two civil servants to State Judicial Council (DSV) from May 2022.
- 12 Public tender for two civil servants from 6 May 2022 State Judicial Council (DSV).
13. Public tender for one civil servant from 13 April 2022 State Attorney's Council (DOV).
14. Decision of the President of the State Attorney's Council (DOV) on suspending the public tender for one civil servant from 2 May 2022.
15. Decision of the President of the State Judicial Council (DSV) on admission of one civil servant to the state administration from 21 June 2022.
16. Decision of the President of the State Judicial Council (DSV) on assignment of one civil servant to the workplace from 16 August 2022.
17. Decision of the President of the State Judicial Council (DSV) on suspending the public tender for one civil servant from May 2022.
18. Public tender for one civil servant from 18 July 2022- State Attorney's Council (DOV).
19. Decision of the President of the State Attorney's Council (DOV) on suspending the public tender for one civil servant from 30 August 2022.
20. Order of Ministry of Justice and Public Administration on temporary transfer of one civil servant to State Attorney's Council (DOV) from September 2022.
21. Order of Ministry of Justice and Public Administration on temporary transfers of two civil servants to State Judicial Council (DSV).
- d) **Proof of the linking of the DSV and the DOV to the common land registry and cadastre (ZIS) and tax administration information system** and establishment of an effective mechanism for verifying the asset declarations of state officials:
  22. Requirements of State Attorney's Council (DOV) for merging with relevant registers through the Government Service Bus (GSB).
  23. Requirements of State Judicial Council (DSV) for merging with relevant registers through the GSB.
  24. Consent from the Central State Office for the Development of the Digital Society (HR: Središnji državni ured za razvoj digitalnog društva – SDURDD) to the State Attorney's Council (DOV) for merging with 10 registers.
  25. Consent from the SDURDD to the State Judicial Council (DSV) for merging with 10 registers.
  26. Consent from the SDURDD to the State Attorney's Council (DOV) for merging with Tax Administration Information System (register of personal identification number (OIB) and register of incomes and receipts, EDIP) and FINA web services (WS) (Single Register of Bank Accounts - JRR).
  27. Consent from the SDURDD to the State Judicial Council (DSV) for merging with Tax administration information system (OIB, EDIP) and WS FINA web services (WS) (Single Register of Bank Accounts -JRR).
  28. Agreement on cooperation between the Ministry of Justice and Public Administration (MJPA), Central Clearing Deposit Company and the contractor Ultima d.o.o.
  29. Data Processing Agreement (DPA) between the Councils, MJPA and Central Clearing Deposit Company.
  30. Final Completion Report from the State Judicial Council (DSV).
  31. Final Completion Report from the State Attorney's Council (DOV).
- e) **Certificate of completion from the contractor**
  32. Certificate of completion of contract No. 59/21 from the contractor Ultima d.o.o.
  33. Report by Ultima d.o.o. on realized production connections made (update).
  34. Screen image of IKS application with listed registers and retrieval dates.

**Analysis:**

As required by the Council Implementing Decision, by 31 March 2022 electronic tools and adequate administrative capacities were in operation for the State Judicial Council (Državno sudbeno vijeće, DSV) and the State Attorney's Council (Državnoodvjetničko vijeće, DOV), to improve the quality of the work by both Councils. Their staffing levels were increased by 50% compared to the 2021 baseline (by recruiting 4 persons) and the DSV and the DOV have been linked to the common land registry and cadastre (ZIS) and tax administration information system to establish an effective mechanism for verifying asset declarations by state officials.

#### **Adequate administrative capacity**

Regarding adequate administrative capacities, **the two Councils were provided with four additional civil servants who deal with the verification of data from asset declarations.** The recruitment of 4 persons represents an increase by 50% compared to 2021 baseline, when the number of employees was 8 (5 in the State Judicial Council and 3 in the State Attorney's Council).

In May 2021 two permanently employed civil servants were transferred from the Ministry of Justice and Public Administration (MJPA) to the State Judicial Council (DSV) to handle the verification of data from asset declarations (evidence 11). The transfers are extended until permanent officials can be employed through a public tender. After the expiration of the first transfer of civil servants, the decisions on the transfers were extended for an additional year until 2 May 2022 (evidence point 21). In May 2022, the State Judicial Council (DSV) announced a public tender for employing 2 civil servants on a permanent base for dealing with the asset declarations (evidence point 12). One person was employed on a permanent basis (evidence 15 and 16). The second position continues to be filled by a permanently employed civil servant transferred from the MJPA to the State Judicial Council (DSV) until 2 May 2022 (evidence point 21).

In December 2021 the State Attorney's Council (DOV) employed one civil servant on a permanent basis by conducting a public tender (evidence 4 and 5). The second position is filled by a permanently employed civil servant transferred from the MJPA until March 2023. Following four unsuccessful public tenders (evidence points 7, 8, 13, 18), since no applications were received, or the applicant(s) did not meet the job requirements (evidence points 9, 10, 14, 19), in March 2022 one person was temporarily transferred from the MJPA to the State Attorney's Council (DOV) (evidence point 6). After expiring in September, the transfer of the civil servant from the MJPA was extended until March 2023 (evidence point 20).

#### **Electronic tools: Linking the DSV and the DOV to the common land registry and cadastre (ZIS) and tax administration information system and establishing an effective mechanism for the verification of asset declarations of state officials**

In January 2021, the asset declarations of judges and state attorneys were published online and became publicly available. Since then, the State Judicial Council (DSV) and the State Attorney's Council (DOV) have taken steps to enable access and secure connections of their ICT systems with the databases of the relevant authorities, to ensure effective and quick verification of asset declarations. Both Councils first started the process of concluding **bilateral agreements on sharing data with each institution** (e.g. the Tax Administration, Financial Agency FINA, Ministry of Transport, Ministry of Agriculture, Land Registry, Cadastre, etc.) to gain access to their databases.

In parallel, the Central State Office for the Development of the Digital Society (HR: Središnji državni ured za razvoj digitalnog društva - SDURDD) developed the Government Service Bus (GSB) as a central system for secure exchange of data between public bodies. According to the Law on Information Infrastructure (OG 92/14), all public bodies are obliged to connect their information systems (public registers) to central systems of interoperability through GSB. Thus, the Councils decided to start a procedure of merging **the property card system of judicial officials' application**

(*'Sustav imovinskih kartica pravosudnih dužnosnika'* also referred to as the 'IKS Application') with the web services of other relevant public bodies through the GSB.

For the technical upgrading of the IKS Application to merge with other applications and registers of the relevant bodies through the GSB, the Ministry of Justice and Public Administration (MJPA) as the owner of the IKS application, together with the State Judicial Council (DSV) and State Attorney's Council (DOV) as users of the application, engaged an IT company Ultima d.o.o. as a contractor to provide the requested services related to the upgrades and merger. They also signed an agreement for the provision of these services (Contract No. 59/21 on services for upgrading the application system for electronic management of asset cards of judicial officials IKS functional module for connection with applications and registers of MJPA and applications and registers of other institutions).

In February/March 2022 the SDURDD gave its final consent for connecting the live IKS Application with the following registers (evidence 8, 9, 10, 11):

1. Ministry of Interior - Vehicle Register
2. Ministry of Interior - Register of (habitual) Residence
3. Access to Land Register and Cadaster System
4. Ministry of Justice and Public Administration - Register of Births, Marriages and Deaths, Register of Partnerships, Register of Citizenship
5. Commercial Court Register
6. Ministry of Economy and Sustainable Development - Trade Register
7. Financial Agency - Register of (court and notary public) secured claims on movables and rights
8. Paying Agency for Agriculture, Fisheries and Rural Development - access to Register of Family Farms
9. Ministry of Transport and Infrastructure - Register of Vessels Owners
10. Croatian Civil Aviation Agency - Register of Aircraft Owners
11. Tax Administration Office - access to personal identification number (OIB)
12. Financial Agency - Single Register of Bank Accounts (JRR)
13. Tax Administration Office - access to Register of Incomes (EDIP)

After the final consent from the SDURDD was given, **the IKS Application was connected with all the above-mentioned registers** and is ready/functional for verifying the asset declarations of judicial officials. Consequently, as required by the Council Implementing Decision, the State Judicial Council and the State Attorney's Council were linked, among other registers listed above to the common land registry and cadastre (ZIS) and the tax administration information system, and an effective mechanism for verifying the asset declarations of state officials is now established. The tax administration information system includes the register of personal identification number (OIB) and a register of incomes and receipts (EDIP).

Since the Central Clearing Deposit Company, which is responsible for the Register of owners of securities (dividends, stocks) is not on the GSB (not being a public body), an Agreement on cooperation between the two Councils, the MJPA and Central Clearing Deposit Company was signed in February 2022 (evidence point 28).

After signing the Agreement, the relevant data were exchanged, and the work in production environment started, the property card system of the judicial officials' application (IKS Application) was connected with the Central Clearing Deposit Company registers and is ready/functional for verifying the asset declarations of judicial officials with respect to records of stock shares and dividends.

A screen image of the IKS application also shows all connected registers and retrieval dates (evidence point 34). The upgrades to the electronic tools, new equipment and the increase in staff described above have all improved the quality of work by both Councils, which are now able to

effectively analyse and verify information from the common land registry and cadastre (ZIS), tax administration information and other systems for verifying the asset declarations of state officials.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 215	<b>Related Measure:</b> 215 - HR-C[C25]-R[R1] Increasing the efficiency of the justice system to increase citizens' trust	
<b>Name of the milestone:</b> Amendments adopted to the Bankruptcy Act and the Consumer Insolvency Act		
<b>Qualitative indicator:</b> Entry into force of the Bankruptcy Act and the Consumer Bankruptcy Act		<b>Time:</b> Q2 2022
<p><b>Context:</b></p> <p>The objective of the reform is to establish a legal, organisational, and technological framework that will contribute to reducing backlogs and shortening court proceedings and focusing on the transparent and efficient administration of the justice system.</p> <p>The milestone entails the entry into force of amendments to the Bankruptcy Act and the Consumer Insolvency Act to (i) ensure greater efficiency of insolvency proceedings and (ii) improve the system of organisation and appointment of insolvency practitioners and the supervision of the performance of the service. The purpose of the milestone is to act 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.</p> <p>This milestone together with milestones #214 and #216 are part of the second payment request and represent the initial steps for completing reform C2.5.R1: Increasing the efficiency of the justice system to increase citizens' trust. The reform also includes other milestones (milestones #217 to #233), which have to be completed after 2022 and before Q2 2026.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note).</li> <li>b) <b>Copy of the adopted amendments to the Bankruptcy Act and amendments to the Consumer Insolvency Act</b> and link to the Official Gazette website (No. 36/2022) where these can be viewed: <ul style="list-style-type: none"> <li><a href="https://narodne-novine.nn.hr/clanci/sluzbeni/2022_03_36_431.html">https://narodne-novine.nn.hr/clanci/sluzbeni/2022_03_36_431.html</a></li> <li><a href="https://narodne-novine.nn.hr/clanci/sluzbeni/2022_03_36_432.html">https://narodne-novine.nn.hr/clanci/sluzbeni/2022_03_36_432.html</a></li> </ul> </li> </ul>		
<p><b>Analysis:</b></p> <p>As required by the Council Implementing Decision, the amendments to the Bankruptcy Act and the Consumer Insolvency Act were adopted by the Croatian Parliament on 11 March 2022 and both entered into force on 31 March 2022, in accordance with Article 117 of the Amendments to the Bankruptcy Act and Article 13 of the Amendments to the Consumer Bankruptcy Act. They contain the following provisions:</p> <p>The acts (both published in the Official Gazette, No. 36/2022) were amended to ensure greater efficiency of insolvency proceedings, improve the system of organisation and appointment of insolvency practitioners and supervision of the performance of the service, implement Directive (EU) 2019/1023 and act as a deterrent against a potential increase in the number of cases due to the conditions of the COVID-19 pandemic and amend Article 212 of the Bankruptcy Act relating to avoidance proceedings.</p> <p><b>1. Ensuring greater efficiency of insolvency proceedings</b></p>		

To increase the efficiency of insolvency proceedings, the amendments to the Consumer Insolvency Act introduce provisions (Article 58, paragraph 2 of the Consumer Insolvency Act - via Article 8 of the Amendments to the Act) and Article 69, paragraphs 1 and 2 of the Consumer Insolvency Act – via Article 9 of the Amendments to the Act).

These provisions ensure that the shortened period (3 years instead of 5 years) of consumer behaviour testing after which insolvent consumers can be fully discharged from their debts is applicable also to consumer insolvency proceedings which were initiated before the amendments enter into force - but only if the decision of the court was still not reached by the time of the amendments entered into force (this exception is regulated by Article 12 of the Amendments to the Act).

With that change, the applicability of the Act is broadened, since it was originally planned to apply only to the consumer insolvency proceedings which were initiated after the amendments entered into force. This amendment therefore allows more consumers to benefit from this debt discharge.

Article 69, paragraph 2, item 3 of the Consumer Insolvency Act stipulates that the consumer will be denied the right to be released from remaining obligations if in the last 6 years (instead of 10 years, as previously) preceding the filing of a proposal to that affect (that is, in the last 3 years (instead of 5 years, as previously) preceding the submission of a proposal to open a simple consumer bankruptcy procedure), they were released from remaining obligations or were denied the exemption.

In accordance with Article 7.a of the Bankruptcy Act (Article 4 of the Amendments to the Act) early warning tools have been introduced to signal promptly to entrepreneurs experiencing financial difficulties, what action is needed to avoid bankruptcy and to be able to start restructuring troubled businesses in a timely manner.

With the amended Article 24 of the Bankruptcy Act (Article 11 of Amendments to the Act), during the pre-bankruptcy procedure, the trustee is now obliged to provide assistance to the debtor in drawing up or negotiating a restructuring plan, which reduces the time and improves the efficiency of the pre-bankruptcy procedure.

Article 373 of the Bankruptcy Act (Article 93 of the Amendments to the Act) stipulates that the proposal for release from the remaining obligations may be submitted by the debtor together with the proposal for the opening of bankruptcy proceedings, which enables them to continue their business.

## **2. Improving the system of organisation and appointment of insolvency practitioners and supervision of the performance of the service**

Amendments to the Bankruptcy Act have strengthened the framework for the work of insolvency practitioners by regulating, among other areas, the following changes:

- a) Article 82 of the Bankruptcy Act (Article 54 of the Amendments to the Act) redefined the conditions for appointing insolvency practitioners. According to this article, only legal or economic professionals with at least three years of experience in the legal and/or the economics profession will be able to take the professional exam.
- b) The conditions for removal from the list of insolvency practitioners have been amended, by stipulating that insolvency practitioners will be removed from the list when they reach the age of 70. Exceptionally, insolvency practitioners who reach the age of 70 will be exempt from assigning new cases and will be removed from the list on completion of all proceedings in which they have been appointed before the age of 70 (Article 53 of the Amendments to the Bankruptcy Act, amending Article 81 of the Bankruptcy Act).

- c) The categorisation of the insolvency practitioners' system and system for assigning cases to bankruptcy trustees have been redefined. Insolvency practitioners will be entered on the list of highly qualified insolvency practitioners and the list of qualified insolvency practitioners. Article 51 of the Amendments to the Act, (Article 79.a of the Bankruptcy Act) added the criteria for appointing insolvency practitioners to the list of highly qualified insolvency practitioners; according to these criteria, practitioners must have been on the list of insolvency practitioners for at least seven years, must have been appointed as insolvency practitioners in at least two bankruptcy proceedings related to medium or large businesses or must have successfully completed at least two bankruptcy proceedings by confirming the bankruptcy plan.
- d) With Article 56 of the Amendments to the Bankruptcy Act, Articles 83.a, 83.b and 83.c ensuring greater efficiency of the supervisions of the performance of the service of insolvency practitioners were added.

In this way, the role of insolvency practitioners will be further professionalised, better implementation of bankruptcy proceedings will be enabled, and the case allocation system will be improved.

### 3. Deterring against a potential increase in the number of cases due to the conditions of the COVID-19 pandemic

To prevent a potential increase in the number of cases generally and due to the COVID-19 pandemic the Bankruptcy Act stipulates a system of early warning tools to signal promptly to entrepreneurs experiencing financial difficulties, what action is needed to avoid bankruptcy, so they can start restructuring troubled businesses in a timely manner (Article 4 of the Amendments to the Bankruptcy Act, that is Article 7.a of the Bankruptcy Act).

### 4. Amendment of Article 212 of the Bankruptcy Act relating to avoidance proceedings:

According to the previous Article 212 of the Bankruptcy Act, plaintiffs/ bankruptcy creditors had the right of priority settlement from the benefits returned to the bankruptcy estate in proportion to the amount of their established claim.

In accordance with the amendments to Article 212, a bankruptcy creditor who has successfully rebutted a legal action by which they have been damaged is entitled to priority settlement only for the costs necessary for the litigation (Article 69 of the Amendments to the Bankruptcy Act)

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 216	<b>Related Measure:</b> 216 - HR-C[C25]-R[R1] Increasing the efficiency of the justice system to increase citizens' trust	
<b>Name of the milestone:</b> Adopted amendments to the Code of Criminal Procedure		
<b>Qualitative indicator:</b> Entry into force of amendments to the Code of Criminal Procedure		<b>Time:</b> Q2 2022
<b>Context:</b> The objective of the reform is to establish a legal, organisational and technological framework that will help to reduce backlogs and shorten court proceedings, focusing on transparent and efficient administration of the justice system. The milestone entails the entry into force of amendments to the Code of Criminal Procedure Act 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 online testimonies for victims of crime, the possibility to communicate with lawyers via a secure video link		

the preparation of hearings for accused people in pre-trial detention, and the introduction of e-communication.

This milestone together with milestones #214 and #215 are part of the second payment request and represent initial steps for completing reform C2.5.R1: Increasing the efficiency of the justice system to increase citizens' trust. The reform also includes other milestones (milestones #217 to #233), which have to be completed after 2022 and before Q2 2026.

**Evidence provided:**

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

- a) **Summary document** justifying how the milestone was satisfactorily fulfilled (Cover note).
- b) **Copy of the adopted amendments to the Code of Criminal Procedure** and link to the Official Gazette website (No. 80/2022) where it can be viewed:  
[https://narodne-novine.nn.hr/clanci/sluzbeni/2022\\_07\\_80\\_1169.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2022_07_80_1169.html)

**Analysis:**

As required by the Council Implementing Decision, the relevant amendments to the Code of Criminal Procedure were adopted by the Croatian Parliament on 1 July 2022 and entered into force on 19 July 2022, in accordance with Article 49 of the Amendments to the Criminal Procedure Code. The amendments to the Code of Criminal Procedure contain the following provisions:

**1. Allowing the use of ICT in criminal proceedings**

Article 8 of the Act, adding Article 78.a, provides for the possibility of filing submissions through the established information system. Moreover, state authorities, public prosecutor's offices, lawyers, court experts, court interpreters and legal persons are obliged to communicate with the court in electronic form.

**2. Further extension of remote hearings**

The Act further expands the use of virtual participation in criminal proceedings by providing the possibility of allowing parties to the session of the indictment panel and the preliminary hearing to connect remotely via an audio-video link subject to a decision by the president of the panel, depending on the specific circumstances of each case (Article 28 and Article 29 of the Act).

**3. Extension of the possibility of giving on-line testimonies for victims of crime**

Article 4 of the Act expands the catalogue of victims' rights provided for in Article 43 (1) of the Criminal Procedure Code in such a way that the victims of any criminal offense are given the right to propose that they be examined via audio-video link. This will be decided by the court in each specific case, considering also the interests of the criminal proceedings, the reasons why the victim proposes to be examined remotely, etc. This is a right for the victim regardless of the findings arising from the individual assessment of their situation and does not jeopardise the right of victims of certain crimes to request remote online interrogation.

**4. Possibility to communicate with lawyers via a secure video link and the preparation of hearings for accused persons in pre-trial detention**

Article 15 of the Act lays down the possibility to ensure free, undisturbed, and confidential communication between an accused person in pre-trial detention and his defence counsel by means of an audio-video link. This will depend primarily on the consent of the defendant.

**5. The introduction of e-communication**



Article 8 of the Act, adding Article 78.a, prescribes the possibility of submitting briefs and documents that exist in electronic form through the information system to the body conducting the proceedings. For certain participants in the proceedings, it is mandatory to submit documents that exist in electronic form to the court through the information system.

The article also stipulates that the ministry in charge of justice must establish an information system with high security standards in accordance with the provisions the Criminal Procedure Code and other regulations governing the protection of personal data. The Act stipulates that e-communication will be regulated in detail by an ordinance which was adopted on 22 August 2022 ([https://narodne-novine.nn.hr/clanci/sluzbeni/2022\\_08\\_97\\_1441.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2022_08_97_1441.html)) and entered into force on 30 August 2022.

The Ordinance on Electronic Communication in Criminal Procedure set out the prerequisites for submitting submissions and delivery in electronic form, the forms of records of electronic submissions and the organisation and operation of the information system. With this Ordinance, e-communication in criminal procedures became fully applicable.

Article 11 of the Act stipulates that where a submission is filed by means of an information system (Article 78.a), the official time of receipt by the authority conducting the proceeding will be the time the information system sent the applicant confirmation of receipt.

It is considered that anyone sending a submission who acted within the time limit has not missed the deadline if the system did not send the receipt confirmation or the sender did not receive a court statement of receipt for their submission, due to a malfunction of the information system, which the sender did not know about.

Articles 17, 18, 19 and 20 of the Act enable court decisions and documents to be served on parties via the information system. This is mandatory for participants who are obliged to communicate through the system. However, if they consent to it, other parties in the procedure who are not obliged to use e-communication will receive court decisions and documents through the information system. They must give this consent in writing or orally on the record and can withdraw it at any time during the proceedings.

Article 19 of the Act (adding a new Article 172a) prescribes how decisions/documents are to be the manner of performing served via the information system. Decisions or correspondence are served by being delivered to the recipient's secure electronic mailbox. The information system shall simultaneously send the same addressee a separate e-mail informing them that the documents have been served, containing a warning on the presumption that the decisions/documents will be considered to have been served eight days after they were received in the recipient's secure electronic mailbox.

Paragraph 4 of Article 172a lays down the possibility to scan decisions and documents that have originals in physical form and to serve them to the participants through the information system, if the scanned decision or document has been attested by the qualified electronic seal of the court. It is also stipulated that servicing through the information system is considered to be direct service, i.e., it is presumed that the decision or document was served to the addressee in person.

The amendments to the Code of Criminal Procedure strengthen the legislative framework by introducing e-communication, expanding remote hearings and strengthening the rights of all participants. As such, the amendments to the Code of Criminal Procedure help reduce of the duration of criminal proceedings and improve the overall quality of delivering justice in criminal proceedings.

**Commission Preliminary Assessment: Satisfactorily fulfilled**

<b>Number:</b> 266	<b>Related Measure:</b> 266 - HR-C[C31]-R[R1] Structural reform of the education system	
<b>Name of the milestone:</b> Comprehensive analysis of secondary education needs		
<b>Qualitative indicator:</b> Publication on the website of the Ministry of Science and Education of the results of the comprehensive analysis conducted on secondary education needs		<b>Time:</b> Q1 2022
<p><b>Context:</b> Structural reform of the education system under the education component aims to support access to education, as well as its quality, at all levels of education. This reform is subdivided into four areas corresponding to different levels of education. The first area deals with early childhood education and care, and the second one concerns primary schools. The third one, assessed herein, is the reform whose aim is to increase the relevance of secondary education. And the fourth one covers adult education. To increase the relevance of secondary education, the reform foresees an increase in students' enrolment in general secondary education ('gimnazija' programmes), while reducing the share of surplus vocational education and training (VET) enrolments and improving the labour market relevance of vocational programmes.</p> <p>Milestone #266 requires the publication of the Comprehensive analysis of secondary education needs, which comprises the relevant elements that will support the achievement of the above-mentioned measures, namely: 1) to increase the share of students enrolled in general secondary education programmes; 2) to reduce the share of students enrolled in surplus vocational programmes; and 3) to align vocational programmes with labour market needs. These measures will, among other things, contribute towards reaching Target #272 (Enrolment in general secondary education programmes) due by Q2 2026, which relates exclusively to the first measure (to increase the share of students enrolled in general secondary education programmes). However, there are no specific milestones and targets that would provide a basis for the follow up of the other two measures (i.e., to reduce the share of students enrolled in surplus vocational programmes and to align vocational programmes with labour market needs).</p> <p>Furthermore, in line with the description of the measure in the Council Implementing Decision following the Comprehensive analysis of secondary education needs related to secondary schools by Q4 2023 the following actions will be implemented: a) introduction of a new curricula based on qualification and occupational standards of the Croatian Qualifications Framework; b) development of new teaching material; and ensure c) professional training of vocational education teachers. This set of actions will be considered under the assessment of milestone #268 (Adoption of the amendments for a full-day teaching model).</p>		
<p><b>Evidence provided:</b> In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Copy of the Comprehensive analysis of secondary education needs</b> (Studija SO V1.1, September 2022).</li> <li>b) <b>Document duly justifying how the milestone</b> (including all the constitutive elements) <b>was satisfactorily fulfilled</b>, with links to the underlying evidence and with a link to the study published on the Website of the Ministry of Science and Education (Cover note).</li> </ul> <p>'The authorities also provided:'</p> <ul style="list-style-type: none"> <li>c) Annexes to the Comprehensive analysis of secondary education needs (background data used in the Comprehensive analysis of secondary education needs) (<i>Prilozi Tablice</i> Excel file, 19 September 2022)</li> </ul>		

**Analysis:**

As set out in the Council Implementing Decision, the Comprehensive analysis of secondary education needs addresses the necessary requirements that are part of the structural reform of the education system.

The Comprehensive analysis of secondary education needs, along with its Annexes, was published on the website of Ministry of Science and Education on 19 September 2022.

The following elements were addressed by the Comprehensive analysis of secondary education needs and its Annexes:

First, regarding increasing the relevance of secondary education and the increase in the share of students enrolled in general secondary education programmes, the Comprehensive analysis of secondary education needs directly contributes to achieving this objective of the reform (deciding on the appropriate policy interventions), as it provides the following in-depth analysis and main findings:

1. The demographic trends (chapter 1) - identifies and interprets the trends and helps to predict the total size of enrolment in all relevant programmes. The trends show that at national level, by 2024 the enrolment cohort will increase by 4-8%, and by 2029 it will be 4-10% lower than in 2021.
2. The enrolment in certain types of secondary education and regional differences in their availability (chapter 2) - helping to decide how to distribute capacities per each type of general education programme – indicating that in the school years from 2013/2014 until 2021/2022 there was a decrease in the number of enrolled students in the general education programmes (which is also largely the case also for VET programs), and that the number of students enrolled in individual gymnasium programmes decreased between 2013 and 2021 for all four of the most represented types of gymnasiums (general, science-math, language and classical), where the decline was most pronounced in general gymnasiums (21%);
3. The utilisation of secondary education capacities and regional differences in capacities (chapter 3) - to show to what extent capacities are full and to understand where there is potential to increase the existing capacities. It indicated that, despite the downward demographic trend described above, the share of enrolment capacities filled is highest in general secondary education (92-96%), a persistent pattern in most counties.
4. The different instruments and rules that regulate the capacities in secondary schools (Chapter 7) - shows the available instruments, how they are applied in practice, and how this could be used to increase the share of student enrolment in general secondary education programmes. The analysis includes changes in enrolment quotas and scholarship programmes among the main instruments.
5. The interest for all different types of secondary education programmes and VET sectors within VET secondary education (Chapter 6) - helps explain the preferences of students (as sometimes their preferences do not necessarily match the enrolment or the capacities available) and to use it for enrolment capacities transformation. The findings show that, historically, each time capacities in general secondary education programmes were expanded, there was a corresponding demand to utilise them to a large extent.
6. The aspirations and patterns of transition from VET to higher education, including the frequency and suitability of higher education enrolment in comparison to attended VET sectors (Chapter 4) - to use it for enrolment capacities transformation (VET to general secondary education). The findings show that a higher rate of participation in gymnasium programmes should have a positive effect on enrolment in higher education, and that there is an additional pool of students in VET to benefit from increased capacities, as they aspire to enrol in higher education;

Based on all of the above, the Comprehensive analysis of secondary education sets the following recommendations (Chapter 9) for increasing the capacity of general secondary education programmes to 40% of the total public offer of regular secondary education: (1) not to reduce the number of classes in publicly funded gymnasium programmes; (2) to increase the number of enrolment places in existing gymnasium classes to 26 (as is currently the case in the City of Zagreb); (3) to reactivate the gymnasium capacities of schools that have successfully experimentally implemented vocational gymnasium programs for several years; and (4) to introduce 28 gymnasium classes in 13 counties during the current decade. The Comprehensive analysis also recommends producing a more in-depth analysis of the existing priorities and enrolments in the central student enrolment system (NISPUŠ database). This would allow for a better understanding of the boundaries and patterns of general secondary school preferences, including at sectoral level. Furthermore, it sets out other available tools to increase general secondary education enrolment, namely: 1) changing the relevant quotas adopted by the Ministry of Science and Education for every school year; 2) transforming of surplus VET programmes into general secondary education programmes in dialogue with founders; and 3) allocating funds as an incentive to the founders to increase the share in general secondary education (their share in large cities is more than 40% while it is under 20% in less developed regions).

Second, the Comprehensive analysis of secondary education needs has analysed the following parameters which support the measures to reduce the share of students enrolled in surplus vocational programmes, to be set out by Q4 2023:

1. Comparison of the share of the 14 most relevant sectors on the labour market with the structure of vocational education and analysis of recommendations by the Croatian Employment Service in a decennial perspective (Chapter 5). This gives information on trends in alignment of VET programmes with labour market needs on sector and county level, based on which a decision on optimisation of capacities could be made. The comparison shows that there are surplus enrolments in several sectors, which are identified in the analysis, and that there is variation between counties for most sectors.
2. The enrolment between 2013 and 2022 in: a) VET programmes, b) newly developed VET programmes and c) schools designated as VET centres of competences (Chapter 2). This analysis contributes to optimising capacities at local level respecting current trends per type of programmes/sectors. The findings show that the introduction of new vocational curricula resulted in a higher number of enrolled students, and that interest among students to enrol in schools designated as VET centres of competences is expected to increase.
3. The development of capacities, enrolment patterns in different sectors, tracking where surplus programmes are located and regional differences in capacities (Chapter 3) help explain the historical trends in terms of relation between capacities and enrolment patterns, which is important for deciding on capacity changes. The findings corroborate the evidence on surplus programmes as elaborated under point 1.
4. The aspirations and patterns of transition from VET to higher education, including the frequency and suitability of higher education enrolment in comparison to attended VET sectors (Chapter 4) – help decide where to intervene in surplus vocational programme quotas. The findings demonstrate that a large share of VET students from most sectors where recommendations indicate 'surplus supply' proceed directly to higher education institutions.
5. The interest for all different types of secondary education programmes and VET sectors within VET secondary education (Chapter 6) can explain the ratio between interests and enrolment places per each VET sector, which is necessary information for further planning of quotas in VET system. The findings show that no improvement in interest for sectors with surplus capacity have been identified over the past decade.
6. The different instruments and rules that regulate the capacities in secondary schools (Chapter 7) - show the available instruments, how they are applied in practice, and how this could be

used to adjust the number of enrolment places in accordance with the interests of students with the aim of optimising the VET system. The findings as described above under point 4 of the analysis show an increase in the share of students enrolled in general secondary education programmes.

Based on all of the above, the Comprehensive analysis of secondary education recommends the modalities that could help reduce the share of students enrolled in surplus vocational programmes beyond the existing trends that already work in this direction (Chapter 9), which are already reflected above in the recommendations for increasing the capacity of general secondary education programmes, as the two objectives are aligned.

Third, regarding the alignment of vocational programmes with labour market needs, to be achieved by Q4 2023, the Comprehensive analysis of secondary education needs has included the following research findings:

1. The demographic trends (Chapter 1) - to optimise the enrolment structure capacities at regional level – indicating that the negative demographic trends which have been reflected in the decrease of enrolment cohorts in the secondary education system (the size of the generation in 2021/2022 was more than 16 % lower than 2013) was not equally distributed at the level of different counties.
2. The enrolment between 2013 and 2022 in a) VET programmes, b) newly developed VET programmes and c) schools designated as VET centres of competences (Chapter 2) – helps to contribute to the optimisation of capacities at local level, respecting current trends per type of programme/sector, and to help with decisions on further introduction of new curricula at the local level. The findings are as already mentioned above under point 2 of the analysis of support for the measures to reduce the share of students enrolled in surplus vocational programmes;
3. The comparison of the share of the sector on the labour market with the structure of vocational education and analysis of recommendations by the Croatian Employment Service in a decennial perspective (Chapter 5) shows trends in alignment of VET programmes with labour market needs ta sector and county level, based on which decisions on optimisation of capacities and modernising the curricula for deficit programmes could be made. The comparison identifies sectors with positive employment trends and areas of insufficient capacity in the regular VET system;

Based on all of the above, the Comprehensive analysis of secondary education recommends the modalities that could ensure the capacity of deficient programmes mentioned under point 3 is not negatively affected, and that could help prevent the expansion of surplus programmes (Chapter 9). This can be done by improving the quality of relevant VET programmes and thereby increasing their attractiveness. Improvements are recommended by developing new VET programmes (based on the Croatian Qualification Framework (CROQF) standards and procedures), by applying a modular approach, by increasing the quality of teaching (professional training of vocational education teachers and development of new teaching material), as well as by improving learning conditions (fully functioning, innovative and well-equipped centres of competences).

Based on the analysis and research supporting each of the requirements, as presented above, the Comprehensive analysis of secondary education also includes in Chapter 8 a simulation of future changes based on the projection of demographic changes, analysing the additional capacities needed to achieve the target increase in the percentage of pupils attending general secondary education programme and projected enrolments per sector and per county until 2029. This will facilitate informed decision-making for the necessary sector-level intervention.

As explained above, the Comprehensive analysis of secondary education contains the necessary elements to support measures to increase the share of students enrolled in general secondary

education programmes, to reduce the share of students enrolled in surplus vocational programmes and to align vocational programmes with labour market needs, as specified in the CID.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 286	<b>Related Measure:</b> 286 - HR-C[C41]-R[R1] Development and implementation of new targeted active labour market policies for the purposes of green and digital transition of the labour market	
<b>Name of the milestone:</b> Supplementing active labour market policies		
<b>Qualitative indicator:</b> Three new active labour market policy measures adopted.		<b>Time:</b> Q1 2022
<p><b>Context:</b></p> <p>The objective of this measure is to adopt new active labour market policies (ALMP) to boost employment and self-employment linked to the green and digital transitions and increase the competitiveness and employability of the labour force in line with labour market needs and with a particular focus on the activation of the long-term unemployed and less employable people from vulnerable groups. The distribution of grant funding to support employment shall amount to 70% of the total allocation to jobs related to the green transition and 30% to jobs related to the digital transition.</p> <p>This milestone consists of the adoption of three new ALMPs related to the twin transitions and is the only milestone related to measure C.4.1.R1 - Supplementing active labour market policies. Specifically, it includes: i) grant support for employment, where special attention is given to disadvantaged groups and people with disabilities; ii) grant support for traineeships, with a focus on unemployed people with no prior work experience in the Croatian Employment Service (CES); and iii) grant support for self-employment for the unemployed.</p> <p>This is the only milestone related to measure C.4.1.R1. The next and final step includes Target #287 - Number of beneficiaries of the new active labour market policy measures, with time of completion at Q4 2025.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li><b>Summary document</b> duly justifying how the milestone was fulfilled (Cover note).</li> <li><b>Copy of the Green-jobs guidelines</b> approved (CES webpage, April 2022).</li> <li><b>Copy of the Croatian Employment Services' decision</b> adopting the Terms and Conditions for the implementation of the new active labour market policies (ref. 344-70/1-21-2/7, 28 December 2022).</li> <li><b>Copy of the Croatian Employment Services' decision</b> amending the Terms and Conditions for the implementation of the new active labour market policies (ref. 344-70/1-22-A, 7 March 2022).</li> <li><b>Copy of the Conditions and methods of using funds for the implementation measures in 2022</b>, containing the conditions, criteria and descriptions of the three new active labour market policies (CES webpage, 30 March 2022).</li> </ol>		
<p><b>Analysis:</b></p> <p>The Conditions for the new active labour market policies (ALMPs) were adopted by a decision of the Croatian Employment Services (CES), entering into force on 28 December 2021. After consultations with the Commission, the definition of green and digital jobs included in the conditions was amended on 7 March 2022 through a new decision of the CES.</p>		

As set out in the Council Implementing Decision (CID), the **CES adopted three new ALMPs to support job creation in the green and digital transitions:**

1. The first ALMP provides for **grant support for employment in jobs related to the green and digital transitions** (pp. 25-27 of the Conditions and methods for the implementation of ALMPs). These jobs were defined in close cooperation with the Commission to ensure that appropriate standards are met. The standard used to define green jobs is in line with best practices, in particular the International Labour Organization's standards to help improve energy and raw materials efficiency, limit greenhouse emissions, minimise waste and pollution, protect and restore ecosystems and support adaptation to climate change. Moreover, as established in the guidelines, all entities must contribute through their activity to one or more environmental objectives as set out in Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment without harming other environmental objectives. The definition of green jobs required special attention as this measure contributes with a 100% climate tag to the green transition (p. 11). As mandated by the CID, special attention is given to prioritise reactivation and self-employment of disadvantaged groups. This is done by defining specific disadvantaged target groups for this measure, as established in p. 18 of the Conditions. In particular, eligible groups include: (i) people who have not been employed on a regular basis during the last 6 months; (ii) people aged between 15 and 24; (iii) people over 50; (iv) people who have not a completed high-school education; (v) Roma people; and (vi) people who do not have working experience and are employed in jobs for which they have not been trained. People with disabilities registered as unemployed in CES are also to be considered a target group.
2. The second ALMP focuses on **grant support for traineeships related to the green and digital transitions**, following the definitions of green and digital jobs set out in the Conditions for green and digital jobs (pp. 11-12). The target group of this measure are people registered as unemployed in the CES with no prior work experience thereby catering to young people not in employment, education or training (NEET). The intensity of support varies depending on the educational level of the beneficiary.
3. The third ALMP deals with **grants in digital and green jobs for unemployed people who decide to start a business (become self-employed)**. As per the CID, CES defined a variable amount, on top of a fixed one, which is assigned to those self-employees who successfully presented their business plans (pp. 40-41), taking into consideration a set of criteria relevant for the consistency of applicants' business plans with the green and digital transitions. Each application is assessed by applying scores to a set of criteria as defined in pp. 42-44 of the Conditions, such as: (i) professional experience in the activity in which the person wants to be self-employed; (ii) the education level or further training in the activity to which they intend to dedicate themselves; (iii) whether it is their first entrepreneurial experience; (iv) the occupancy and comprehensibility of the business plan; (v) the development index of the local government unit in which the business entity is established; (vi) additional advantages and disadvantages of the plan in terms of sustainability and competitiveness; (vi) innovativeness of the project; or vii) whether it is an investment in missing activities.
4. All these measures have been put in place through the adoption by CES of the 'Conditions and modalities for the use of funds for the implementation of measures in 2022'.

To increase the coverage of ALMPs, the CID mandates that **the duration of these measures should be extended for up to 2 years (24 months) for severely disadvantaged groups**. In this sense, employment grants duration is extended for up to 2 years for people with disabilities as registered in CES and unemployed self-employees.

Moreover, the inclusion of vulnerable groups –inactive, long-term unemployed and young not in education, employment or training (NEET)– is a priority in all active labour market policies, including

these three new measures, as defined in the specific target groups mentioned above. At the same time, lifelong career guidance centres (CISOK) are to provide support in attracting NEETs through better informing about new ALMPs.

According to the Council Implementing Decision, the new measures for the long-term unemployed and less employable people from vulnerable groups are combined with the use of skills vouchers. According to the Conditions (p. 66), CES advisors, through the necessary profiling of the unemployed, determine whether the person benefiting from ALMPs also needs additional training to ensure a better match in the labour market.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 291	<b>Related Measure:</b> 291 - HR-C[C41]-R[R3] Setting up a voucher system for adult education, training and upskilling	
<b>Name of the milestone:</b> Developing skills according to market needs		
<b>Qualitative indicator:</b> Voucher system in use		<b>Time:</b> Q1 2022
<p><b>Context:</b> The objective of this reform is to increase employability of workers and better match supply and demand on the labour market by supporting lifelong learning and the acquisition of new skills, particularly green and digital skills.</p> <p>This milestone provides for the set-up of a new voucher system for adult education, training, upskilling and reskilling as defined in C.4.1.R3 - Developing skills according to market needs. This is the only milestone in this reform. Complementary target #292 –Use of education vouchers– is the following step, which is due in Q2 2026.</p>		
<p><b>Evidence provided:</b> In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li><b>Summary document</b> duly justifying how the milestone was fulfilled (Cover note), with appropriate links to the underlying evidence.</li> <li><b>Copy of the decision of the Croatian Employment Service</b> instituting the voucher system (Annex I; ref. 344-70/1-22-62, 30 March 2022).</li> <li><b>A factsheet containing all information about the design and operational aspects of the measure</b>, as contained in Annex X (Conditions and ways of using funds for the implementation of education for the acquisition of competencies required for work through vouchers; CES webpage, April 2022) and XII (Ordinance on the criteria for selecting competencies required for work, for selecting service providers and for awarding vouchers to participants in formal or non-formal adult education; ref. 524-04-02/1-22-1, 18 March 2022).</li> <li><b>The list of the eligible educational programmes and certified educational institutions under the CROQF</b>, Annexes VII (list of the eligible educational programmes), VIII (list of certified educational institutions) and XI (list of educational programmes developed in line with the Methodology for developing adult education programmes).</li> <li><b>The skills catalogue</b>, Annexes IX (Methodology of mapping the skills needed for digital and green transformation / transition of the economy; procured by the Ministry of Labour, Pension System, Families and Social Policies, 7 March 2022), V (list of all green and digital skills) and VI (list of green and digital skills for which educational programmes have been developed).</li> <li><b>Brief description and link to the platform</b>, as established in the cover note.</li> </ol>		



- g) **A copy of the certificate of completion issued in accordance with the national legislation**, Annex II and III (certificates of completion of the voucher platform, listing all deliverables completed, contract 344/03-3/21 JN 94).
- h) **Extract of the relevant parts of the technical specifications**, as in Annex IV (description of the technical specifications of the voucher platform).

The authorities also provided:

- i) Adult Education Act, published on 27 December 2021 in the Official Gazette (NN 144/2021)

**Analysis:**

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.

According to the CID, the voucher **system should be operational and used to finance participation exclusively in educational programmes developed on the basis of the Croatian Qualifications Framework (CROQF)**. This is done by the adoption of the new Adult Education Act (article 12, paragraphs 5 and 6), which obliges adult educational institutions to harmonize any formal educational programme with the CROQF. This is further defined in Article 2(2) of the 'Ordinance on the criteria for selecting competencies required for work, for selecting service providers and for awarding vouchers to participants in formal or non-formal adult education'.

Moreover, the CID mandates that **at least 25 educational programmes should be involved in the provision of education through vouchers**. There is evidence that there are currently over 39 different educational programmes developed for the acquisition of green and digital skills, as can be seen in the voucher system webpage and the lists provided by the authorities (Annex XI). These programmes are at the moment offered by more than 51 accredited institutions certified under CROQF along the territory.

With respect to the voucher system, it **contains a skills catalogue that maps existing and needed skills in the labour market, as well as an IT application for managing and awarding vouchers based on the comprehensive assessment of the potential beneficiaries' skills**. The skills catalogue was developed following a mapping analysis as set out in the 'Skills mapping methodology' (Annex IX). The initial mapping of green and digital knowledge and skills was done according to a methodology based on a five-step process, separately for green and digital skills. Afterwards, the skills catalogue was integrated in the IT platform, so that users and educational institutions can select the green and digital skills available for funding. The IT application has been developed and is operational, as shown by the working webpage and certificates of completion.

Finally, the CID states that **the voucher system shall benefit employed and unemployed people, with a particular focus on vulnerable groups (long-term unemployed, inactive or young NEETs)**. The 'Ordinance on the criteria for selecting competencies required for work, for selecting service providers and for awarding vouchers to participants in formal or non-formal adult education' establishes, in its Article 10, the conditions of the beneficiaries of the voucher system, where it is required that the eligible person: (i) is out of the regular education system; (ii) out of the system of higher education and science; and (iii) is not a beneficiary of a pension under the general legislation. Special attention is paid to the inclusion of vulnerable groups through counselling sessions with CES advisors, while the number of beneficiaries from vulnerable groups involved in the voucher system can be monitored at any time through the voucher platform.

**Commission Preliminary Assessment: Satisfactorily fulfilled**

<b>Number:</b> 303	<b>Related Measure:</b> 303 - HR-C[C43]-R[R1] Transparency and adequacy of social benefits in the social protection system	
<b>Name of the milestone:</b> Adoption of the new Social Welfare Act		
<b>Qualitative indicator:</b> Entry into force of the new Social Welfare Act		<b>Time:</b> Q1 2022
<p><b>Context:</b></p> <p>The objective of this reform is to increase the adequacy of the main social benefits targeted at the most vulnerable groups in society, contribute to reducing inequalities, and the administrative burden and to increase the transparency of the system. The reform will also allow for faster and more efficient provision of benefits by merging existing social benefits into a single benefit. Some aspects of this reform are envisaged to be phased in gradually over a longer period, while others can be implemented more promptly. For this reason, the reform will require changes to the same legislative act at two points in time.</p> <p>Milestone #303 consists of the adoption of the new Social Welfare Act that would, among others, introduce changes related to the guaranteed minimum benefit, combining heating and housing allowance and introducing a new social mentoring service.</p> <p>The adoption of <b>C4.3 R1-M#303 new Social Welfare Act</b> represents a <b>middle step</b> in measure <b>C4.3 R1 - Transparency and adequacy of social benefits in the social protection system</b>. The following steps are milestone <b>R1-M#305</b>: Adoption of a normative rule on functionally integrated social benefits as a final step of the reform, accompanied by targets <b>C4.3 R1-T#306</b>: At-risk-of-poverty rate after social transfers and <b>C4.3 R1-T#304</b>: Beneficiaries of the guaranteed minimum benefit.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (cover note).</li> <li>b) <b>Copy of the Social Welfare Act</b> and a link to the Official Gazette (No. 18/22).</li> <li>c) <b>Copy of the Minister Decision on the Guaranteed Minimum Benefit</b> and a link to the Official Gazette (No. 23/22).</li> </ul>		
<p><b>Analysis:</b></p> <p>The Social Welfare Act was adopted by the Croatian Parliament 28 January 2022, published in Official Gazette, No. 18/22 and entered into force on 17 February 2022. The accompanying Decision of the Government of the Republic of Croatia on the basis for calculating the amount of the guaranteed minimum benefit (Official Gazette No. 23/22) entered into force on 26 February 2022. Both documents adequately address all the elements from the description of the milestone in the Annex to the Council Implementing Decision and the relevant parts of the measure description.</p> <p>The new Social Welfare Act introduces a number of changes, which are set out below:</p> <ol style="list-style-type: none"> <li>1. <b>Heating allowance and existing housing costs have been combined into one integrated allowance.</b> Articles 41 and 42 provide for the integration of the housing and heating allowances (Art 41(2)), and for the right to a housing allowance to be granted to a beneficiary of the guaranteed minimum benefit. The articles also define exceptions. The local government unit or the City of Zagreb will decide on the recognition of the combined allowance as set in Article 126(3). Article 289, paragraphs 2, 3 and 4 of the Social Welfare Act stipulates that local government units are obliged to allocate funds in their budgets to exercise the right to housing allowance as prescribed by the Act and envisages compensation from the state budget.</li> <li>2. <b>The existing provision on the Guaranteed Minimum Benefit has been changed by raising the basic amount to HRK 1 000 and establishing an increase of at least 25% for households with children by relaxing the most difficult eligibility criteria, including through an increase of the income threshold to HRK 1 000</b> (Decision of the Government of the Republic of Croatia on the basis for calculating the amount of the guaranteed minimum benefit; and Articles 27, 22(1),</li> </ol>		

29(1), (2) and 23 to 40 of the Social Welfare Act which relate to Guaranteed Minimum Benefit). By the decision of the Government on the basis for calculating the amount of the guaranteed minimum benefit (Narodne Novine 23/22) the basis for calculating this amount is now HRK 1 000. Article 22 recognises the same amount as the basis (income threshold) for calculating allowance, and Article 27 sets the percentages to be applied for various recipients. As opposed to the previous provisioned cap of 100%, the new Social Welfare Act stipulates that the guaranteed minimum benefit for households cannot exceed 150% of the gross amount of the minimum wage in the Republic of Croatia.

3. **Introduction of a new social mentoring service.** Articles 71, 85 and 86 define social mentoring as a social service, while also setting out key elements of the service. To expedite beneficiaries' integration on the labour market Article 35(4) of the Act prescribes the obligation of notification to the competent employment service on the approved social mentoring service and the obligation to involve representatives of the employment service in the social mentoring process. Furthermore, the manner of cooperation between services is further regulated by paragraph 6 of the same Article. Lastly, Articles 126(2), 134, 178(2), 194 and 232 provide operational provisions necessary for quality implementation of the social service.
4. **Structural changes introduced to long-term care ensuring facilitating deinstitutionalisation and transition to home and community-based services.** Article 15(27) defines beneficiary of long-term care, while Article 74 provides that when developing social services, priority is placed on the development of missing services. The aim is to ensure that users primarily receive services in their homes and in the local community that allows them (as long as possible) to stay in their own home. The accommodation service is provided exceptionally, or only if it is not possible to provide care in the user's own home. Further contribution to deinstitutionalisation is provided by elaborating and defining non-institutional services in Article 71(1) to (14), with further explanation in Articles 79 to 109. Finally, Article 110 prescribes who cannot be entitled to accommodation services, and Article 111 prescribes who provides accommodation services to a child, especially in relation to a child under the age of seven. Articles 112 to 116 further develop the recognition of the right to accommodation services in cases prescribed by Article 74 (2). These provisions provide structural change that facilitate deinstitutionalisation by prioritising development of home and community services in areas where the services are missing and by providing new definitions of non-institutional services that enable transition to home and community -based services.
5. **Provision 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 obligation on data exchange between the Social Welfare Institute, the Family Centre and other providers of social services and units of local and regional government is laid down in Article 117, while the obligation on annual data exchange, records and documentation keeping is set out in Article 118. Further obligations on assuring data input and other operational aspects are provided by Articles 168, 178, and 250.
6. As set out in the measure description, this milestone increases the adequacy of the main social benefits targeted at the most vulnerable groups of society by increasing the amount of the guaranteed minimum benefit to HRK 1 000 established in the Ministerial Decision on the Guaranteed Minimum Benefit (Official Gazette No. 23/22). Furthermore, by merging the housing and heating allowances the milestone allows for a faster and more efficient provision of services. The eligibility and adequacy in the application of the benefits is improved by adding and simplifying the criteria in Articles 41-50, and 55.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

**Number:** 309

**Related Measure:** 309 - HR-C[C43]-R[R2] Development of social mentoring service

<b>Name of the target:</b> Training of social mentoring professionals			
<b>Quantitative indicator:</b> Number of trained professionals	<b>Baseline:</b> 0	<b>Target:</b> 220	<b>Time:</b> Q2 2022
<p><b>Context:</b></p> <p>The objective of this reform is to ensure sufficient human capacity to provide social services, through better cooperation and data sharing, to beneficiaries of guaranteed minimum benefits and disadvantaged groups of beneficiaries. The reform introduces a new social mentoring service targeted at individuals at risk or already in a marginalised position in society. It makes the new social mentoring service available to all potential beneficiaries, in particular beneficiaries of Guaranteed Minimum Benefit, persons with disabilities, victims of violence, the homeless, migrants, Roma, young people departing from the social welfare system, persons serving prison sentences and members of other socially vulnerable groups.</p> <p>Target #309 requires the training of 220 existing social welfare professionals to gain necessary skills for providing a service of social mentorship.</p> <p><i>The training of social mentoring professionals (C4.3-R2-T309) represents an initial step in C4.3 R2 and is the necessary precondition for investment C4.3 R2-I1 - Introduction of social mentoring services. The following steps in the measure are target Employment of social mentoring professionals (C4.3-R2-T310) and as a final step, target Social mentoring services provided to beneficiaries (C4.3-R2-I1-T311).</i></p>			
<p><b>Evidence Provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (cover note).</li> <li>b) <b>An annex</b> with the following documentary evidence: <ul style="list-style-type: none"> <li>1) Annex 1 <b>Curriculum social mentoring</b></li> <li>2) Annex 2a <b>Programme of education of social mentors</b></li> <li>3) Annex 2b <b>Annex to the contract JN-M-2021-21</b></li> <li>4) Annex 3 <b>Report of the implementer of the education of social mentors</b></li> <li>5) Annex 4 <b>Table with data of trained social mentors</b></li> <li>6) Annex 5 <b>List of providers of social mentor education</b></li> <li>7) Annex 6 <b>Example of a certificate of completed education for social mentors</b></li> <li>8) Annex 7 <b>Guide for experts of the Croatian Institute for Social Work - Social mentoring</b></li> <li>9) An Annex 8 <b>Final evaluation report</b></li> <li>10) An Annex 9 <b>Programme of the Expert meeting Sheraton_07072022</b></li> <li>11) An Annex 10 <b>Rulebook on Standards and Licensing Procedure</b></li> </ul> </li> <li>c) The following documentary evidence based on a <b>sample selected</b> by the Commission: <ul style="list-style-type: none"> <li>1) regarding a copy of the official document on the <b>initiation of education on social mentoring:</b> <ul style="list-style-type: none"> <li>i. Agreement on public procurement of education of social mentors</li> <li>ii. The Ministry's invitation to the social welfare centres for regarding the implementation of education and expression of interest of employees</li> <li>iii. The Ministry's invitation to the Croatian Employment Service regarding the implementation of training and expression of interest of employees</li> </ul> </li> <li>2) regarding a copy of the official document by which the candidate (<b>identity determined by an identification card</b>) is accepted for education: <ul style="list-style-type: none"> <li>i. Agreements concluded between the participants and the social welfare centres, which regulate the mutual rights and obligations of the centre and</li> </ul> </li> </ul> </li> </ul>			

the professional worker resulting from professional training for social mentors

- ii. Decision on sending representatives of the Croatian Employment Service to train for the provision of social mentoring services

3) **regarding the official certificate proving that the candidate has completed education:**

- i. certificates of participants from the selected sample
- ii. record lists with marked participants from a random sample - confirmation of attendance at the training of social mentors.
- iii. in addition, authorities provided the signed lists of training attendance.

**Analysis:**

1. The training of social mentoring professionals was conducted between 9 May and 29 June 2022, through **15 modules** in 9 towns: Varaždin, Karlovac, Zagreb, Slavonski Brod, Split, Osijek, Zadar, Rijeka and Pula (Annex 2a and Annex 3). The aim of the training was to strengthen the competencies of professionals in the social welfare system to support the implementation of a social mentoring service as successfully as possible when working with individuals at risk or already in a marginalised position in society.
2. The training was attended by 256 experts, social workers from the social welfare centres and employees of the Croatian Employment Service who work with vulnerable groups of users. It was fully completed by 253 employees, 21 of whom were from regional services/offices of the Croatian Employment Service (Annex 3, Annex 4). The training was conducted by 15 experts from the social welfare system, civil society organisations and the academic community with completed training in social mentoring and practical experience of applying this model of professional work with beneficiaries. Upon successful completion of the training of social mentoring professionals, the participants were given certificates.
3. During the training, the social welfare professionals went through all the **contents of the curriculum on social mentoring that are aligned with the learning outcomes** (Annex 1). The CID requirement *to cooperate with other community-based social service providers and the need to actively engage the beneficiaries of social welfare systems in overcoming their own social exclusion* was covered in the first part of the training by implementing the curriculum featuring the educational content that covers this requirement. That curriculum includes content on "Social integration of users of social mentoring", "Mapping in the local community" and topics "Coordination of services - Integrated approach" and "Roles and cooperation of centres for social welfare, Institute for employment, civil society organisations and other service providers". The requirement on *following the principles of the social work profession and complement already existing activities of social welfare centres* was fulfilled by providing training on applying all phases of social mentoring (initial phase, building relationships, determining direction, monitoring progress, etc.). This guides the beneficiaries of the service and encourages them by building a cooperative relationship to actively include and overcome their own social exclusion (Annex 2, Annex 7 pp. 14-45). The training also covered skills and guidance on implementing of the social mentoring service. These included how regular documentation and monitoring of success is planned, preparation of the social mentoring professional's quarterly report on the work (Annex 7, p. 54), the social mentoring professional's final report (Annex 7, p. 56) and evaluation of the mentoring process and relationship by the mentored person (Annex 7, pp. 50-51).

Following the training, the participants will be able to create, monitor and evaluate the user's individual plan through the building of a collaborative relationship, guided by the principle of an individualised approach to the user/mentored person. The aim is to encourage the active engagement of the user in overcoming social exclusion and plan and implement the needed cooperation with the local community/service providers in the local community.

Following the selection of a random sample of 60 trained social mentoring professionals, Croatia submitted a package of documents consisting of initiation of the education, agreements on education and certificates on completed education. The analysis of the documentation shows that the evidence presented corresponded to the sample of trained social mentoring professionals selected by the Commission. Specifically:

- 1) The agreements for education have been established for 60 trained social mentoring professionals on the basis of the Ministry's call for education.
- 2) In the case of 53 observations, the employees of social welfare centres had individual mutual agreements for training, while for 7 observations, Croatian Employment Service employees had a collective agreement.
- 3) 59 sampled social mentoring professionals fully completed the training (18 hours) as stated on their certificate, while one sampled case did not complete the training, also indicated on the certificate. This case was one of the three that Croatia had already declared as not having completed the training and, as such, matched the expectations of the sample.

The evidence provided for the sample of 60 social mentoring professionals confirmed that training was implemented and resulted in the certification of social mentoring professionals. Furthermore, as both reported by Croatia and resulting from sampling a limited number of cases have not completed the entire educational programme. However, the analysis showed that the target has been over-achieved, so it can be concluded that a sufficient number of social mentoring professionals fully completed the training.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 352	<b>Related Measure:</b> 352 - HR-C[C61]-R[R1] Decarbonisation of buildings	
<b>Name of the milestone:</b> Adoption of the Programme for the Energy renovation of public sector buildings for the period 2021-2030		
<b>Qualitative indicator:</b> Publication on the official website of the Ministry of Physical Planning, Construction and State Assets		<b>Time:</b> Q2 2022
<p><b>Context:</b></p> <p>The objective of this reform is to contribute to the renovation wave initiative of the existing buildings and to the transformation of the existing building stock into a highly energy efficient and decarbonised building stock by 2050.</p> <p>This milestone refers to the adoption of the Programme for the energy renovation of public sector buildings for the period 2021-2030.</p> <p>The adoption of this programme is the first milestone in the implementation of the measure, to be followed by the signing of contracts for the energy renovation of public and multi-dwelling buildings by Q4 2022 (target #353), the energy renovation of public buildings by Q2 2026 (target #355) and the energy and post-earthquake renovation of public buildings by Q2 2026 (targets #357).</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled – Cover note.</li> <li>b) <b>Copy</b> of the Programme for the Energy renovation of public sector buildings for the period until 2030.</li> <li>c) <b>Copy</b> of the Government Decision from 31 March 2022 on the adoption of the Programme for Energy renovation of public sector buildings for the period until 2030.</li> </ol>		

- d) **Link** to the Government Decision on the adoption of the Programme for Energy renovation of public sector buildings for the period until 2030, published in Official Gazette 41/2022 on 1 April 2022.
- e) **Link** to the Programme for Energy renovation of public sector buildings for the period until 2030 published on the official website of the Ministry of Physical Planning, Construction and State Assets on 31 March 2022.

**Analysis:**

As required by the Council Implementing Decision, the Programme of energy renovation of public sector buildings for the period until 2030, adopted by the government on 31 March 2022 and published on the official website of the Ministry of Physical Planning, Construction and State Assets on 31 March 2022:

1. Contains provisions to encourage **comprehensive renovation** of public sector buildings as a combination of energy-efficiency and seismic renovation that will have a lasting impact on reducing energy consumption in buildings and increasing their safety (pages 9-11, 30, 38-45).
  - Chapter 6.1 (pages 38-40) sets priorities for energy and comprehensive renovation of public sector buildings, putting the focus on buildings with the worst energy properties and the use of renewable energy sources (RES).
  - Chapter 6.2 (pages 41-43) defines eligible activities, **including energy and resource efficiency measures**, for energy and comprehensive renovation of public buildings. Eligible activities also include measures to support smart and sustainable mobility, and measures supporting motorised transport (installation of recharging points for electric vehicles and channel infrastructure) that go beyond the requirements set by the relevant legislation.
  - Chapter 6.3 (pages 43-45) defines three different scenarios for implementation of the energy and comprehensive renovation of public sector buildings, depending on the types of renovation and available and planned financing sources and models.
2. Maps out planned **reductions of thermal needs and energy consumption for public buildings** (pages 25, 33 and 79-80) and the **consequent reduction of CO2 emissions** (pages 25 and 80). The cumulative savings in energy consumption in the period until 2030 are estimated to 494,4 GWh, which is a significant contribution to the full energy saving potential reflected in the Long-term strategy for national building stock renovation by 2050 (1,671.4 GWh by 2030). Expected reduction in CO2 emissions in the period until 2030 is 30.9 kt.
3. Encourages the **use of RES** by giving it a high score when setting priorities for energy and comprehensive renovation (page 39) and defining eligible measures for co-financing (pages 41-42 and 80-81).
4. Fosters decarbonisation and contributes to achieving a decarbonised building stock by 2050 through the requirement that each renovation requires a reduction in energy consumption for heating of at least 50% compared to the annual energy consumption for heating before renovation (pages 38-39, 44, 46-47).

From the evidence provided, it can be concluded that the adoption of the Programme for the Energy renovation of public sector buildings for the period until 2030 also satisfactorily fulfils the measure description. The programme estimates that 50% of all renovated buildings will require comprehensive renovation, which will encourage in-depth renovation of buildings, while paying particular attention to ensuring healthy indoor climate conditions, fire safety and addressing the risks related to increased seismic activity.

**Commission Preliminary Assessment: Satisfactorily fulfilled**