

# Croatia's National Recovery and Resilience Plan

## Latest state of play



### OVERALL RESOURCES

Recovery and Resilience Facility (RRF): **€6 295 million**

RRF grants: **100 %**



#### Major objectives

Green transition: **€2 537.1 million** **40.3 %**

RRF target: 37 %

Digital transformation: **€1 284.3 million** **20.4 %**

RRF target: 20 %

Renovation of buildings: **€789.0 million** **12.5 %**

Payments so far: **€2 218.0 million** **35.2 %**

Croatia's National Recovery and Resilience Plan ([NRRP](#)) is an ambitious outline of reforms and investment designed to mitigate the pandemic's socio-economic fallout. Compared with the size of its economy, Croatia is the [largest](#) recipient of Recovery and Resilience Facility (RRF) funds, with a total financial allocation of €6 295 million, or 11.6 % of the country's gross domestic product (GDP).<sup>1</sup> The allocation corresponds to 0.9 % of the total RRF volume, and is entirely grant-based. In June 2022, the grant allocation was revised downwards to €5 512 million (-12.5 %).<sup>2</sup> The use of the loan component under the facility is currently not envisaged, but may be requested by 31 August 2023 at the latest.

The measures in the plan aim to help Croatia overcome the socio-economic ramifications of both the pandemic and the two devastating [earthquakes](#) from 2020, while

fostering the green and digital transition. The post-earthquake recovery measures, in particular, are among the NRRP's major objectives, and contribute to smart, sustainable and inclusive growth. Croatia has so far received 35.2 % of the resources in the form of pre-financing and the first two grant instalments, above the current EU average which stands at roughly [28 %](#). Implementation of the plan must be concluded by 2026.

RRF funds, combined with others<sup>3</sup> from the Next Generation EU instrument and the EU's multiannual financial frameworks (2014-2020 and 2021-2027), will put at Croatia's disposal roughly [€30 000 million](#) by the end of the decade, an unprecedented chance to boost socio-economic development. The European Parliament continues to ensure transparency and accountability through interinstitutional dialogues on RRF implementation, and scrutiny of the Commission's work.



*This briefing is one in a series covering all EU Member States.*



## Country-specific challenges

Since the introduction of the European Semester in 2010, the Council has been adopting country-specific recommendations (CSRs) annually, with the Commission assessing Member States' progress in addressing the challenges identified. Member States were asked to follow up on all the 2019-2020 recommendations, or at least a significant subset thereof, through measures laid down in their National Recovery and Resilience Plans (NRRPs), in order to benefit from RRF funding.

To address the pandemic effectively and kick-start the green and digital transition, the Council recommended to Croatia various [measures](#). The [2019](#) and [2020](#) recommendations covered the following areas: (1) fiscal policy and fiscal governance; (2) access to finance; (3) active labour market policies, (4) wages and wage setting; (5) poverty reduction and social inclusion; (6) education, skills and life-long learning; (7) healthcare; (8) research and innovation (R&I); (9) energy, resources and climate change; (10) transport; (11) green and digital transition; (12) business environment; (13) public administration; (14) state-owned enterprises; (15) civil justice; and (16) corruption.

Relating to green policies, in particular, investment and reforms should be steered towards reducing emissions, and ensuring a more efficient transport system; further decarbonising the energy sector; increasing energy efficiency across different sectors; and improving water and waste management. On digital policies, the recommendations focus on the need to strengthen access to digital infrastructure and services, invest in high-speed broadband, and boost R&I capacities.

In the areas of labour market, education and social policies, the Council recommended improving the resilience of the health system, ensuring balanced geographical distribution of health workers and facilities, and enhancing administrative cooperation and investment in e-health. It also recommended strengthening labour market measures and institutions, and their coordination with social services; consolidating social benefits; and reducing poverty. Moreover, the recommendations included delivering on education reform, improving the access to and quality of education and training linked to labour market needs; and promoting the acquisition of skills.

Several CSRs concern public administration – its effective functioning and capacity reinforcement – to allow for successful absorption of vast EU funds and project implementation. The Council also recommended reducing the territorial fragmentation of public administration, streamlining the functional distribution of competencies, and introducing a harmonised wage-setting framework across public administration and public services. Recommendations on public finances have also been put forward. These referred to pursuing fiscal policies intended to achieve prudent medium-term fiscal positions and ensure debt sustainability; reinforcing the budgetary framework; and monitoring contingent liabilities at central and local level.

Other recommendations include improving the efficiency of the judicial system; refining the business environment and addressing (parafiscal) barriers to growth and investment; improving corporate governance of state-owned assets while intensifying the sale of non-strategic assets; and maintaining measures to provide liquidity to small and medium-sized enterprises (SMEs) and the self-employed.

In the context of the Commission's [2022 spring package](#), the Council issued new CSRs. All Member States have received a maximum of three recommendations that need acting upon in the course of 2022 and 2023. For [Croatia](#), the first (fiscal) recommendation calls for an alignment of the growing, nationally financed current expenditure with the overall neutral policy stance, while accounting for increasing energy prices and the influx of displaced people from Ukraine. The second CSR stresses the need to continue implementing the NRRP, while the third recommendation – echoing past CSRs – calls for less reliance on fossil fuels, deployment of renewables, and overall improvements in energy efficiency.

## Objectives and structure of the plan

On 15 May 2021, Croatia officially submitted to the European Commission its NRRP with an estimated cost of €6 394 million. The plan exceeds the maximum financial contribution available under the RRF by roughly €100 million, with the difference likely to be financed by national resources. The plan's two main **objectives** reflect the need to ensure Croatia's socio-economic recovery and long-term development post-Covid-19, and rebuild the areas damaged severely by the two earthquakes<sup>4</sup> in 2020. The latter objective is encompassed in the initiative 'Renovation of buildings', a specific segment of the plan.

Figure 1– Funding breakdown by component



According to government estimates, the plan is set to contribute to the country's accelerated economic growth by increasing [GDP projections](#) by **€2 256 million** at the end of its implementation period in 2026 – without RRF funding, this would not materialise. The plan's overall structure consists of five components and one initiative, each to be implemented through a mix of 222 investments and reforms. These parts of the NRRP are described below (for a more granular view, see Table 1 on the next page):



1. **'Economy'** aims to strengthen the country's competitiveness through innovation and new technologies, while fostering inclusive and sustainable growth on the back of green transition and digital transformation. This component is set to reinforce sectors such as agriculture, transport, tourism, information and communications technology (ICT), energy, and environment.



2. **'Public administration, judiciary and state assets'** focuses on the modernisation of and efficiency gains in public administration at all government levels through fast digitalisation, capacity building, and fight against corruption.



3. **'Education, science and research'** brings about measures to improve the quality of and access to education. The component also looks at reinforcing R&I capacities to enhance scientific distinction, while making the economy more competitive and sustainable.



4. **'Labour market and social protection'** seeks to maintain existing job opportunities and generate new ones (especially for young people and the self-employed), improve working conditions, advance the adequacy of the pension system, and enhance social protection, notably by tackling the risks of poverty and social exclusion.



5. **'Health'** envisages reforms and investment that contribute to pandemic containment and increase the quality and availability of health services through modernisation of hospitals, digitalisation, capacity building, and procurement of quality medical equipment.



6. **'Renovation of buildings'** aims to reconstruct and revitalise the areas hit by the two devastating earthquakes, while equipping buildings with anti-seismic features, and increasing energy efficiency and savings. The initiative is also set to contribute to decarbonising the energy sector.

Overall, the plan provides for a contribution of 40.3 % to **climate actions**, thus exceeding the minimum threshold of 37 % as warranted under the [RRF Regulation](#). Standing at 20.4 % of the planned expenditure, **digital actions** remain closer to the RRF benchmark of 20 % (see section on 'Overall resources'). The NRRP also contributes to horizontal priorities, namely safeguarding equality and social inclusion (gender and minorities), demographic revitalisation to tackle [population decline](#), including a significant [brain drain](#) and an ageing population, and territorial cohesion.

Table 1 – Granular overview of Croatia's NRRP

Component (C)	Subcomponent	RRF funding (€ million)	Share of NRRP
C1: Economy	C1.1 Resilient, green and digital economy	738.7	11.6 %
	C1.2 Energy transition for a sustainable economy	658.3	10.3 %
	C1.3 Improving water and waste management	862.7	13.5 %
	C1.4 Development of a competitive, energy-sustainable and efficient transport system	728.7	11.4 %
	C1.5 Improving the use of natural resources, and strengthening the food supply chain	131.1	2.1 %
	C1.6 Developing sustainable, innovative and resilient tourism	292.0	4.6 %
C2: Public administration, judiciary and state assets	C2.1 Strengthening the capacity to design and implement public policies and projects	22.8	0.4%
	C2.2 Further improving the efficiency of public administration	68.2	1.1 %
	C2.3 Digital transition of society and public administration	380.8	6.0 %
	C2.4 Improving the management of state assets	1.9	0.0 %
	C2.5 Modern justice fit for future challenges	100.6	1.6 %
	C2.6 Preventing and combating corruption	6.0	0.1 %
	C2.7 Strengthening the fiscal framework	0.0	0.0 %
	C2.8 Strengthening the anti-money laundering framework	0.0	0.0 %
	C2.9 Strengthening the public procurement framework	0.8	0.0 %
C3: Education, science and research	C3.1 Reform of the education system	676.9	10.6 %
	C3.2 Boosting R&I capacity	318.5	5.0 %
C4: Labour market and social protection	C4.1 Improving employment measures and the legal framework for the modern labour market and the economy of the future	190.5	3.0 %
	C4.2 Improving the pension system through increased pension adequacy	3.0	0.0 %
	C4.3 Improving welfare systems	83.0	1.3 %
C5: Health	C5.1 Strengthening the resilience of the health system	340.3	5.3 %
Initiative:	Renovation of buildings	789.0	12.3 %
	<b>Total</b>	<b>6 393.8</b>	<b>100 %</b>

Data source: European Commission, [SWD\(2021\) 197 final](#); Croatia's NRRP.

## Reforms

Croatia's NRRP consists of **76 reforms** spread across six parts (see Figure 1 above) that, together with the planned investment, aim to make the country's economy more resilient, green and digital. Almost 70 % of the intended reforms fall under the plan's first two components – 'Economy' and 'Public administration, judiciary and state assets'. Some of these refer to: reforming the business and regulatory environment, which is burdensome and, according to some [analyses](#), characterised by low productivity; decarbonising the energy sector, and promoting the use of renewable energy; and boosting the research, development and innovation (R&D&I) sector. The measures also seek to improve the fiscal framework, increase the judicial system's efficiency; foster capacity building in public administration linked to the preparation and implementation of EU projects, and improve the interoperability of information technology (IT) systems in public administration.

Reforms under the plan's remaining components include a structural reform of the education system; development and implementation of targeted active employment policies to protect vulnerable groups (as defined under the plan's horizontal priorities); and continuation of the pension system reform. Further digitalisation of health system management (e-health) and the use of seismic data for the post-earthquake renovation process and future construction planning are also envisaged. Additional reform examples across the NRRP are presented in Table 2.

Table 2 – Examples of reforms to receive support under Croatia's NRRP

	 Component 1	 Component 2	 Component 3	 Component 4	 Component 5	 Initiative
No of measures	23	29	5	8	5	6
Reforms	<ul style="list-style-type: none"> <li>- Resilience and sustainability of the tourism sector</li> <li>- Promotion of private investment</li> <li>- Regulated professions</li> <li>- Food donation systems</li> <li>- Public transport systems</li> <li>- R&amp;D tax incentives</li> <li>...</li> </ul>	<ul style="list-style-type: none"> <li>- Corporate governance of state-owned enterprises</li> <li>- Fight against corruption</li> <li>- Innovative procurement</li> <li>- Strengthening connectivity</li> <li>- Selling state-owned enterprises of no particular interest to the country</li> <li>...</li> </ul>	<ul style="list-style-type: none"> <li>- Structural reform of the education system</li> <li>- Modernisation of higher education</li> <li>- Strengthening R&amp;D capacities of the public research sector</li> <li>- Framework for attracting students and researchers to the science, technology, engineering, and mathematics (STEM) and ICT fields</li> <li>- Public investment in R&amp;D&amp;I</li> </ul>	<ul style="list-style-type: none"> <li>- System for inclusion and monitoring of vulnerable groups in the labour market</li> <li>- Pension system adequacy</li> <li>- Social mentoring service</li> <li>...</li> </ul>	<ul style="list-style-type: none"> <li>- Quality and accessibility of the health system</li> <li>- Financial sustainability of the health system</li> <li>- New care model</li> <li>- System for strategic management of human resources</li> <li>- e-Health</li> </ul>	<ul style="list-style-type: none"> <li>- Framework for adequate skills for green jobs post-earthquake</li> <li>- Green urban renewal strategies, green infrastructure, and circular management of buildings and space</li> <li>- Establishment and implementation of a systematic energy management model and a new financing model for energy renovation loans</li> <li>...</li> </ul>

Data source: Croatia's NRRP.

## Investment

RRF funding is directed towards **146 investments** (97 % of the total cost of the plan, the remainder being allocated to reforms). Of the absolute number of projects planned, roughly 70 % correspond to the first two of the plan's components (C1 and C2). In terms of funding aspects, however, the 'Economy' component (C1) comes with the highest share in overall resources, followed by the 'Education, science and research' component (C3). Similarly, C1 and C3 contain the largest projects. The renovation of buildings initiative comes with a 12 % share of the entire grant allocation (see Figure 1). This relatively high cost represents actions needed to ensure post-earthquake recovery of the areas affected, while contributing to both the green and digital objectives, and those aiming to protect the most vulnerable groups. Table 3 lists the largest investment projects, their cost, and the corresponding share of total RRF funding, as well as examples of activities to be carried out.

Table 3 – Largest measures to be supported under each component of Croatia's NRRP



	Component 1	Component 2	Component 3	Component 4	Component 5	Initiative
<b>Three largest investments (share of component/initiative)</b>	<ul style="list-style-type: none"> <li>- Public sewage development programme (11.8 %)</li> <li>- Revitalisation, construction and digitalisation of the energy system and supporting infrastructure to decarbonise the energy sector (11.4 %)</li> <li>- Support for businesses with the transition to an energy- and resource-efficient economy (7.4 %)</li> </ul>	<ul style="list-style-type: none"> <li>- Development of broadband infrastructure in areas without sufficient commercial interest (18.4 %)</li> <li>- Design and implementation of the Zagreb Justice Square project (11.8 %)</li> <li>- Digital transformation of the tax administration (9.8 %)</li> </ul>	<ul style="list-style-type: none"> <li>- Construction, upgrading, reconstruction and equipping of primary schools for single-shift, full-day teaching (30.4 %)</li> <li>- Construction, upgrading, reconstruction and equipping of early childhood education and care (ECEC) facilities (21.6 %)</li> <li>- Digital transformation of higher education (8.4 %)</li> </ul>	<ul style="list-style-type: none"> <li>- Construction of care centres for the elderly (40.0 %)</li> <li>- Use of education voucher (32.5 %)</li> <li>- Strengthening the capacity of community service professionals (15.3 %)</li> </ul>	<ul style="list-style-type: none"> <li>- Purchase of medical devices for the prevention, diagnosis and treatment of cancer patients (24.9 %)</li> <li>- Central funding for medical specialisations (19.9 %)</li> <li>- Construction of a central operating block with accompanying contents for Varaždin General Hospital (12.7 %)</li> </ul>	<ul style="list-style-type: none"> <li>- Energy and post-earthquake renovation of damaged multi-dwelling buildings (76.3 %)</li> <li>- Energy renovation of public and multi-dwelling buildings (17.1 %)</li> <li>- Energy renovation of buildings with cultural-good status (5.1 %)</li> </ul>
<b>Examples of activities</b>	<ul style="list-style-type: none"> <li>- Investment in public sewage and wastewater treatment systems</li> <li>- Establishment of supervisory management and geographic information systems</li> <li>- Construction of transmission lines and segments of the middle- and low-voltage networks</li> <li>- Development of smart distribution networks</li> <li>...</li> </ul>	<ul style="list-style-type: none"> <li>- Updating existing broadband infrastructure development plans</li> <li>- Call for tenders for broadband deployment</li> <li>- Redesign and modernisation of the tax administration's IT system</li> <li>- Establishment of an advanced data-analytical platform in the tax administration</li> <li>- Renovation of protected buildings on Zagreb Justice Square</li> <li>...</li> </ul>	<ul style="list-style-type: none"> <li>- Call for tenders for construction, upgrading, reconstruction and equipping of primary schools</li> <li>- Construction, upgrading and equipping of ECEC facilities for a minimum of 22 500 new places</li> <li>- Investment in local area network (LAN) and wifi network</li> <li>- Procurement of personal computers, projectors, audio systems, etc.</li> <li>...</li> </ul>	<ul style="list-style-type: none"> <li>- Construction of care centres, and procurement and installation of equipment</li> <li>- Vouchers for 30 000 people (12 000 for unemployed, inactive and young people)</li> <li>- Provision of trainings for 40 professionals and licencing of 750 professionals</li> <li>...</li> </ul>	<ul style="list-style-type: none"> <li>- Procurement of linear accelerators and radiation devices</li> <li>- Development of stereotactic radiotherapy and radiosurgery</li> <li>- Call for tender for co-financing of specialist training</li> <li>- Preparation of project and technical documentation</li> <li>- Construction works, and procurement and installation of equipment</li> <li>...</li> </ul>	<ul style="list-style-type: none"> <li>- Energy assessment and certificates</li> <li>- Upgrading technical equipment for heating, cooling, ventilation and air conditioning</li> <li>- Upgrading systems for lighting and building automation and management</li> <li>- Introduction of renewable energy systems</li> <li>- Fire and seismic activity protection systems</li> <li>...</li> </ul>



## Governance

The governance system ensuring the implementation, monitoring and oversight of the Croatian NRRP has a coherent design with clear separation of functions and duties, while respecting the auditing body's impartiality. The seven constituent bodies (described top-down) are as follows.

The highest level of the governing structure is the **1) steering board**, comprised of members of the executive and chaired by the prime minister (PM). The board is tasked with the overall management of the plan, and implementation tracking. The operational aspects relating to the NRRP's execution are followed-up by the **2) implementation committee**, which includes the PM's office, the main coordination body, the bodies responsible for the plan's (sub)components, the body in charge of payment requests, the auditing body, and the [Ministry of Regional Development and EU Funds](#).

The main coordinating lies with the Ministry of Finance, namely the **3) Directorate for Macroeconomic Analysis**, while the **4) National Fund Department** within the ministry is in charge of preparing the payment requests and sending them off to the European Commission. Various **5) competent authorities** (ministries and the central government office) are responsible for executing reforms and investments for each of the plan's (sub)components in accordance with the sectoral competence defined in the [System of State Administration Act](#) and the [Decision on NRRP implementation bodies](#). Additionally, for certain components, tasks relating to the management of non-repayable support (grants) have been assigned to **6) implementing bodies**. Finally, the **7) Agency for the audit of EU programmes (ARPA)** acts as the audit authority performing system, operation and account audits.

The bodies mentioned above were first tasked with governing implementation of the European structural and investment (ESI) funds for the 2014-2020 period. To maintain consistent application of the rules and procedures applicable to all EU funding, these bodies' authority was extended to cover NRRP implementation and monitoring (albeit with some adaptations to the procedural part so as to match RRP specificities). During the consultation process leading up to the NRRP's official adoption, the Croatian Parliament and its technical committees were consulted 10 times, which included the presentation of the plan and the discussion.

## Commission assessment

The European Commission made a positive assessment of Croatia's NRRP. All the pre-defined criteria received the highest possible rating (A), except for the costing criterion which – similar to other countries' NRRPs – received the medium grade (B). This was due, for instance, to omissions in comparative costing figures, deficiencies in the methodology used, or lack of costing descriptions. The criteria and their respective ratings are shown in Figure 2 below; for a detailed description of the Commission's assessment, see the corresponding [staff working document](#).

The Commission deems Croatia's NRRP largely comprehensive, with a fair balance of investments and reforms addressing all six RRF pillars: green and digital transition; smart, sustainable and inclusive growth; social and territorial cohesion; health; economic, social and institutional resilience; and policies for the next generation. The measures presented also address all or a significant subset of past CSRs (see section 'Country-specific challenges'), which has warranted the same high grading.

By simulating the [QUEST model](#), the Commission estimated that NGEU (and thus the RRF, as it accounts for almost 90 % of the NGEU's volume) would generate as many as 21 000 new jobs and possible GDP increases of up to 2.9 % by 2026 (of which 0.5 percentage points account for cross-border spillover effects). However, these estimates do not include the impact of structural reforms, and the estimations in the Croatian plan are based on a different model (PACMAN), with different methodological underpinning, thus preventing the comparison of figures. Nevertheless, the growth and jobs potential remains relatively high, which reflects the A rating.

Although not accounted for in QUEST, the structural changes envisaged in Croatia's NRRP are set to: increase institutional resilience (for instance through measures meant to strengthen corporate governance of state-owned enterprises); improve the services sector and industry (investments in tourism and transportation systems); and enhance labour market conditions, the education system, overall productivity, and the business environment. These outcomes are likely to have positive lasting impacts on the country's economy, and are graded accordingly (A rating).

The plan's green and digital objectives likewise come with the highest rating, as they surpass the minimum required thresholds for such actions as defined in the RRF Regulation (see section 'Objectives and structure of the plan'). Two examples of such measures are the renovation of energy-efficient buildings and the digitalisation of the tax administration. As regards the green transition, none of the measures included in the plan breaches the ['do no significant harm'](#) principle relating to the environmental objectives ([Taxonomy Regulation](#)).

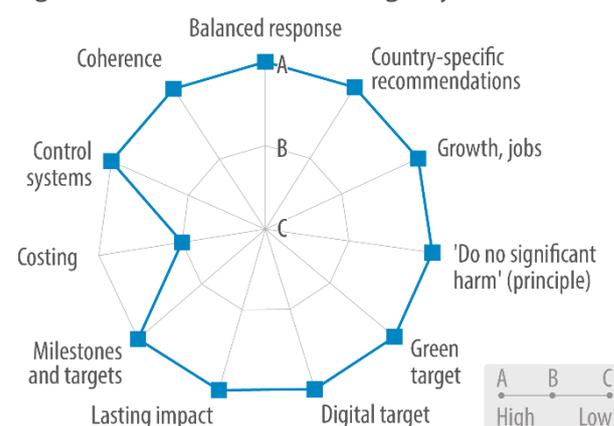
The criterion on milestones and targets was also granted the highest rating, since they – together with their underlying qualitative and quantitative indicators – allow for efficient monitoring of the plan's implementation. Finally, the control system set up received the same high grade, as it encompasses a robust structure and suitable division of control functions and duties.

## Council decision and pre-financing

After the Council of the EU's [informal meeting](#), during which the Croatian NRRP worth €6 295 million in grant money had been endorsed, the Council [implementing decision](#) was enacted on 28 July 2021. As provided for in the decision, the part of the grant allocation for 2023 (€1 664 million) has been made provisional and subject to a recalculation, based on actual outturn data from Eurostat. The updated data, [released](#) on 30 June 2022, show that 2023 allocation for Croatia will amount to €879 million, leading to a 12.5 % decrease in overall grant monies. The difference<sup>5</sup> between the plan's total worth and the updated financial allocation is likely to be financed by national resources.

The [annex](#) to the Council implementing decision on the Croatian NRRP summarises the reforms and investments presented in the plan, and describes the arrangements and timetable for its monitoring and implementation. The underlying milestones and targets have been defined in qualitative and quantitative terms respectively, as have the other relevant indicators.

Figure 2 – Commission ratings by criteria



Source: European Commission, SWD(2021) 197.

At present, the plan only envisages the use of the grant facility. However, this might change to take into account the [REPowerEU](#) plan,<sup>6</sup> which encourages the use of the RRF loan component in order to end the EU's dependence on Russian fossil fuels, and accelerate Member States' energy transition.

On 28 September 2021, two months to the day after the plan's adoption by Council, Croatia received €818 million in [pre-financing](#), which represents 13 % of the entire national grant allocation. This advance is intended to pave the way to launch the plan's implementation, and covers the [reforms and projects](#) that can be put into practice the earliest, while waiting for the first financial disbursements. [They](#) include the autonomous vehicle research and development project; investments relating to broadband infrastructure and 5G network access; subsidies for entrepreneurs to boost energy efficiency and renewables use; building decarbonisation projects; and water management projects accompanied by a project study and tender documentation and the building permits obtained.

Moreover, on 9 February 2022, the Commission and Croatia signed the [operational arrangements](#) for monitoring and implementation of milestones and targets presented in the NRRP, which is a pre-condition for submitting payment requests to the Commission.

## European Parliament

Following the outbreak of the pandemic, the European Parliament was a [major advocate](#) of launching a common EU recovery instrument, and established the RRF as a co-legislator with the Council. Based on the RRF Regulation and the [Interinstitutional Agreement](#) (IIA) on budgetary matters, Parliament can scrutinise the work carried out by the Commission in the assessment of national plans.

Within Parliament, the Conference of Presidents has established a standing working group on the scrutiny of the RRF, comprising the Committee on Budgets (BUDG) and the Committee on Economic and Monetary Affairs (ECON). This working group prepares and follows up on the recovery and resilience dialogue that Parliament holds every two months with Commission representatives.

In addition, the IIA provides for dedicated interinstitutional meetings between Parliament, the Council and the Commission on the implementation of the broader NGEU recovery instrument. These meetings will be held *in camera* at least three times per year. Through the [discharge procedure](#), Parliament will also ensure democratic scrutiny of how NGEU resources are spent.

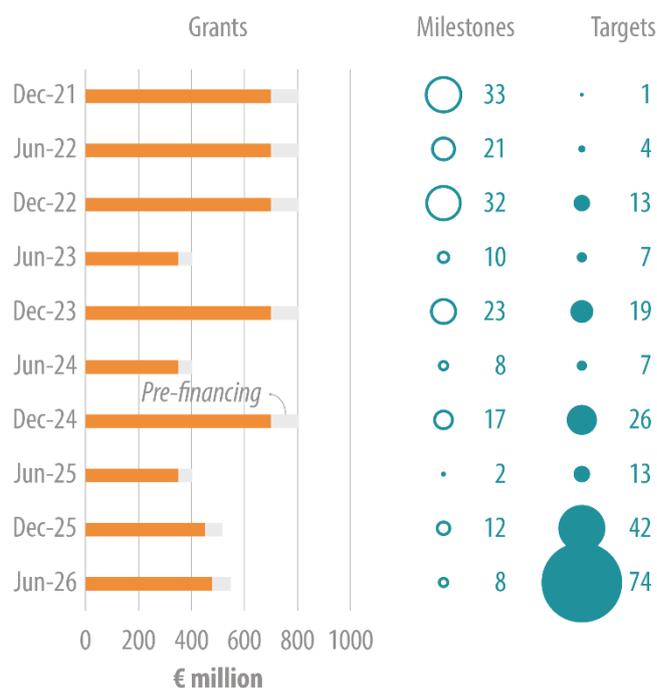
## Milestones and targets

The Croatian NRRP consists of 222 measures expected to be implemented through the successful completion of 166 milestones and 206 targets. As shown in Figure 3 below, the majority of milestones is set for the first half of the implementation period (2021-2023), while a considerably higher concentration of targets can be observed in the second half (2024-2026). The instalments envisaged (10 in total) follow a somewhat different dynamic, with the largest influx of funds expected in 2022 (€1 609 million), and the lowest anticipated for 2026 (€548 million). The 13 % pre-financing already received will be cleared gradually against each of the 10 instalments.

On 29 June 2022, Croatia [received](#) the first payment, worth €700 million in grants (net of pre-financing), based on the achievement of 34 milestones and targets. The [second payment](#), also amounting to €700 million in grants (net of pre-financing), was received on 16 December 2022, after successfully fulfilling 25 milestones and targets. This brought the total resources received to 35.2 % of Croatia's NRRP, which is above the current [EU average](#), standing at roughly 28 % (see Annex for additional detail on payments disbursed to Croatia so far).

The payment request for the third tranche amounting to €700 million in grants (net of pre-financing) is [expected](#) in the first quarter of 2023, and will be based on 45 milestones and targets.

Figure 3 – Envisaged instalment schedule



An example of a target to be met for the third payment request refers to the reduction of the share of municipal waste sent for disposal to 49%. This target is linked to the investment measure on the waste disposal reduction programme (NRRP subcomponent on improving water and waste management) and 40% of related financial resources are tagged as contributing to EU [climate objectives](#). One example of a milestone, on the other hand, concerns the entry into force of the [digital Croatia strategy](#), linked to the reform measure 'Digital Croatia Strategy and strengthening of the inter-institutional cooperation and coordination for a successful digital transition of the society and the economy'. The measure is featured in the NRRP subcomponent on the digital transition of society and public

administration, and related resources are tagged as fully contributing to EU [digital objectives](#).

## Views of Croatian stakeholders

While the Croatian NRRP does not disclose how stakeholders will be consulted during the implementation phase, more than 15 thematic meetings with the concerned parties were held prior to its enactment. The discussions touched on the overall functioning of the RRF, the NRRP's structure, the reform and investment selection process, the investment horizon relating to milestones and targets, and the complementarity with other EU funds and programmes.

Specifically, the plan's technical elements were discussed with the Croatian Parliament (see 'Governance' section) on a number of occasions, as well as with the professional associations covering key sectors embedded in the plan. The latter included several meetings with the [Croatian Chamber of Commerce](#) and its sub-formations,<sup>7</sup> the Food Processing Industry Association and the Information Technology Association, which focused on food production, and the green and digital transition. Additional consultations were held with the Civil Society Development Council, the Croatian Employment Association, trade unions, and the [local](#) and regional governments to which the NRRP was presented.

The Croatian Employment Association in particular was strongly engaged in the consultation process, [outlining](#) the measures and priorities across industries, and the social components to be included in the plan. The final iteration of the NRRP, however, still failed to address some of the major challenges linked to the real economy, as initially advocated by the association.

## Expert debate

[Bruegel](#) think-tank finds that countries such as Croatia, with relatively higher RRF amounts as a share of their GDP, have fairly high spending plans that are neither green nor digital (around 35% of Croatia's total plan's worth). As the allocated grants account also for a significant share of national public investment, other analyses (for instance from the [National Bank of Belgium](#)) show that Croatia's public investment is set to at least double during the NRRP implementation period. This, however, is based on the premise that there is adequate administrative capacity for the full absorption of the funds, which remains a significant challenge (see the section on CSRs).

With regard to specific policy areas, the World Bank's [project](#) 'Croatia: Towards Sustainable, Equitable and Efficient Education' presents opportunities for [synergies](#) with the NRRP. Some project elements refer to the introduction of the whole-day school model and the improvement of the teacher training and school infrastructure, which are in line with Croatia's NRRP commitments to implement other sectoral reforms: modernising and improving the education system, and adapting to post-pandemic and post-earthquakes realities. Largely, the World Bank deems the Croatian NRRP an audacious outline of measures that come with an opportunity to close some of the outstanding reform and investment gaps, boost convergence and growth, and develop a more resilient, greener and equal society.

The Italian Labour Law e-Journal tracked the NGEU impacts on social and labour policies of the Member States. The author of the [report](#) for Croatia stresses that the Croatian NRRP still neglects the social dimension. This conclusion rests on the fact that some social and labour aspects, such as wages, social dialogue, work–life balance, and a healthy, safe and well-adapted work environment or 'fair working conditions', remain underdeveloped.

## EUROPEAN PARLIAMENT SUPPORTING ANALYSIS

[Economic and Budgetary Outlook for the European Union 2022](#), EPRS, January 2022.

[National Recovery and Resilience Plans: Latest state of play](#), EPRS, February 2022.

[Next Generation EU: A European instrument to counter the impact of the coronavirus pandemic](#), EPRS, July 2021.

[Recovery and Resilience Facility](#), EPRS, March 2021.

[Recovery plan for Europe: State of play](#), EPRS, September 2021.

[Recovery and Resilience Plans – An overview](#), Economic Governance Support Unit, European Parliament, June 2021.

## OTHER SOURCES

[Plan oporavka](#), National Recovery and Resilience Plan website, Government of Croatia.

[Croatia's recovery and resilience plan](#), European Commission.

[2022 European Semester: Spring package](#), European Commission.

## ENDNOTES

- <sup>1</sup> The graphics and tables in this briefing are based on data from [Croatia's NRRP](#), the [Commission assessment](#) of the plan, and the [annex](#) to the [Council implementing decision](#). Data used reflect their source at the time of extraction; there may be discrepancies between data from different sources and rounding differences. The [exchange rate](#) used in the decision is EUR 1 = HRK 7.53450 (also the fixed exchange rate set for Croatia adopting the euro from 1 January 2023).
- <sup>2</sup> All figures in this briefing are based on the plan as originally approved by the Council before the final [revision](#) of the maximum national allocations carried out by the Commission on 30 June 2022. Following this revision, NRRPs may be subject to [updates](#), which future editions of these briefings will reflect.
- <sup>3</sup> e.g. [REACT-EU](#) fund, from which Croatia will benefit up to a maximum of €672.6 million in 2020 and 2021.
- <sup>4</sup> The Croatian government estimated costs of the damage at [over 80 %](#) of the annual national budget.
- <sup>5</sup> Subject to future updates.
- <sup>6</sup> The Commission [proposed](#) amendments to the RRF Regulation on 18 May 2022, which would top up the RRF grant envelope with an extra €20 000 million for new energy-related measures to be disbursed to the Member States according to their RRF national allocation keys. The proposal would also allow voluntary transfers of resources from other EU budgetary instruments to the RRF, to provide additional finance for new REPowerEU chapters in the recovery plans, and for repurposing unused amounts of the RRF loan facility for energy-related measures.
- <sup>7</sup> The NRRP also mentions meetings with other sub-formations of the Croatian Chamber of Commerce.

## DISCLAIMER AND COPYRIGHT

This document is prepared for, and addressed to, the Members and staff of the European Parliament as background material to assist them in their parliamentary work. The content of the document is the sole responsibility of its author(s) and any opinions expressed herein should not be taken to represent an official position of the Parliament.

Reproduction and translation for non-commercial purposes are authorised, provided the source is acknowledged and the European Parliament is given prior notice and sent a copy.

© European Union, 2023.

[eprs@ep.europa.eu](mailto:eprs@ep.europa.eu) (contact)

[www.eprs.ep.parl.union.eu](http://www.eprs.ep.parl.union.eu) (intranet)

[www.europarl.europa.eu/thinktank](http://www.europarl.europa.eu/thinktank) (internet)

<http://epthinktank.eu> (blog)

Second edition. The 'NGEU delivery' briefings are updated at key stages throughout the lifecycle of the plans.

## Annex – Payments so far

On 28 September 2021, Croatia received €818 million in [pre-financing](#) (grant resources). The [first](#) payment request by the Croatian government was submitted to the European Commission on 15 March 2022. The Commission made a [positive preliminary assessment](#) on 10 May 2022, based on the satisfactory fulfilment of 34 milestones and targets linked to the payment request. Examples of milestones include the entry into force of the Alternative Transport Fuels Act; adoption of the new Croatian government decision on state-owned enterprises of particular interest to Croatia; and strengthening the fiscal framework through the adoption of the Budget Act, aiming to improve budgetary processes. The only target concerns the number of companies (75 awarded contracts in total), receiving support for industry energy efficiency and renewable-energy use. In broader terms, the measures linked to the first payment refer to reforms in the area of transport, energy, waste and water management, building sector, education, public administration, justice, anti-corruption, fiscal, social and health policies. The investment projects, on the other hand, concerned the support for energy renewables and energy efficiency gains in both SMEs and large companies. The payment request received a positive opinion from the Council's Economic and Financial Committee ([EFC](#)), after which the Commission [disbursed](#) €700 million (net of pre-financing) on 29 June 2022.

After receiving a [positive preliminary assessment](#) of the payment request and subsequent endorsement by the Economic and Financial Committee ([EFC](#)), Croatia received the second payment amounting to €700 million in grants (net of pre-financing) on [16 December 2022](#). The second payment was based on the achievement of 21 milestones and 4 targets, which correspond to measures in the areas of public administration, judiciary, social policy, employment, education, skills, energy and energy efficiency, water management and connectivity. An example of a milestone included in the request is the adoption of the [hydrogen development strategy](#). The milestone is linked to the investment measure 'Hydrogen use and new technologies' under the subcomponent 'energy transition for a sustainable economy', which substantially contributes to climate objectives. One example of a target, on the other hand, refers to the construction or the reconstruction of the public sewerage network, which corresponds to the investment measure 'Public sewerage development programme' under the subcomponent 'Improving water and waste management'.

Table 4 – Croatia's NRRP: Payments so far

RRF allocation	Payment	Date	Net resources (€ million)	Share of total
Grants	Pre-financing	28/09/2021	818.0	13.0 %
	First instalment	29/06/2022	700.0	11.1 %
	Second instalment	16/12/2022	700.0	11.1 %
	<b>Total grants paid so far</b>		<b>2218.0</b>	<b>35.2 %</b>

Source: EPRS, based on European Commission data. Note: Croatia has not requested any loans.