Council of the European Union

Brussels, 21 November 2023
(OR. en)

15749/23
ADD 2

Interinstitutional File:
2023/0425(NLE)

ECOFIN 1237
FIN 1199
UEM 392

COVER NOTE

From:	Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director
date of receipt:	21 November 2023
To:	Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union
No. Cion doc.:	SWD(2023) 380 final
Subject:	COMMISSION STAFF WORKING DOCUMENT Analysis of the recovery and resilience plan of Croatia Accompanying the document Proposal for a COUNCIL IMPLEMENTING DECISION amending Implementing Decision (EU) (ST 10687/21 INIT; ST 10687/21 ADD 1) of 28 July 2021 on the approval of the assessment of the recovery and resilience plan for Croatia

Delegations will find attached document SWD(2023) 380 final.

Encl.: SWD(2023) 380 final

EUROPEAN
COMMISSION

Brussels, 21.11.2023
SWD(2023) 380 final

COMMISSION STAFF WORKING DOCUMENT

Analysis of the recovery and resilience plan of Croatia

Accompanying the document

Proposal for a COUNCIL IMPLEMENTING DECISION

amending Implementing Decision (EU) (ST 10687/21 INIT; ST 10687/21 ADD 1) of 28 July 2021 on the approval of the assessment of the recovery and resilience plan for Croatia

{COM(2023) 744 final}

Table of contents

1. Executive summary 2
2. Objectives of the modification of the plan 2
3. Summary of the assessment of the plan 4
3.1. Comprehensive and adequately balanced response to the economic and social situation 4
3.2. Link with country-specific recommendations and the European Semester 6
3.3. Growth potential, job creation, economic, institutional and social resilience, European Pillar of Social Rights, mitigating the impact of the crisis, and social territorial cohesion and convergence 7
3.4. The principle of 'do no significant harm' 7
3.5. Green transition 9
3.6. Digital transition 10
3.7. Lasting impact of the plan 11
3.8. Milestones, targets, monitoring and implementation 11
3.9. Costing 12
3.10. Controls and audit 13
3.11. Coherence 15
3.12. REPowerEU 15
3.13. Cross-border or multi-country dimension or effect 16
ANNEX I: Climate tracking and digital tagging 18

1. EXECUTIVE SUMMARY

The Croatian economy continued growing strongly in 2022, despite the headwinds induced by the Russian invasion of Ukraine. Real GDP grew by 6.2% in 2022 and remained resilient in 2023H1, driven largely by domestic demand. Employment expanded by 2.3% in 2022 and the unemployment rate dropped to 5.8% in July 2023. In the four quarters up to 2023Q2, real GDP and total employment were 11.3% and 1.8% above their pre-COVID level (i.e., 2019), respectively. The energy price shock and its pass-through to domestic prices, coupled with supply side bottlenecks resulted in record high inflation, which averaged 10.7% in 2022 and decelerated to 8.4% in August 2023.

On 31 August 2023, Croatia submitted a modified Recovery and Resilience Plan along with a REPowerEU chapter. For the modification of its Recovery and Resilience Plan, Croatia has relied on the following legal bases: Article 14(2) to include additional loan support, Article 18(2) to take into account the updated maximum financial contribution, Article 21(1) to amend the Recovery and Resilience Plan due to objective circumstances, and Article 21c to include additional resources from ETS revenues and from the Brexit Adjustment Reserve (BAR) for its REPowerEU chapter. In addition to this, the modified Recovery and Resilience Plan rectifies clerical errors identified in the original plan. The submitted modified plan is worth a total of EUR 10.04 billion (17.2% of 2021 GDP), including the initial financial contribution of EUR 5.5 billion, EUR 4.3 billion in additional loans, Croatia's allocation of ETS revenues (EUR 269 million) and the amount transferred from the BAR (EUR 7.2 million).

The modifications submitted by Croatia affect a total of 86 measures, of which 21 reforms and 65 investments. The revisions proposed under Articles 18(2) and 21(1) affect nine reforms and 35 investments. Croatia's proposed REPowerEU chapter includes five reforms and ten investments for a total estimated expenditure of EUR 2.92 billion (EUR 276 million in non-repayable support and EUR 2.6 billion in loans). Croatia is proposing five new reforms and six new or scaled-up investments on the basis of Article 14(2) to account for loan support, while seven investments were transferred from the grant to the loan envelope.

The measures included in the Croatian modified Recovery and Resilience Plan and REPowerEU chapter help address Croatia's key short- and long-term challenges. Croatia's request to modify its plan under Article 21(1) largely aims to factor in inflation pressures and supply chain disruptions. The REPowerEU chapter promotes the green transition with measures related to energy security, uptake of renewable energy sources, energy efficiency of buildings, transport and renewable hydrogen. Other measures under Article 14(2) aim at strengthening the competitiveness of the economy, improving water and waste management, and enhancing the quality and accessibility of education. Together with the measures included in the original plan, the modified Recovery and Resilience Plan continues to effectively contribute to the six pillars of the Recovery and Resilience Facility (RRF) with robust measures and verification mechanisms, while addressing Croatia's country specific recommendations.

Based on the assessment of the submitted modifications and the REPowerEU chapter, the Croatian modified plan receives an A-rating on all criteria except for costing, where the plan receives a B-rating (unchanged from the original plan assessment).

(1) Balanced Response	(2) CSRs	(3) Growth, jobs…	(4) DNSH	(5) Green target	(6) Digital target	(7) Lasting impact	(8) M & T	(9) Costing	(10) Control Systems	(11) Coherence	(12) REPowerEU	(13) Cross-border
A	A	A	A	A (39.02%)	A (20.09%)	A	A	B	A	A	A	A

2. OBJECTIVES OF THE MODIFICATION OF THE PLAN

2.1 The modified plan addresses Croatia's main newly emerged challenges

In 2022, Russia's invasion of Ukraine led to rising energy and production costs in Croatia, pushing inflation rates to their highest levels in recent decades and dragging household consumption and industrial production. The 2023 Country Report for Croatia identified challenges related to its reliance on fossil fuels, circular economy, business environment and skills shortages. Croatia also faces challenges related to accelerating the green and digital transitions, strengthening economic and social resilience, and improving the public administration efficiency. In this context, Croatia's modified Recovery and Resilience Plan adds measures that aim to address the country's newly emerged challenges, increases the level of ambition of some measures already included in the initial Recovery and Resilience Plan, incorporates a REPowerEU chapter and modifies existing measures in line with the provisions of the RRF Regulation.

Pursuant to Article 14(2) of Regulation (EU) 2021/241, Croatia included in the modified Recovery and Resilience Plan a request for loan support that would finance 6 new investments and three new reforms, and scale up seven existing measures. Part of the requested loan support would be used in seven REPowerEU measures (five investments and two reforms).

Pursuant to Article 18(2) of Regulation (EU) 2021/241, Croatia has requested modifications to account for the decrease of its maximum financial contribution from EUR 6.3 billion to EUR 5.5 billion. Croatia's maximum financial contribution was updated on 30 June 2022 and reflects Croatia's better than expected economic outcome in 2020 and 2021. To take this update into account, Croatia proposed to move three investments in energy efficiency of buildings (Earthquake renovation) and renewables (Hydrogen and Biorefinery) from the original Recovery and Resilience Plan to the REPowerEU chapter in line with the provisions in Article 21c(2) of Regulation (EU) 2021/241, and to downsize one investment by EUR 15,927.

The Croatian modified Recovery and Resilience Plan adds a new REPowerEU chapter pursuant to Article 21c of Regulation (EU) 2021/241. The REPowerEU chapter includes measures related to energy networks, gas infrastructure, uptake of and R&D linked to renewable energy sources, renovation of buildings, energy poverty, zero-emission transport, green skills and renewable hydrogen. This chapter will deliver on the REPowerEU objectives, contribute to the Croatian's green transition and help address Croatia's current challenges identified in the 'energy' recommendation addressed to Croatia in the 2022 European Semester.

Pursuant to Article 21(1) of Regulation (EU) 2021/241, Croatia has justified the modification of existing measures of the plan based on objective circumstances. The objective circumstances invoked are mostly related to the need to factor in the effects of supply chain disruptions, the high inflation experienced in 2022 and 2023, and unforeseen legal and administrative changes. Most of the proposed amendments relate to the postponement of the timeline for completion. Other

amendments are related to the modification of targets to account for changed circumstances and the need to redesign the original measures as the existing ones are no longer attainable.

In addition, errors of a clerical nature identified in the text of the Council Implementing Decision have been corrected.

2.2 Overview of new and modified components

The main elements of the modified Recovery and Resilience Plan and REPowerEU chapter are listed below by component:

1. **Economy**

Component 1.1 (Resilient, green and digital economy)

Investment C1.1.1. R4-I1 - Supporting businesses for the transition to an energy and resource-efficient economy: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the implementation deadline of the support scheme by nine months, due to the need to relaunch a second call to achieve the targeted number of SMEs and mid-caps supported.

Reform C1.1.1. R5 - Diversifying capital markets and improving access to alternative finance: Based on Article 14(2) of Regulation (EU) 2021/241, Croatia has proposed a new reform whose objective is to improve the functioning of capital markets. The reform entails a comprehensive review of the current state of capital markets in Croatia, resulting in a strategic framework and actions with a focus on facilitating access to capital for companies, broadening opportunities for investment and strengthening the overall investment climate and competitiveness of the economy.

Reform C1.1.1. R7 - Establishment of a platform called Sustainable Finance Support Forum: Based on Article 14(2) of Regulation (EU) 2021/241, Croatia has proposed a new reform that aims to foster sustainable finance in Croatia and strengthen the role of the financial sector in the green transition. The measure establishes a platform for exchange among the stakeholders, including the financial sector and competent authorities. The first task of the platform is to develop a strategic framework and actions aimed at further developing the framework for sustainable finance in Croatia.

Investment C1.1.2 R3-I1 Preparation of strategic documents for the digital transformation of the economy and artificial intelligence: Based on Article 18(2) of Regulation (EU) 2021/241, Croatia has proposed the removal of this measure in line with the reduction in the financial allocation.

Component 1.2 (Energy transition for a sustainable economy)

Reform C1.2 R1 - Decarbonisation of the energy sector: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to modify this reform by changing the name, qualitative indicator, and the description of milestone to reflect that the main objective of the measure, which is the certification of the gas Transmission System Operator Plinacro, is being achieved with a less complicated procedure than originally envisaged.

Investment C1.2 R1-I1 - Revitalising, building and digitising the energy system and supporting infrastructure to decarbonise the energy sector: Based on Article 21(1) of

Regulation (EU) 2021/241, Croatia proposed to scale up this investment by envisaging an additional storage capacity under target 377 and additional smart meters deployed on top of projects currently in the Recovery and Resilience Plan under target 376. Based on Article 21(1) of Regulation (EU) 2021/241, Croatia also proposed to provide additional funds for grid investments in the original Plan under targets 40, 41 and 44, due to inflation and cost increase.

Investment C1.2 R1-I2 - Hydrogen use and new technologies: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to modify this investment by postponing target 51 from Q2 2025 to Q4 2025, due to delays in the delivery of electrolyser equipment. Based on Article 21(1) of Regulation (EU) 2021/241, Croatia also proposed to provide additional funds for hydrogen charging stations under target 53 and for electrolysers under target 51, due to inflation and cost increase. Based on Article 18(2) of Regulation (EU) 2021/241, Croatia proposed to modify this investment, by removing the pilot carbon capture and geological storage (CCS) project in milestone 54, and replace it with a set of studies for geological CO2 underground storage in Croatia, due to the reduction of grant allocation, and because the high gas prices triggered by the war in Ukraine disrupted the production in the petrochemical industrial installation of Petrokemija, to which the CCS installation was supposed to be connected. Consequently, the allocation for this investment is proposed to be reduced by EUR 8 million. This investment, excluding already fulfilled milestones 49 and 50, is transferred from the original Recovery and Resilience Plan to the REPowerEU chapter due to the reduction of its financial contribution, based on Article 21c(2).

Investment C1.2 R1-I4 – Biorefinery to produce advanced biofuels Sisak: Based on Article 18(2) of Regulation (EU) 2021/241, Croatia proposed to modify this investment by removing target 58 on the Pilot investment in CCS, due to the reduction of the grant allocation. The removal of target 58 would render obsolete milestone 56, which is therefore also proposed to be removed. Consequently, the allocation for this investment is proposed to be reduced by EUR 33.18 million. The investment is transferred from the original Recovery and Resilience Plan to REPowerEU chapter due to the reduction of its financial contribution, based on Article 21c(2).

Component 1.3 (Improving water management and waste management)

Reform C1.3. R1 - Implementation of the Water Management Programme

Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to modify target 61 regarding the integration of water service providers by postponing it from Q4/2023 to Q4/2024 due to procedural difficulties and a Constitutional court decision which prolonged the merger procedure.

Reform C1.3. R3 – Further implementation of the water management programme

Based on Article 14(2) of Regulation (EU) 2021/241, Croatia proposed to introduce additional reforms to strengthen the role of the independent water regulator, adopt national and local action plans on reducing water losses and establish a national body for monitoring water losses.

Investment C.1.3 R3-I1 – Further investments into the public sewage development programme: Based on Article 14(2) of Regulation (EU) 2021/241, Croatia proposed additional investments into the construction and reconstruction of the public sewerage network and wastewater treatment plants, which also increase the total number of citizens benefiting from better access to appropriate wastewater treatment.

Investment C1.3. R1-I2 - Programme for the development of public water supply: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to modify target 71 from 673 to 517

kilometers of constructed or reconstructed public water supply network due to increases in construction prices.

Investment C.1.3 R3-I2 – Further investments into the public water supply development programme: Based on Article 14(2) of Regulation (EU) 2021/241, Croatia proposed additional investments into the construction and reconstruction of the public water supply network, increasing the final target from 956 to 1087 kilometers of constructed or reconstructed public water supply network. This will also increase the total number of citizens that benefit from improved access to water supply.

Investment C1.3. R1-I3 - Disaster risk reduction programme in the water management sector: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone targets 77 and 78 by six months due to severe weather events that delayed the construction works.

Investment C1.3. R2-I1 - Waste disposal reduction programme: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to modify this investment by amending targets 85, 86, 87 and 89 namely as the measure is no longer totally achievable within the initial timeline and proposed to postpone the implementation, modify the set targets and reallocate the funds to other waste management infrastructure projects and additional reforms, with the aim of keeping the same level of ambition.

Component 1.4 (Development of a competitive, energy sustainable and efficient transport system)

Investment C1.4. R1-I1 - Electronic tolling system: Based on Article 14(2) of Regulation (EU) 2021/241, Croatia has proposed to modify this investment by expanding the project to all sections and highway exits of the state-owned highway company HAC (Croatian Highways), as well as highway concessioners BINA Istra and AZM (Highway Zagreb Macelj), thus covering the entire highway network in Croatia. Consequently, the allocation for this investment is proposed to be increased.

Investment C1.4 R2-I1 – Reconstruction of the existing and construction of second track of railway section Dugo Selo - Novska, sub-section Kutina - Novska (phase D): Based on Article 14(2), Croatia has proposed to finance this investment with loans, instead of non-repayable support**.** The measure is not changed in substance.

Investment C1.4. R2-I6 - Use of green technologies in rail passenger transport: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia has proposed to modify this investment, by postponing the implementation of the measure and of target 107, from Q4 2024 to Q4 2025, due to objective circumstances beyond the control of the competent ministry and the beneficiary given the delays due to the complexity and length of the procedure to set up fixed energy connections by the Croatian state-owned energy company (HEP) for the two prototype trains.

Investment C1.4. R2-I7 - Upgrading of the IT and sales system and modernization of trains with the IT system: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia has proposed to modify this investment by focusing its implementation and main objectives on the online and mobile ticketing system, due to recent technological advances and users' habits on the market of railways IT services, and by postponing the implementation of milestone 108, from Q4 2024 to Q2 2026.

Investment C1.4 R4-I1 – Procurement of alternative-fuel-powered vehicles for public urban and suburban regular transport: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia

has proposed to modify this investment by postponing the implementation of the measure and of target 116 from Q4 2025 to Q2 2026 due to a better alternative. Namely, the public procurement for this investment and for the scaled-up part of the investment under REPowerEU C7.1 I1 will be implemented with the same public call. Due to established disruptions in supply chains, launching two separate public calls would increase the risk of delays when it comes to final delivery of buses, but would also not be efficient and could entail higher cost per unit. In addition, reference to the charging infrastructure is deleted since it will not be procured under this measure.

Investment C1.4. R5-I1 - Electrification and greening of the ground handling and power supply system at the Zadar airport: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia has proposed to modify this investment by postponing the implementation the measure and of milestone 118 from Q4 2024 to Q4 2025, due to objective circumstances beyond the control of the competent ministry and the beneficiary given the delays due to the complexity and length of the procedure to set up the electric ground handling system connected with the photovoltaic power station.

Investment C1.4. R5-I2 - Research, development and production of new mobility vehicles and supporting infrastructure: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to modify this investment by postponing milestone 119 from Q1 2024 to Q1 2025 and by modifying target 121 due to delays caused by disruptions in the supply chain of components critical for the implementation of the project, such as microchips relevant for autonomous driving.

Component 1.5 (Improving the use of natural resources and strengthening the food supply chain)

Investment C1.5. R3-I3 - Establishment of a traceability information system: In accordance with Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to delay the completion of milestone 137 by one year and three months. This responds to delays caused by the need to extend the scope of the project following a consultation with consumers and experts. As a result, the traceability system includes 3 new registers to collect information on the environmental status of products, quality labels at the European and national level, and information on the use of medicinal products.

Component 1.6 (Developing sustainable, innovative and resilient tourism)

Investment C1.6 R1-I1 - Regional diversification and specialisation of Croatian tourism through investments in the development of high added value tourism products: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the deadline of awarding the money for target 145 from Q4 2025 to Q2 2026. At the same time the authorities are strengthening the commitment under the description of the investment from allocating the money to completing the implementation of eligible projects of the investment and providing evidence for the completion of projects.

Investment C1.6 R1-I2 - Strengthening the competitiveness of businesses and fostering the green and digital transition of the tourism sector: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the deadline of awarding the money for target 147 from Q4 2025 to Q2 2026. At the same time the authorities are strengthening the commitment under the description of the investment from allocating the money to completing the implementation of eligible projects of the investment and providing evidence for the completion of projects.

2. **Public administration, justice and property**

Component 2.1 (Strengthening capacity to design and implement public policies and projects)

Investment C2.1.R1-I2 - Strengthening capacity in strategic planning and better regulation: Based on Article 14(2), Croatia has proposed to finance this investment with loans, instead of non-repayable support**.** The measure is not changed in substance.

Component 2.2 (Furter improving the efficiency of public administration)

Reform C2.2 R2 - New wage and working models in civil service and public services: Croatia proposed the development of bylaws setting out detailed provisions to further increase the ambition of this reform through clearly defined salary grades, bands and coefficients as well as by laying down criteria for the evaluation of posts and the performance of civil servants as well as employees in the civil and public services. This has been added based on Article 14(2) of Regulation (EU) 2021/241, to complement the original measure financed by the non-repayable support.

Component 2.3 (Digital transition of society and public administration)

Investment C2.3. R3-I4 - Consolidation of the health information infrastructure system CEZIH: Based on Article 21(1) of Regulation (EU) 2021/241, the deadline for implementation is postponed by one year due to procurement issues (supply chain shortage of IT equipment).

Investment C2.3. R3-I5 - Digital ID card project: Based on Article 21(1) of Regulation (EU) 2021/241, due to delays in the rolling-up of the new identification system in the population, the deadline for implementation is extended by one year, and the target amended to 300,000 authentications made by distinct users through the Certilia mobile application, and additionally 100,000 certificates issued for remote qualified electronic signature.

Investment C2.3. R3-I7 - Improvement of spatial planning systems, construction and state assets through digitalisation: Based on Article 21(1) of Regulation (EU) 2021/241, the deadline for implementation is postponed by one year due to the need to amend the relevant legislation and extend the time for the preparation of projects.

Investment C2.3 R3-I15 - Putting in place applicative tourism solutions to relieve the administrative burden on businesses and transform the tourism model towards sustainability: Based on Article 21(1) of Regulation (EU) 2021/241, the deadline for implementation is postponed by one year due to procurement issues (supply chain shortage of IT equipment).

Investment C2.3 R3-I16 - Digitalisation of processes in sport and recreation at local and regional level: Based on Article 21(1) of Regulation (EU) 2021/241 the deadline for implementation is postponed by 3 months due to procurement risks (supply chain shortage of IT equipment).

Investment C2.3 R3-I17 - Establishment of the Register of Population, Family and Households: Based on Article 14(2) of Regulation (EU) 2021/241, Croatia has proposed a new reform whose objective is to establish the Register of Population, Family, and Households, which shall provide data on income and assets of the population by retrieving it from different registers and information systems. The investment aims to provide accurate and updated statistics essential for the work of all public bodies, including the tax administration.

Component 2.6 (Preventing and combating corruption)

Reform C2.6 R4 - Strengthening judicial redress capacity in public procurement procedures: In accordance with Article 18 of Regulation (EU) 2021/21, Croatia proposed to reduce the allocation of this reform and proportionally lower the numerical value of target 246 from 80 to 20 judges of the High Administrative Court of the Republic of Croatia to be trained on the management of corruption risks in public procurement and judicial redress in public procurement procedures.

3. Education, science and research

Component 3.1 (Reform of the education system)

Investment C3.1. R1-I4 - Construction, upgrading, reconstruction and equipping of primary schools for single-shift and full-day teaching: In accordance with Article 14(2) of Regulation (EU) 2021/21, Croatia requested EUR one billion in loans to increase the ambition of target 271 by raising the percentage of students attending primary one-shift schools from 70 to 100.

Investment C3.1. R1-I3 - Construction, upgrading, reconstruction and equipping of secondary schools: A clerical error in the description of target 272 was rectified. To fully align the costing of the measure with the amended description of the target, a new target was added in terms of classrooms built or renovated. Based on Article 21(1) of Regulation (EU) 2021/241, Croatia also requested to update the costing of this investment, while maintaining the overall envelope, to reflect construction cost increases since the original plan was approved.

4. Labour market and social protection

Component 4.1 (Improving employment measures and the legal framework for a modern labour market and the economy of the future)

Reform C.4.1. R1 - Development and implementation of new targeted active employment policy measures for the needs of green and digital labour market transition: In accordance with Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to modify target 287 by reducing its ambition from 26,400 beneficiaries (of which at least 13,000 being long-term unemployed, inactive or young people not in employment, education or training (young NEETs)) to 13,000 (of which at least 6,000 long-term unemployed, inactive or young NEETs). This responds to a low take-up of the benefits so far resulting from a reduction of the pool of potential beneficiaries (unemployed) on the back of positive labour market trends and requirements related to the "green nature" of eligible jobs. Taking into account the current pace of inclusion in the measures, Croatia proposed changing the green/digital ratio from 70:30 to 50:50. Croatia also proposed to revise the criteria for the award of individual measures to whether the employer, rather than each individual job, is eligible for the green and digital transitions.

Reform C.4.1. R2 – Strengthening the system of inclusion and monitoring of vulnerable groups in the labour market by improving the CES business processes: In accordance with Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to delay the completion of milestone 288 to Q3 2024 (from Q4 2023). This responds to the obsolescence of the data used as a basis for the envisaged legal amendments under the reform, following a shift in economic and labour market

trends. The proposed delay aims to allow the necessary time to update the relevant data, namely on unemployment benefits.

Investment C4.1. R3-I1 – Implementation of voucher schemes to educate employed and unemployed people: In accordance with Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to scale-up the ambition of target 292 by re-allocating the funds derived from the reduction of target 287. The proposed target would increase from 30,000 beneficiaries (at least 12,000 being long-term unemployed, inactive or young NEETs) to 40,000 to (of which at least 12,000 being long-term unemployed, inactive or young NEETs). Given the experience with the implementation so far, Croatia proposed the funds for the implementation of vouchers to be reallocated by focusing 60% on digital skills and 40% on green skills (instead of 30 % and 70 % as initially foreseen).

Component 4.2 (Improving the pension system by improving pension adequacy)

Reform C4.2 - R1 Increasing pension adequacy through continued pension reform: In accordance with Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to delay the completion of milestone 298 to Q1 2025 (from Q1 2024) due to the extensive and complicated nature of coordination with other relevant bodies, which has been identified as a risk for timely completion of the milestone. Additionally, contracted preparatory technical assistance from the World Bank was delayed and the delivery of the relevant analysis postponed.

Component 4.3 (Improving welfare systems)

Reform C4.3. R1 - Transparency and adequacy of social benefits in social protection systems: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the implementation timeline of target 304 to Q1 2026 (from Q4 2023) due to the time necessary to develop a better alternative to address the objective circumstances created by declining population and low unemployment rate. Furthermore, it is proposed to redefine the target to include beneficiaries of the national elderly support, which also contributes to the achievement of the overall objective of the reform. Croatia is also proposing to clarify the description of target 306 and include an additional milestone 398 on legislative changes that contribute to the achievement of the targets, with completion date Q4 2023.

5. Health

Component 5.1 (Strengthening the resilience of the health system)

Investment C5.1. R1-I1 - Introduction of mobile pharmacy service in primary care: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the timeline for completion of target 320 to Q2 2025 (from Q3 2024) due to disruptions in the supply chain (delivery of vehicles and boats).

Investment C5.1. R1-I2 - Mobile ambulances: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the timeline for implementation of target 321 to Q4 2025 (from Q2 2025) due to disruptions in the supply chain (delivery of vehicles).

Investment C5.1. R1-I7 - Equipping new facilities for day hospital and one-day surgery and integrated emergency hospital admission and adaptation of Neurosurgery Clinic at Clinical Hospital Centre 'KBC Sestre Milosrdnice': Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the timeline for implementation of target 326 to Q1 2024

(from Q4 2023) because the post-earthquake reconstruction project, which constitutes a prerequisite to implement investment R1-I7, is delayed.

Investment C5.1. R2-I1 - Procurement of equipment for prevention, diagnosis and treatment of cancer patients: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to change the description of this measure to reflect the existence of a better alternative, by revising the number of medical devices to be purchased for hospital centres, based on an updated analysis of future needs that takes into account changes in population and healthcare requirements.

Investment C5.1. R3-I1 - Central funding for specialisation: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to change the description and timeline for implementation to Q1 2026 (from Q4 2025) of target 334 due to objective circumstances related to an unexpected increase in the dropout rate from specialist medical training. It is proposed to add a new milestone 399 establishing a new scheme to crowd in resources for funding deficient specialist training of medical doctors such as primary healthcare and public health fields, while ensuring the recovery of funds from unfulfilled specialisations.

Investment C5.1. R3-I2 - Specialist nurses' training in emergency medicine: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the timeline for implementation of target 334 to Q2 2026 (from Q4 2025) due to a lack of specialised medical staff on the job market. It is proposed to spread out the education programme to allow the necessary time for the education of medical staff while ensuring uninterrupted quality healthcare provision to patients.

Investment C5.1. R4-I1 - Central preparation of all parenteral preparations in 8 Croatian hospitals: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia hproposed to postpone the timeline for implementation of target 350 to Q4 2025 (from Q4 2024) as the post-earthquake reconstruction project, which constitutes a prerequisite to implement investment R4-I1, is delayed.

Investment C5.1. R4-I5 - Introduction of a treatment outcome monitoring system for non-hospital patients with a focus on chronic patients in public pharmacies: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the timeline for implementation of target 344 to Q4 2025 (from Q4 2024) as investment C2.3 R3-I4, which is a prerequisite for this investment, is delayed.

Investment C5.1. R4-I6 - Waste management in KBC Zagreb: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the timeline for completion of target 345 to Q1 2026 (from Q4 2024) as there were unpredicted implementation delays due to the need to develop a new project study that takes into account changed circumstances in project implementation.

Investment C5.1. R5-I1 Digital integration of operating theatres and robotic surgery in KBC Split: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the timeline for implementation of target 347 to Q2 2024 (from Q4 2023) because of unplanned additional construction work that delayed the overall investment.

Investment C5.1. R5-I4 - Digitalisation and integration of operating rooms equipped with robotic surgery in Clinical Hospital Centre 'KBC Sestre Milosrdnice: Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to postpone the timeline for implementation of target 350 to Q1 2024 (from Q4 2024) because the post-earthquake reconstruction project, which constitutes a prerequisite to implement investment R5-I4, is delayed.

6. Initiative: Renovation of buildings

Investment C6.1. R1-I3 - Energy renovation of buildings with a status of a cultural good: The development of Guidelines for the energy renovation of buildings with the status of a cultural good has been added based on Article 14(2) of Regulation (EU) 2021/241**,** to complement the original measure financed by non-repayable support. The development of Guidelines for the energy renovation of buildings with a status of a cultural good has been added as a new milestone to be financed by loans (C6.1. R1-I4), thereby increasing the ambition of the original measure.

Reform C6.1. R2 - Developing a framework for ensuring adequate skills in the context of green jobs needed for post-earthquake reconstruction: A modification of the target has been proposed on the basis of Article 21(1) of Regulation (EU) 2021/241 due to legislation changes, replacing 50 persons completing expert studies and education programmes in the field of sustainable urban development and renovation of cultural heritage with the setting up of the new master programme and offering at least 30 enrollment places funded by the State budget, thereby increasing the ambition of the measure.

Reform C6.1. R7 - Circular use of construction waste from buildings with the status of a cultural good: **pilot project exploring exchange and trade opportunities:** Based on Article 14(2) of Regulation (EU) 2021/241, Croatia proposed a new reform through a pilot project to explore exchange and trading opportunities related to the circular use of construction waste from buildings with the status of a cultural good.

Component 7.1 – Energy and sustainable transport and 7.2 Energy renovation of buildings (REPowerEU chapter)

Under the REPowerEU chapter and based on Article 21c of Regulation (EU) 2021/241, Croatia included 11 investments, of which three transferred from the original plan based on Article 21c(2) (of which one is also scaled-up), three scaled-up and five new, and five reforms, of which four scaled-up and one new.

- **Transferred from the original Recovery and Resilience Plan to REPowerEU chapter after the decrease in the maximum financial contribution:**

Investment C7.1 R1-I1 – Hydrogen use and new technologies. This measure in renewables will contribute to the REPowerEU objective under Article 21c(3)(b) of Regulation (EU) 2021/241.

Investment C7.1 R1-I5 – Biorefinery to produce advanced biofuels Sisak, to be financed with loans. This measure in renewables will contribute to the REPowerEU objective under Article 21c (3)(b) of Regulation (EU) 2021/241.

Investment C7.2 I2 – Renovation of buildings damaged in earthquakes with energy renovation, to be financed with loans. This measure in energy renovation of buildings will contribute to the REPowerEU objective under Article 21c(3)(b) of Regulation (EU) 2021/241.

- **Scaled up measures:**

Reform C7.1 R1 – Decarbonisation of the energy sector: Croatia proposed to scale up this reform, by introducing a new system of self-consumption by Q1 2025, which would be a follow up to milestone 36 and 37 under the same measure. The proposed measure on accelerating the

uptake of renewables will contribute to the REPowerEU objective under Article 21c(3)(b) of Regulation (EU) 2021/241.

Investment C7.1 I1 – Procurement of alternative-fuel-powered vehicles for public urban and suburban regular transport: Croatia proposed to scale up this investment, by including additional 103 electric or hydrogen buses and one innovative hydrogen generator for electric locomotives for trains (HERMES unit). The proposed measure in zero-emission transport will contribute to the REPowerEU objective under Article 21c(3)(e) of Regulation (EU) 2021/241.

Investment C7.1 I2 - Co-financing programme for the purchase of new alternative fuel vehicles and the development of alternative fuel infrastructures in road transport: Croatia proposed to scale up this investment, by including faster electric charging stations with charging capacity of minimum 50 kW, instead of the originally envisaged 20 kW. The total cost of the measures includes the existing allocation and scale-up. The proposed measure in zero-emission transport will contribute to the REPowerEU objective under Article 21c(3)(e) of Regulation (EU) 2021/241.

Investment C7.2 I1 - Energy renovation of buildings: Croatia proposed to scale up this investment by providing additional funds for 1) multi-dwelling buildings; 2) public buildings under ESCO model; 3) energy renovation of public buildings; and 4) energy poverty, to be financed with loans. The proposed measure in energy renovation of buildings and tackling energy poverty will contribute to the REPowerEU objective under Article 21c(3)(b, c) of Regulation (EU) 2021/241.

Investment C7.2 I2 – Renovation of buildings damaged in earthquakes with energy renovation: Croatia proposed to scale up this investment by providing additional funds for residential and public buildings, to be financed by loans. The proposed measure in energy renovation of buildings will contribute to the REPowerEU objective under Article 21c(3)(b) of Regulation (EU) 2021/241. Based on Article 21(1) of Regulation (EU) 2021/241, Croatia proposed to change the description of the target under this measure, widening the list of eligible counties struck by the earthquakes, therefore offering a better alternative for the implementation of the measure.

Reform C7.2 R1 - Increasing efficiency, reduction of administrative burden and digitalisation of the renovation process: Croatia proposed to scale up this reform, by envisaging new activities contributing to raising citizens' awareness on the green transition. The proposed measure will contribute to the REPowerEU objective under Article 21c(3)(d) of Regulation (EU) 2021/241.

Reform C7.2 R2 - Introduction of a new model of green urban renewal strategies and implementation of a pilot project for the development of green infrastructure and the circular management of buildings and space: Croatia proposed to scale up this reform by providing additional funds for the development of additional green urban renewal strategies and pilot projects. The proposed measure will contribute to the REPowerEU objective under Article 21c(3)(d) of Regulation (EU) 2021/241.

Reform C7.2 R3 - Introduction of a new model of green urban renewal strategies and implementation of a pilot project for the development of green infrastructure and the circular management of buildings and space: Croatia proposed to scale up this reform by providing additional funds for the development of additional pilot projects, to be financed with

loans. The proposed measure will contribute to the REPowerEU objective under Article 21c(3)(d) of Regulation (EU) 2021/241.

- **New measures:**

Investment C7.1 R1-I2 - Establishment of a hydrogen-based economy (through the North Adriatic Hydrogen Valley): Croatia proposed a new investment related to hydrogen and zero emissions transport including projects in 1) hydrogen projects in the context of the North Adriatic Hydrogen Valley; 2) retrofitting of five diesel locomotives to hydrogen; and 3) five charging stations for buses, trains and/or maritime transport. The new measure will also include a reform on designating the Croatian Hydrocarbon Agency as the hydrogen coordinating body in Croatia. The proposed measure in hydrogen and zero-emission transport will contribute to the REPowerEU objectives under Article 21c(3)(b, e) of Regulation (EU) 2021/241.

Investments C7.1 R1–I3 and C7.1 R1–I4 - Strengthening the use of renewable energy sources in transport and heating: Croatia proposed a new investment including projects in 1) additional geothermal exploration/drilling; 2) sustainable biomethane production; and 3) electric buses infrastructure, as well as the adoption of the hydrogen development plan and program. The new measures will also include two reforms on adopting a geothermal potential development plan and establishing certification of biogas. The proposed measure in renewables and zero-emission transport will contribute to the REPowerEU objectives under Article 21c(3)(b, e) of Regulation (EU) 2021/241.

Investment C7.1 R1-I6 - Strengthening the transmission and distribution capacities of the electricity network: Croatia proposed a new investment in improving the electricity network, increasing electricity transmission capacity, and better evacuation of electricity from south to north of Croatia, to be financed with loans. The proposed measure in energy networks will contribute to the REPowerEU objective under Article 21c(3)(e) of Regulation (EU) 2021/241.

Investment C7.1 I3 - Increasing the capacity of the LNG terminal on the island of Krk and strengthening the gas infrastructure: Croatia proposed a new investment in LNG and gas infrastructure including the expansion of 1) the LNG terminal KRK to 700.000 m^3/h (6.1 bcm/y); 2) the Zlobin-Bosiljevo pipeline; 3) evacuation pipelines to HU Bosiljevo – Sisak – Kozarac; and 4) section Lučko - Zabok of the Croatia – Slovenia interconnector, where the total cost will be financed with loans. The proposed measure in security of supply will contribute to the REPowerEU objective under Article 21c(3)(a) of Regulation (EU) 2021/241.

Reform C7.2 R4 - Introduction of a new model for the preparation, organisation and implementation of adult learning programmes aimed at developing green skills and competences in the construction sector for foreign workers from third countries: Croatia proposed a new reform introducing a new model of adult learning programmes aimed at developing green skills and competences in the construction sector for non-EU foreign workers, to be financed with loans. The proposed measure in green skills will contribute to the REPowerEU objectives under Article 21c(3)(f) of Regulation (EU) 2021/241.

The new and modified components of Croatia's Recovery and Resilience Plan and their estimated costs are summarised in Table 1.

Table 1: New and modified components and estimated associated costs (EUR)

	Existing Plan	Addendum			Overall
Component	Non-repayable support	Non-repayable support	Loans	Total	Total
1 Economy	3,411,470,965	-265,047,729	575,686,177	310,638,448	3,722,109,413
2 Public administration, justice and property	581,120,297	-354,685	338,760	-15,925	581,104,372
3 Education, science and research)	995,421,063	-	1,000,000,000	1,000,000,000	1,995,421,063
4 Labour market and social protection	276,482,845	-525,981	530,891	4,910	276,487,755
5 Health	340,261,953	-24,884,465	24,884,465	-	340,261,953
6 Initiative: Building renovation	789,037,096	-592,665,146	3,295,000	-589,370,146	199,666,950
7.1 and 7.2 REPowerEU	-	276,228,415	2,649,421,679	2,925,650,094	2,925,650,094
TOTAL	6,393,794,219	-607,249,591	4,254,156,972	3,646,907,381	10,040,701,600

2.3 Other elements not covered by assessment criteria

The description of the elements related to administrative organisation, consultation process, security self-assessment for digital investments and the communication strategy, as set out in the previous SWD (2021) 197 final, remains relevant.

In accordance with Article 18(4)(g) of the RRF Regulation, Croatia carried out a security self-assessment for investments C7.1 R1-I6 - Strengthening the transmission and distribution capacities of the electricity network, and C7.1 I3 - Increasing the capacity of the LNG terminal on the island of Krk and strengthening the gas infrastructure, included in the REPowerEU chapter.

Croatia explained that several REPowerEU measures will have a positive impact on gender equality and equal opportunities for all. This applies to energy-related projects under Reform C7.1 R1 - Decarbonisation of the energy sector, as well as all projects and activities within the building renovation initiative. In particular, Reform C7.2 R4 - Introduction of a new model for the preparation, organisation and implementation of adult learning programmes, aimed at developing green skills and competences in the construction sector for workers from non-EU countries; and a scaled-up measure C7.2 R1 - Increasing efficiency, reduction of administrative burden and

digitalisation of the renovation process, offer equal opportunities regardless of gender, racial or ethnic origin, religion or belief, disability, age or sexual orientation, in line with principles 2, 3 and 17 of the European Pillar of Social Rights. At the same time, the development of the electricity system and of the hydrogen economy will contribute to reducing energy poverty and strengthen social rights for all.

State aid and competition rules fully apply to the measures funded by the Recovery and Resilience Facility. Union funds channelled through the authorities of Member States, like the RRF funds, become State resources and can constitute State aid. When this is the case and State aid is present, these measures must be notified and approved by the Commission before Member States can grant the aid, unless those measures are covered by an existing aid scheme or comply with the applicable conditions of a block exemption regulation, in particular the General Block Exemption Regulation (GBER) declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 TFEU[1]. When State aid is present and it requires notification, it is the duty of the Member State to notify State aid measures to the Commission before granting them, in compliance with Article 108(3) TFEU. In this respect, the State aid analysis carried out by Croatia in the Recovery and Resilience Plan cannot be deemed a State aid notification. In as far as Croatia considers that a specific measure contained in the Recovery and Resilience Plan entails de minimis aid or aid exempted from the notification requirement, it is the responsibility of Croatia to ensure full compliance with the applicable rules.

3. SUMMARY OF THE ASSESSMENT OF THE PLAN

3.1. Comprehensive and adequately balanced response to the economic and social situation

The proposed modifications to the Croatia's Recovery and Resilience Plan, along with the new measures, strengthen the commitment to a balanced approach to the improvement of the overall economic and social situation. The modified Recovery and Resilience Plan requests EUR 5.5 billion in non-repayable support, with an additional EUR 276.2 million in REPowerEU non-repayable support, and EUR 4.3 billion in loans. The existing and new reforms and investments contribute comprehensively to the six pillars embedded in the structure of the Recovery and Resilience Facility (Article 3).

By meeting the requirements of the Recovery and Resilience Facility Regulation on allocation for green and digital transitions, Croatia's modified Recovery and Resilience Plan contributes to the first two pillars of the Recovery and Resilience Facility via different components. The REPowerEU chapter contains a balanced set of new reforms and investments that, along with several existing measures, contribute substantially to the green transition. Contribution to the smart, sustainable and inclusive growth and social and territorial cohesion pillars is strengthened

[1]Commission Regulation (EU) 2023/1315 of 23 June 2023 amending Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty and Regulation (EU) 2022/2473 declaring certain categories of aid to undertakings active in the production, processing and marketing of fishery and aquaculture products compatible with the internal market in application of Articles 107 and 108 of the Treaty, OJ L 167, 30.6.2023, p. 1–90, available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32023R1315.

by the introduction of new measures, such as investments transportation and energy infrastructure or reforms further improving business environment, and the scaling up the existing ones. Modified measures from various components continue to contribute to the health, economic, social and institutional resilience pilar, while the scale up of investments in education strengthens the contribution to the pillar of policies for the next generation.

Croatia's modified Recovery and Resilience Plan, including the REPowerEU chapter, contributes to all the six pillars in a manner that all pillars are covered by at least one component, while the majority is covered by multiple components. The contribution to the six pillars by new or modified components of Croatia's Recovery and Resilience Plan is summarised in Table 2.

Table 2: Coverage of the six pillars of the Facility by the new or modified Recovery and Resilience Plan components

	Green transition	Digital transformation	Smart, sustainable & inclusive growth	Social and territorial cohesion	Health, and economic, social and institutional resilience	Policies for the next generation
C1.1 Resilient, Green and Digital Economy	●	○	●	○		
C1.2 Energy Transition for a Sustainable Economy	●	○	●	○		
C1.3 Improving Water Management and Waste Management	●	○	○	○		
C1.4 Development of a Competitive, Energy Sustainable and Efficient Transport System	●	●	○	●		
C1.5 Improving the Use of Natural Resources and	○	○	○	●		

Strengthening the Food Supply Chain						
C1.6 Developing Sustainable, Innovative and Resilient Tourism	○	○	●	○		
C2.2 Further Improving the Efficiency of Public Administration	○	●	○	●	●	
C2.3 Digital Transition of Society and Public Administration		●	○	○	●	
C2.5 Modern Justice Fit for Future Challenges	○	○			●	
C2.6 Preventing and Combating Corruption	○	○	○		●	
C3.1 Reform of the Education System		○	○	○		●
C4.1 Improving Employment Measures and the Legal Framework for a Modern Labour Market and the Economy of the Future	○	○	○	●		
C4.2 Improving the Pension System Through Increased Pension Adequacy				○	○	
C4.3 Improving the Social Welfare System	○	○		●	○	

C5.1 Strengthening the Resilience of the Health Care System	○	●	○	○	●	
C6.1 Renovation of Buildings	●	○	●	○	○	
C7.1 and 7.2 REPowerEU Chapter	●		●	●		

Key: "●" investments and reforms of the component significantly contribute to the pillar; "○" the component partially contributes to the pillar

Taking into consideration all reforms and investments envisaged by Croatia, its modified Recovery and Resilience Plan continues to represent, to a large extent, a comprehensive and adequately balanced response to the economic and social situation, thereby contributing appropriately to all six pillars referred to in Article 3 of the RRF Regulation, taking the specific challenges and the financial allocation of Croatia into account. This would warrant a rating of A under criterion 2.1 in Annex V to the RRF Regulation.

3.2. Link with country-specific recommendations and the European Semester

Overall, the submitted Recovery and Resilience Plan addendum complements the initial plan in addressing the challenges identified in the country-specific recommendations (CSRs).

As the size of the plan increased following an additional loan request, all 2022 and 2023 structural recommendations are considered in the overall assessment. Structural recommendations in the 2022 and 2023 CSRs are related to the energy sector. Measures added through the REPowerEU chapter contribute to addressing the challenges linked to the energy sector identified through the new country-specific recommendations from 2022 and 2023.

The proposed REPowerEU chapter provides an adequate response to the energy challenges faced by Croatia and helps maintaining the good coverage of a significant subset of the challenges identified in the relevant energy-related country-specific recommendations. Croatia's REPowerEU chapter includes scaled up and new measures in energy networks (addressing CSRs 2022.3.3 and 2023.3.4), uptake of renewable energy sources, renewable hydrogen (addressing CSRs 2019.3.3, 2020.3.8, 2022.3.2 and 2023.3.1 and 3.2), energy efficient renovation of buildings (addressing CSRs 2019.3.3, 2022.3.4 and 2023.3.1. and 3.5), LNG and gas infrastructure (addressing CSR 2022.3.1), zero-emission transport (addressing CSRs 2019.3.3, 2020.3.7, 2022.3.5 and 2023.3.1 and 3.6) and green skills (addressing CSR 2023.3.7). More specifically, scaled-up and new reforms under the REPowerEU chapter, namely the introduction of a new system of self-consumption of small renewable production, a set of studies for geological CO2 underground storage in Croatia, the designation of the Croatian Hydrocarbon Agency as the hydrogen coordinating body in Croatia, adoption of the hydrogen development plan and program, the geothermal potential development plan, the plan for the production and use of biofuels in

transport, and the certification of biogas address the CSRs 2019.3.3, 2020.3.8, 2022.3.2 and 2023.3.1 and 3.2.

Since the initial Recovery and Resilience Plan featured a comprehensive coverage of the CSRs with a large number of ambitious reforms, the modified plan adds a limited number of new reforms.

Besides the REPowerEU chapter, there are other investments and scaled up measures funded through the requested loan, which contribute to the CSRs implementation. The significant allocation to Investment C3.1 R1-I4 Construction, upgrading, reconstruction and equipping of primary schools for one-shift and full-day teaching significantly strengthens the contribution to CSRs 2019.2.1, 2020 2.4. Additional scale up of investments in public sewage and water supply improve the implementation of CSRs 2019.3.3 and 2020.3.6.

Taking into consideration the reforms and investments envisaged by Croatia, its modified Recovery and Resilience Plan is expected to contribute to effectively addressing all or a significant subset of challenges identified in the country-specific recommendations, or challenges in other relevant documents officially adopted by the Commission under the European Semester, and the modified Recovery and Resilience Plan represents an adequate response to the economic and social situation of Croatia. This would warrant a rating of A under criterion 2.2 in Annex V to the RRF Regulation.

3.3. Growth potential, job creation, economic, institutional and social resilience, European Pillar of Social Rights, mitigating the impact of the crisis, and social territorial cohesion and convergence

As part of the modification of the Recovery and Resilience Plan, Croatia has put forward investments aimed at accelerating the green transition, ensuring resilience against further energy shocks and reaching the objectives of REPowerEU. In particular, Croatia is proposing new measures to promote the use of renewable energy, increase the electricity system capacity, accelerate the hydrogen economy, improve energy efficiency and attract capital to sustainable activities. The modification of the plan also includes additional resources to scale up existing measures in transport, water management and education which are envisaged to further contribute to green transition and boost economic and social resilience.

The reforms and investments put forward as part of the modification of the Recovery and Resilience Plan are expected to foster economic growth already in the short- to medium-term. The European Commission has performed a model-based analysis of the potential macroeconomic impact of the modified NGEU investment using its QUEST model. In addition to taking into account the decrease in its financial contribution, simulations account for the effects of newly requested RRF loans, of the negative impact of inflation on the real value of non-repayable support and loans, as well as of the projected annual Recovery and Resilience Facility spending profile. Model estimates show that the modified Recovery and Resilience Plan, together with other NGEU measures, has the potential to raise the level of GDP by between 3.3% and 4.3% by 2026, when the impact is expected to peak. In addition, while these simulations take account of the impact of productive investments, including training and education, further positive effects can be expected from the proposed reform measures.

Taking into consideration investments envisaged by Croatia, its modified recovery and resilience plan is expected to have a high impact on strengthening the growth potential, job creation, and

economic, social and institutional resilience of the Member State, on contributing to the implementation of the European Pillar of Social Rights, including through the promotion of policies for children and youth, and on mitigating the economic and social impact of the COVID-19 crisis, thereby enhancing the economic, social and territorial cohesion and convergence within the Union. This would warrant a rating of A under criterion 2.3 of Annex V to the RRF Regulation.

3.4. The principle of 'do no significant harm'

The modifications of the measures included in the Recovery and Resilience Plan do not have an impact on the assessment of the principle of 'do no significant harm' which remains identical.

Croatia's REPowerEU chapter includes a systematic assessment of each measure against the principle of 'do no significant harm' (DNSH), for each of the six environmental objectives within the meaning of Article 17 of the Taxonomy Regulation. While Croatia's assessment stresses the positive impact mainly on climate objectives, it also provides information allowing to assess that measures will comply with the 'do no significant harm' principle.

Specific safeguards have been introduced for measures related to the geothermal exploration under Investment C7.1 R1-I3 "Strengthening the use of renewable energy sources in transport and heating". To comply with the DNSH principle, the measures will not include any exploration or extraction of either oil or gas. The measures will be implemented with due care that no equipment is purchased or used for such purposes, and that methane releases are minimised. In addition, the geothermal drilling would have no harmful impact on water scarcity and water quality.

When it comes to investment C7.1 R1-I4 "Strengthening the use of renewable energy sources in transport and heating" specific safeguards have been included to ensure that sustainable biomethane is produced in accordance with the Renewable Energy Directive (EU) 2018/2001 and that the production does not lead to a decrease in carbon sink and biodiversity degradation.

In addition, measures on hydrogen production will need to adhere to conditions under the Renewable Energy Directive (EU) 2018/2001, and the relevant Delegated Acts. This is the case for investment C7.1 R1-I1 "Hydrogen use and new technologies" and investment C7.1 R1-I2 "Establishment of a hydrogen-based economy (through the North Adriatic Hydrogen Valley)".

The Plan includes measures benefiting from the DNSH exemption. In accordance with Article 21c(6) of Regulation (EU) 2021/241, on the basis of the information provided by Croatia, and following the positive assessment of the Commission, the principle of DNSH should not apply to investment C7.1 I3 that contributes to the objective set out in Article 21c (3), point (a) of that Regulation. Investment C7.1 I3 "Increasing the capacity of the LNG terminal on the island of Krk and strengthening the gas infrastructure", includes the expansion of the LNG terminal on Krk to 700,000 m3/h (6.1 billion m3 annually (bcm/y)), as well as the expansion of Zlobin - Bosiljevo pipeline and the Bosiljevo – Sisak – Kozarac evacuation pipeline increasing gas transport capacity towards Hungary to 400,000 m3/h (3.5 bcm/y), and section Lučko - Zabok of the Croatia - Slovenia interconnector increasing gas transport capacity towards Slovenia to 170,000 m3/h (1.5 bcm/y). The Commission has reached a positive assessment for this exemption, since the requirements in Article 21c(6) of Regulation (EU) 2021/241 have been met.

The measure is necessary and proportionate to meet immediate security of supply needs, taking into account cleaner feasible alternatives and the risk of lock-in effects.

The expansion of the LNG terminal on Krk from 250,000 m3/h to 700,000 m3/h (2.9 bcm/y to 6.1 bcm/y) will help mitigate dependency on the supply of Russian gas in the South-East Europe, in particular Slovenia and Hungary, which both have limited supply routes options and are heavily reliant on Russian gas. However, the expansion of the LNG terminal must be done in full synchronisation with the expansion of the internal Croatian gas pipeline infrastructure to ensure increased capacity of gas transmission to Slovenia (and potentially further to Austria, if the Ceršak – Murfeld interconnector is upgraded to allow for gas flow from Slovenia to Austria) and Hungary. Without the upgrade of the gas pipeline infrastructure, due to bottlenecks in the Croatian grid, it would not be possible to fully utilise the expanded LNG terminal and the additional gas quantities, especially considering the current capacity of gas transmission from Croatia to Slovenia of 0.27 bcm/y and to Hungary of 1.7 bcm/y. The contribution of the measure to mitigating Russian supply dependence, thereby improving the security of supply has been also confirmed in the Annex III of the REPowerEU Plan[2], based on the assessment of the European Network of Transmission System Operators for Gas (ENTSOG) following the discussions in spring 2022 with the Member States in the regional High-Level Groups, operating in the context of the TEN-E policy.

The proposed LNG terminal expansion and development of gas transmission pipeline cluster will enable gas to reach the markets of Croatia (yearly demand of around 3 bcm), Slovenia (yearly demand of around 1 bcm) and Hungary (yearly demand of around 10 bcm). Considering that the yearly demand of Croatia, Slovenia, and Hungary of 14 bcm/y is more than double compared to the expanded LNG terminal capacity of 6.1 bcm/y, the measure is proportionate and is not oversized, i.e., the scale of the measure is not larger than necessary to meet the measure's objectives. As regards cleaner alternatives such as renewable hydrogen, production or import cannot be considered technologically and economically feasible alternatives that could be deployed within a comparable timeline, by end 2026. Also, the Croatian hydrogen economy is yet to be developed, with significant renewable hydrogen production not expected before 2026. All gas transmission projects will be technically prepared to transport hydrogen where needed, which is in line with the 10-year development plan 2023–2032 of the Croatian Transmission System Operator Plinacro. Limited additional capacity of the LNG terminal is the minimum necessary to contribute for the phasing out of Russian gas imports by Croatia's neighbours, while allowing the gradual elimination of gas consumption by 2050, given that the low volumes to be transported in the new pipelines only cover a fraction of the current gas consumption of its neighbours benefiting from the projects and do not contribute to an increase in gas consumption. Therefore, the risk of lock-in effect is considered mitigated since the pipelines under this measure can be considered future-proof. Based on the analysis of the supporting documents provided by Croatia, the Commission considers that the measure is necessary and proportionate to meet the immediate security of supply needs, taking into account cleaner feasible alternatives and the risk of lock-in effects, in line with Article 21c(6), point (a) of Regulation (EU) 2021/241.

[2] Communication on REPowerEU Plan, COM(2022) 230 final, (18.5.2022).

The Member State has undertaken satisfactory efforts to limit the potential harm to environmental objectives where feasible and to mitigate harm through other measures.

As regards the expansion of the LNG terminal on Krk, the environmental impact assessment undertaken for the original terminal already envisaged the capacity of up to 8.3 bcm/y. Therefore, the Ministry of Economy and Sustainable Development issued a Decision confirming that there is no need to carry out a new environmental impact assessment for the expansion of the capacity of the LNG terminal to 6.1 bcm/y. An environmental impact assessment has been conducted for all proposed projects on upgrades of the gas pipeline infrastructure by the Croatian authorities. Results of the relevant environmental impact assessments confirm that the projects will be implemented in compliance with the applicable EU and national environmental legal framework, which will help mitigate harm, in particular by protecting air quality, water bodies, soil and biodiversity. Physical climate risks to the gas network infrastructure project will be identified by performing a robust climate risk and vulnerability assessment that takes into account climate projections in the current National Adaptation Strategy, and adaptation solutions to ensure resilience and early warning systems will be considered as part of the gas network expansion. A waste management plan is envisaged by the environmental impact assessments, according to which measures will be undertaken to separate collection of municipal waste and hazardous materials. In case of decommissioning of the projects, measures are envisaged on separate collection of useful and hazardous waste. Given the nature of the measure, it is not feasible to take fully into account the climate mitigation and climate adaptation objectives. However, supporting documents provided on the planned capacity of the project, demonstrate that the scale of the measure is not larger than necessary in order to meet the EU's security of energy supply needs. Based on the analysis of the supporting documents provided by Croatia, the Commission considers that satisfactory efforts have been undertaken to limit the potential harm to environmental objectives, where feasible, in line with Article 21c(6), point (b) of Regulation (EU) 2021/241.

The measure does not jeopardise the achievement of the Union's 2030 climate targets and the objective of EU climate neutrality by 2050.

The expansion of the LNG terminal on Krk and of the relevant gas pipeline infrastructure is envisaged to meet only the strictly necessary security of supply needs and does not increase further gas consumption within the Union as it aims at replacing the gas capacity originally imported from Russia. The measure is aligned with broader energy and climate policy. The LNG terminal on Krk was included already in the National Energy and Climate Plan from 2019, contributing to diversifying natural gas supply routes and increasing security of supply of Croatia, but also of Central and South-East Europe. The National Energy and Climate Plan from 2019 envisaged a phased approach of the construction of the LNG terminal on Krk, with later potential upgrades of the terminal, but also of the relevant gas pipeline infrastructure. The draft updated National Energy and Climate Plan includes the increase of the capacity of the LNG terminal to 6.1 bcm/y, as well as the increased capacity of gas transmission to Slovenia and Hungary, all of which will be addressed with the measure in question. In addition, the modified Recovery and Resilience Plan, including the REPowerEU chapter, contains reforms and investments to promote energy efficiency, renewable energy, and sustainable mobility, all of which are expected to contribute to

the achievement of the Union climate target by 2030 and climate neutrality by 2050. Based on the analysis of the supporting documents provided by Croatia, the Commission considers that the measure does not jeopardise the achievement of the Union's 2030 climate targets and the objective of EU climate neutrality by 2050, in line with Article 21c(6), point (c) of Regulation (EU) 2021/241.

The measure is planned to be in operation by 31 December 2026.

According to the supporting documents provided by Croatia, the commissioning of the expanded LNG terminal on Krk is expected in September 2025, and that of the Zlobin - Bosiljevo pipeline in February 2025. In addition, the contracts for the equipment and pipelines for the expansion of the Zlobin - Bosiljevo pipeline was concluded in February 2023, while the contract for the regasification module for the expansion of the LNG terminal was concluded in April 2023. The commissioning of the Bosiljevo – Sisak – Kozarac pipeline is expected in October 2026 and that of section Lučko - Zabok of the Croatia – Slovenia interconnector in November 2025. Based on the analysis of the supporting documents provided by Croatia, the measure is planned to be in operation by 31 December 2026, in line with Article 21c(6)(d) of Regulation (EU) 2021/241.

The total estimated costs of the measures in the REPowerEU chapter, without the measures benefitting from the DNSH exemption is EUR 2,364 million, which is higher than the ETS allocation of EUR 269 million and EUR 7.2 million from BAR transfer.

Taking into consideration the assessment of all the measures envisaged, no measure for the implementation of reforms and investments projects included in Croatia's modified recovery and resilience plan, including its REPowerEU chapter, is expected to do a significant harm to environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 (the principle of 'do no significant harm'). The targeted exemption for the measure in the REPowerEU chapter receives a positive assessment as the necessary requirements have been met. This would warrant a rating of A under criterion 2.4 of Annex V to the RRF Regulation.

3.5. Green transition

Climate target

The modified Recovery and Resilience Plan of Croatia continues to correctly apply the methodology for climate tagging set out in Annex VI to the RRF Regulation, by identifying intervention fields, and corresponding coefficients for the calculation of support to the climate objectives, for each measure (the table in Annex I presents the detailed application of the climate tagging methodology). It should be noted that:

a) for the tagging and estimated expenditure of existing measures that have not been modified, the tagging as reflected in the previous SWD (2021) 147 final remains unchanged.
b) for modified measures and new measures of the modified plan:
    - when they consist of several sub-measures the plan indicates an intervention field for each sub-measure, and climate tagging is computed at sub-measure level

- the choice of intervention fields for the green transition is well justified and it reflects the nature, focus, objective, or expected outcome of the investments included in the component
- the plan does not propose to increase the climate coefficients of the selected intervention fields for any measure.

The modified Croatian plan includes measures supporting climate change objectives for an amount which represents 39.02% of the total plan's allocation (EUR 3.92 billion out of EUR 10.04 billion) in the form of repayable and non-repayable financial contribution, including the allocations of the REPowerEU chapter. Measures supporting climate change objectives represent 62.63% of the total estimated costs of measures in the REPowerEU chapter, according to the methodology for climate tracking set out in Annex VI of the Recovery and Resilience Facility Regulation. Therefore, the climate change contribution of the total plan, as well as of the REPowerEU chapter, exceeds the minimum climate target of 37% as set out in the Regulation.

The modified Recovery and Resilience Plan contains reforms and investments that are expected to significantly contribute to the green transition, including biodiversity, addressing the country specific recommendation as well as to the achievement of the Union climate target by 2030 and climate neutrality by 2050.

The modified plan includes significant new and upscaled measures related to energy networks, gas infrastructure, uptake of renewable energy sources, renovation of buildings, energy poverty, zero-emission transport and renewable hydrogen, all under the REPowerEU chapter. In total, one new reform and five investments to deliver on the REPowerEU objectives are included, while four existing reforms and four investments have been scaled up. In addition, one investment in energy efficiency of buildings and renewables from the original Recovery and Resilience Plan has been moved to the REPowerEU chapter in view of the reduced grant allocation of Croatia. In particular, the modified plan includes investments in energy grid and storage, hydrogen projects in the North Adriatic Hydrogen Valley, the purchase of additional 103 hydrogen or electric buses supporting sustainable public transport. The plan includes measures to ensure security of gas supply, by expanding the capacity of LNG terminal and gas infrastructure with relevant pipeline interconnectors. The additional measures will support the energy renovation of buildings, address energy poverty and improve the management of construction waste from buildings with the status of a cultural good (Component 6.1). In addition, significant additional investments will support improved water management (Component 1.3) and sustainable transport (Component 1.4). These measures are expected to have a lasting impact supporting Croatia's climate and energy transition.

Taking into consideration the assessment of all the measures envisaged, the modified Recovery and Resilience Plan, including its REPowerEU chapter, is expected, to a large extent, to make a significant contribution to the green transition or to address the challenges resulting from it and ensures that at least 37% of its total allocation contributes to the climate target. At least 37% of the total estimated costs of the REPowerEU chapter alone contribute to the climate target. This would warrant a rating of A under criterion 2.5 of Annex V to the RRF Regulation.

3.6. Digital transition

The modified recovery and resilience plan continues to build on the existing measures contributing to the digital transition while increasing the level of ambition of investments in the digitalisation of the transport sector and in smart energy systems and related storage.

Based on the methodology set out in Annex VII to the RRF Regulation, the contribution to digital objectives accounts for 20.09% of the modified plan's maximum financial contribution excluding the REPowerEU chapter.

Taking into consideration the assessment of all the measures envisaged, the modified recovery and resilience plan is expected, to a large extent, to make a significant contribution to the digital transition or to address the challenges resulting from it and ensures that at least 20% of its total allocation (excluding the measures in the REPowerEU chapter) contributes to supporting digital objectives. This would warrant a rating of A under criterion 2.6 of Annex V to the RRF Regulation.

3.7. Lasting impact of the plan

The modified Recovery and Resilience Plan maintains the ambition of the initial plan while increasing the focus on the green transition, in line with the REPowerEU objectives, and stepping up existing measures in education, health, labour market, social protection and public administration. This should further enhance the lasting impact of the plan on Croatia's productivity and its economic, social and institutional resilience.

Investments included in the REPowerEU chapter strengthen the commitment to the decarbonisation of the energy and transport sector and raise the ambition of greening the economy. Croatia proposed to scale up existing measures to encourage the uptake of renewable energy sources by introducing a new system of self-consumption and supporting the design of additional green urban renewal strategies and the implementation of pilot projects for the development of green infrastructure. The modified plan also increases investments in the greening of public transport to procure additional hydrogen and electric-powered vehicles, and improve the quality of alternative fuel infrastructures in road transport. It also proposes new investments in hydrogen and electric charging infrastructure. New investments also focus on the use of geothermal energy and sustainable biomethane production. Croatia has proposed to scale up the energy renovation of buildings, including buildings damaged by two devastating earthquakes that took place in 2020. By increasing funds allocated to renovation, Croatia aims to improve energy efficiency and address energy poverty in the long term. The long-term security of energy supply is being addressed through additional storage capacity, smart meters projects and grid investment, as well as new investments in electricity transmission and LNG capacity. The modified plan also steps up the effort to deliver major improvements of basic infrastructure, benefitting citizens as well as contributing to long-term sustainable development. This includes additional investments in the waste management infrastructure, addressing the need to increase the level of wastewater collection and treatment, as well as additional investments into the (re)construction of the public water supply network with the aim of reducing water losses and expanding access to drinking water.

The modified plan builds on existing reforms and proposes new reforms that address long-term economic, social and environmental priorities. Croatia strengthened the ongoing reform of public

administration to ensure that wages in civil service incentivise performance based on a transparent and fair system of evaluation and rewards. The modified Recovery and Resilience Plan raises the ambition of the education system reform by scaling up investments into primary school infrastructure for one-shift teaching, an important step in improving the quality of the education system. Reforms in the construction sector focus on strengthening circular economy in construction and developing green skills and competences. A new reform focuses on strengthening the role of the financial sector in the green transition by fostering the development of sustainable finance. Croatia proposed to develop a comprehensive strategy for the development of capital markets, which will form the basis for targeted actions to improve access to finance for businesses and expand savings and investment opportunities.

Taking into consideration all reforms and investments envisaged by Croatia in its modified Recovery and Resilience Plan, their implementation is expected, to a large extent to bring about a structural change in the administration and in relevant policies and to have a lasting impact. This would warrant a rating of A under criterion 2.7 of Annex V to the RRF Regulation.

3.8. Milestones, targets, monitoring and implementation

The overall number of milestones and targets in the Croatia's modified Recovery and Resilience Plan remains balanced and manageable. There are three new reforms and seven new investments in the revised Plan. Each of the new reforms and investments includes at least one target and/or milestone that contains the key elements of the measure and allows for the assessment of the achievement of its objectives.

The relevant verification mechanisms, data collection systems and responsibilities can be qualified as clear, robust and effective to ensure full and timely completion of milestones and targets. The assessment of the adequacy of the Recovery and Resilience Plan's implementation structure, arrangements for the monitoring of progress and reporting, and the overall organisational arrangements remains unchanged.

Overall, the arrangements proposed by Croatia in its modified Recovery and Resilience Plan are expected to be adequate to ensure effective monitoring and implementation of the plan, including the envisaged timetable, milestones and targets, and the related indicators. This would warrant a rating of A under the assessment criterion 2.8 of Annex V to the RRF Regulation

3.9. Costing

Croatia provided individual estimated costs for all the new measures in the modified Recovery and Resilience Plan that entail a cost, including the REPowerEU chapter. Croatia also provided individual justifications for all the measures whose modifications entailed a change in the cost estimates or a related target, including on the proportionality of the relevant amendments. Finally, Croatia has provided cost estimates for the additional loans requested.

The cost information provided by Croatia is mostly sufficiently detailed and substantiated. Croatia provided estimates and assumptions on costs using the standard template table, which was intended to summarize the key information and evidence on costing, including the methodology underlying the cost calculations.

Croatia also submitted additional documents and materials intended to clarify costing estimates and provided costing data and benchmarks on comparable investments done in the past or in other countries. These documents also include descriptions and explanations of the main drivers and changes in the costs of the amended measures and their proportionality.

The assessment of the cost estimates and supporting documents shows that the majority of the costs of the new measures are well justified, reasonable, plausible, do not include costs covered by existing or planned EU financing and are commensurate to the expected economic and social impact of the envisaged measures. Moreover, the changes in the cost estimates of the modified measures are justified and proportional.

Reasonable costs

Assumptions used by Croatia to estimate the costs of the new measures and those in the REPowerEU chapter provide a reasonable explanation of their primary cost drivers. The provided materials generally allow for identifying the methodology behind the cost estimates, with no concrete evidence that would undermine the reasonability of the costing provided.

New measures in the Croatian modified Recovery and Resilience Plan, including those in the REPowerEU chapter, comply with the eligibility criteria set out in the RRF Regulation. All costs are incurred for reforms and investments after February 2020 and after February 2022 for the measures in the REPowerEU chapter. Value-added tax (VAT) is not included in any of the cost estimates. Some of the measures included temporary recurrent costs that are acceptable, as relevant justifications are provided, showing that these costs are temporary and in line with the objective of the measures.

The reasonability of the costs of the modified measures have not changed from the initial assessment of these measures. Changes in the cost estimates for all of them are duly justified and proportional. In the case of measures whose costs are being amended under Article 21(1) of Regulation (EU) 2021/241, sufficient information was provided to justify the objective circumstances and the proportionality of the changes in the cost estimates or related target. In this context, the reasonability of the cost estimates, taking into account the new measures, including those in the REPowerEU chapter, and the amended measures, was established to a medium extent.

Plausible costs

The amount of the estimated costs of new measures, including those in the REPowerEU chapter, is in line with the nature and type of the envisaged reforms and investments. Croatia provided supporting documents and evidence to substantiate the cost estimates for most of the new measures, including those in the REPowerEU chapter.

The plausibility of the costs of the modified measures has remained mostly unchanged from the initial assessment taken into consideration that the changes in the cost estimates generally are duly justified and proportional. Sufficient information was provided to justify the objective circumstances and the proportionality of the changes in the cost estimates or related target.

Considering the limitations of an ex-ante assessment of cost estimates, the amounts proposed for financing were deemed appropriate and seen as establishing the plausibility of the cost estimates to a medium extent.

No double funding

Croatia has indicated for each individual new measure, including those in the REPowerEU chapter, that the costs to be financed by the RRF will not be funded at the same time by other Union funding sources. Furthermore, the set-up to prevent, detect and correct double funding has not been altered by the modification of the plan.

As concerns REPowerEU, investment C7.1 R1-I2 (Establishment of a hydrogen-based economy (through the North Adriatic Hydrogen Valley) has potential complementarity with an ongoing Horizon Europe project. For avoidance of potential double-funding, Croatia (i) clearly indicated the costs to be financed under the Recovery and Resilience Plan which are different from the costs financed from Horizon Europe and (ii) committed to include a binding provision in the upcoming call for co-financing clearly instructing the applicants to make a binding declaration on no double finding upon submission of their application. For the purpose of verifying lack of double funding, the responsible authorities will cross-check the data as set out in the Common national rules.

Commensurate and cost-efficient costs

The total cost of the modified Croatian recovery and resilience plan is commensurate to the expected social and economic impact of the envisaged measures. The plan is expected to effectively address a significant subset of challenges identified in the CSRs. The main objectives of the plan are to foster the twin transition, address bottlenecks to a lasting and sustainable growth, job creation and economic, social and institutional resilience, thereby reducing vulnerability to shocks.

The plan contributes to strengthening social cohesion and social protection and to the implementation of the European Pillar of Social Rights. The plan enhances the economic, social and territorial cohesion and convergence within the Union. The economic and social impact of the plan in combination with the positive cost assessment, indicates that the cost is in line with the principle of cost-efficiency.

The justification provided by Croatia on the amount of the estimated total costs of the modified recovery and resilience plan is to a medium extent reasonable, plausible, in line with the principle of cost-efficiency and is commensurate to the expected national economic and social impact. Croatia provided sufficient information and evidence that the amount of the estimated cost of the reforms and investments of the modified recovery and resilience plan to be financed under the Facility is not covered by existing or planned Union financing. This would warrant a rating of B under the assessment criterion 2.9 of Annex V to the RRF Regulation.

3.10. Controls and audit

The original assessment of the robustness and adequacy of the control system and other arrangements included in the Croatian RRP had concluded that these arrangements are adequate subject to the timely fulfilment of four milestones pertaining to the organisation of the system and the treatment of data and organisation of audits. This warranted a rating of A under the assessment criterion 2.10 of Annex V to the RRF Regulation.

The Croatian authorities have confirmed that the internal control system, as well as arrangements for the prevention, detection and correction of fraud, corruption, conflict of interest and double funding as previously assessed remain in place. In addition, certain additional assurances have been provided as per agreed milestones included in the annex to the original Council Implementing Decision—namely the entry into force of the Government Decisions enacting (a) the Directorate for Macroeconomic Analysis within the Ministry of Finance as Coordinating Body, (b) the Agency for the audit of the EU programme implementation system as the Audit Authority, (c) monitoring and control system and update of procedures, as well as the implementation of a repository system for monitoring the implementation of the RRP, including for the collection and storage of data required by Article 22(2)(d)(i) to (iii). The adequacy of these measures has been assessed by the Commission during the first payment request, including the commitments fulfilled by the second payment request.

The modifications to the original plan and the introduction of the REPowerEU chapter as such do not affect the original assessment. However, in the context of the modification of the Croatian RRP, its audit and control system need to be reassessed on the basis of criteria 2.10 of Annex V to the RRF Regulation. Since the original assessment, the Commission has had access to information on its actual implementation. This includes the preliminary findings of the audit on the protection of the financial interests of the Union performed by the Commission in Croatia (HR-Q2-2023-PFIU). The Croatian authorities took adequate steps to address the recommendations in this report, including a thorough update of the rules ensuring the protection of the financial interests of the Union.

In light of this information, the Commission considers that the internal control system of the Croatian RRP is overall adequate.

Robustness of internal control system and distribution of roles and responsibilities

The previous assessed arrangements as regards the roles and responsibilities of the actors for control and audit, segregation of functions and independence of actors performing audits remain adequate and were further enhanced through entry into force of the Government Decisions enacting the Directorate for Macroeconomic Analysis within the Ministry of Finance as Coordinating Body and the Agency for the audit of the EU programme implementation system as the Audit Authority.

Adequacy of control systems and other relevant arrangements

The control system and other arrangements to prevent, detect and correct fraud, corruption and conflicts of interest when using funds provided by RRF continue to appear overall adequate. The implementation of an IT system for monitoring and control of the measures, as well as for collection of data in line with the requirements of Article 22(2)(d)(i) to (iii) of the RRF Regulation is confirmed. A new Guideline was developed by the Croatian authorities to ensure ex-ante controls on conflict of interests by the contracting authorities are conducted using a risk scoring tool.

Adequacy of arrangements to avoid double funding

The previously assessed arrangements as regards the prevention, detection and correction of double funding remain in place as initially assessed by the Commission.

Legal empowerment and administrative capacity of control function

Legal mandate of all the institutions involved in implementation, control and audit has been approved through the adoption of Government Decisions enacting the Directorate for Macroeconomic Analysis within the Ministry of Finance as Coordinating Body and the Agency for the audit of the EU programme implementation system as the Audit Authority. The Act on the institutional framework for EU funds entered into force on 4 November 2021 with the publication in Official Gazette no. 116/2021 set up the framework for administrative capacity of the main institutions involved in monitoring and control. These recently adopted legal acts have confirmed the mandate and administrative capacity of the Audit Authority, as well as their independence.

Conclusion

The nature and extent of the proposed modifications to Croatia's recovery and resilience plan do not have a material impact on the previous assessment (rating of A) of the adequacy of the control and audit arrangements proposed by Croatia.

3.11. Coherence

Croatia's modified Recovery and Resilience Plan is structured around five coherent components, initiative 6.1, and the REPowerEU chapter, all of which contribute to the general and specific objectives of the RRF.

Each component is built around consistent packages of both reforms and investments, with mutually reinforcing or complementary measures.

The wide range of measures supports the common objectives of stimulating the recovery of Croatia's economy and strengthening its resilience against future shocks. The Plan includes important reforms to improve water and waste management, education, renewable energy sources uptake and further support the green and digital transition, providing for sustainable and inclusive growth.

The modification of the Recovery and Resilience Plan includes changes in all existing five components and initiative 6.1 while bringing in additional reforms and investments under the REPowerEU chapter. The modified plan does not alter the complementarity of the five components and initiative 6.1, and continues pursuing consistent and coherent objectives. The scaled-up and newly introduced measures under the REPowerEU chapter provide a new layer of complementarity on the energy transition and decarbonisation effort by complementing or reinforcing existing measures on clean energy, sustainable mobility and renovation of buildings.

In order to promote wider coherence across instruments, notably with the European cohesion policy funds, a balanced territorial allocation of resources is encouraged.

Taking into consideration the qualitative assessment of all components of Croatia's modified Recovery and Resilience Plan, their individual weight (importance, relevance, financial allocation) and their interactions, the plan contains measures for the implementation of reforms and public investments which, to a high extent, represent coherent actions. This would warrant a rating of A under the assessment criterion 2.11 of Annex V to the RRF Regulation.

3.12. REPowerEU

The REPowerEU chapter includes measures related to energy networks, liquefied natural gas and gas infrastructure, uptake of renewable energy sources, renovation of buildings, energy poverty, zero-emission transport, green skills and renewable hydrogen. Therefore, they contribute to improving security of supply and diversification of Union's supply for gas, boosting energy efficiency in buildings, reducing the dependency on fossil fuels by increasing the production and uptake of renewables such as sustainable biomethane, renewable hydrogen and geothermal, increasing the share and accelerating the deployment of renewable energy, addressing energy poverty, increasing energy security and addressing bottlenecks in electricity distribution, supporting zero-emission transport, and supporting requalification of the workforce towards green skills, in line with Article 21c(3) points (a), (b), (c), (e), and (f) of the RRF Regulation.

Measures contributing to the REPowerEU objectives of improving security of supply and diversification of the Union's supply for gas under **Article 21c(3)(a) of the RRF Regulation include the new investment C7.1 I3 "Increasing the capacity of the LNG terminal on the island of Krk and strengthening the gas infrastructure".** This investment in liquefied natural gas and gas infrastructure includes the expansion of the LNG terminal Krk to 700,000 m3/h (6.1 bcm/y), and the expansion of the Zlobin - Bosiljevo pipeline, an evacuation pipeline towards Hungary, the Bosiljevo – Sisak – Kozarac, and section Lučko - Zabok of the Croatia – Slovenia interconnector. This investment will provide an alternative gas route to Croatia's neighbouring Member States such as Slovenia and Hungary since the LNG terminal Krk already has sufficient capacity (2.9 bcm/y) to meet the annual Croatian gas demand. The investment will have a long-lasting impact since it will contribute to the security of supply and reduced dependency on Russian gas of Croatia's neighbouring Member States such as Slovenia, Hungary, but possibly also Austria (if the Ceršak – Murfeld interconnector is upgraded to allow for gas flow from Slovenia to Austria). Investment C7.1 I3 is coherent with other efforts of Croatia since there is synergy with measures

in Component 1.2. Requirements for the targeted derogation of the principle of "do no significant harm" under Article 21c(6) of the RRF Regulation have been met.

Measures contributing to the REPowerEU objectives of boosting energy efficiency in buildings under **Article 21c(3)(b) of the RRF Regulation,** include a scaled-up **investment C7.2 I2 "Renovation of buildings damaged in earthquakes with energy renovation"** transferred from the original Recovery and Resilience Plan to the REPowerEU chapter after the grant allocation reduction, as well as the scaled-up **investment C7.2 I1 "Energy renovation of buildings"**. The scaled-up investment C7.2 I1 will provide additional allocation for multi-dwelling buildings, energy renovation of public buildings under the ESCO model and energy renovation of public buildings, due to very high interest of current and potential new applicants. Moreover, the scaled-up investment C7.2 I2 will provide additional funds to complete the renovation of public buildings already started or contracted under the European Solidarity Fund and renovate damaged multi-apartment buildings. These investments will have a long-lasting impact since they will contribute to improving energy efficiency and the sustainability of the Croatian buildings sector, therefore reducing energy consumption. The investments in energy and post-earthquake renovation are coherent with other efforts by Croatia since there is synergy with measures in C1.2 and 6.1.

Measures contributing to the REPowerEU objectives of reducing the dependency on fossil fuels by increasing the production and uptake of renewables such as sustainable biomethane, renewable hydrogen and geothermal, and increasing the share and accelerating the deployment of renewable energy under **Article 21c(3)(b) of the RRF Regulation,** include: **investment C7.1 R1-I5 "Biorefinery for the production of advanced biofuels Sisak"** transferred from the original Recovery and Resilience Plan to the REPowerEU chapter after the grant allocation reduction; scaled up **reform C7.1 R1 "Decarbonisation of the energy sector",** and **investment C7.1 R1-I1 "Hydrogen use and new technologies"** transferred from the original Recovery and Resilience Plan to REPowerEU chapter after the grant allocation reduction; as well as new investments **C7.1 R1-I2 "Establishment of a hydrogen-based economy (through the North Adriatic Hydrogen Valley)"; and C7.1 R1-I3 and C7.1 R1-I4 "Strengthening the use of renewable energy sources in transport and heating".** The scaled-up reform C7.2 R1 envisages setting up a new system of self-consumption that would accelerate the uptake of renewables sources of energy, such as solar photovoltaics on single family houses and multiapartment buildings. The transferred investment C7.1 R1-I5 includes the construction and entry into operation of a biorefinery facility in Sisak, while the transferred investment C7.1 R1-I1 provides for new renewable hydrogen production of 10 MW, the construction of six hydrogen charging stations and a set of studies for geological CO2 underground storage in Croatia. The new investment C7.2 R1-I2 entails co-financing of renewable hydrogen projects in the context of the North Adriatic Hydrogen Valley, designating the Croatian Hydrocarbon Agency as the hydrogen coordinating body in Croatia, and adoption of the hydrogen development plan and program. Moreover, the new investments C7.1 R1-I3 and C7.1 R1-I4 includes additional geothermal exploration and drilling for the purpose of district heating, production of sustainable biomethane, as well as two reforms, on adopting a geothermal potential development plan and establishing certification of biogas. These reforms and investments will have a long-lasting impact since they will contribute to the decarbonisation of the economy and transport sector and will reduce dependency on fossil fuels. These measures are coherent with other efforts of Croatia since there is synergy with measures in Component 1.2. and 1.4.

One sub-measure in the chapter contributes to the REPowerEU objectives of addressing energy poverty, under **Article 21c(3)(c) of the RRF Regulation,** namely a scaled-up investment **C7.2 I1 "Energy renovation of buildings"** that provides additional funding for the ongoing Energy Poverty Programme due to a very high interest of applicants. This investment will have a long-lasting impact since it will contribute to reducing energy consumption and increasing energy efficiency thereby mitigating energy poverty. The investment is coherent with other efforts of the Member State since there is synergy with measures in Component 1.2 and 6.1.

Measures contributing to the REPowerEU objectives of incentivising the reduction in energy demand under **Article 21c(3)(d) of the RRF Regulation,** include a scaled-up reform C7.2 R1 "**Increasing efficiency, reduction of administrative burden and digitalisation of the renovation process**", and reforms C7.2 R2 and C7.2 R3 "**Introduction of a new model of green urban renewal strategies and implementation of pilot projects for the development of green infrastructure and circular management of buildings and space**". These measures will have a long-lasting impact since they will contribute to raising citizens' awareness on the benefits of energy renovation, ensure the development of green urban renewal strategies and test green infrastructure and circular management solutions through the pilot projects, thereby incentivising reduction in energy demand. The investment is coherent with other efforts of Croatia since there is synergy with measures in Component 1.2 and 6.1.

One measure in the chapter contributes to the REPowerEU objectives of increasing energy security and addressing bottlenecks in electricity distribution, under **Article 21c(3)(e) of the RRF Regulation.** The new investment **C7.1 R1-I6 "Strengthening the transmission and distribution capacities of the electricity network"** will improve the electricity transmission capacity, and better evacuation of electricity from the south to the north of Croatia. This investment will have a long-lasting impact since it will contribute to increasing energy security and addressing bottlenecks in electricity distribution thereby allowing for better integration of renewable energy sources. This measure is coherent with other efforts of Croatia since there is synergy with measures in Component 1.2. and 1.4.

Measures contributing to the REPowerEU objectives of supporting zero-emission transport, under **Article 21c(3)(e) of the RRF Regulation,** include the scaled-up investments **C7.1 I1 "Procurement of alternative-fuel-powered vehicles for public urban and suburban regular transport"** and **C7.1 I2 "Co-financing programme for the purchase of new alternative fuel vehicles and the development of alternative fuel infrastructures in road transport"**; as well as new **investments C7.1 R1-I2 "Establishment of a hydrogen-based economy (through the North Adriatic Hydrogen Valley)", C7.1 R1-I4 "Strengthening the use of renewable energy sources in transport and heat"**; and **investment C7.1 R1-I5 "Biorefinery for the production of advanced biofuels Sisak"** transferred from the original Recovery and Resilience Plan to REPowerEU chapter after the grant allocation reduction**.** The scaled-up investment C7.1 I1 envisages procurement of additional 103 electric or hydrogen buses and one innovative hydrogen energy unit for powering electric locomotives (HERMES unit), while investment C7.1 I2 includes faster electric charging stations of minimum charging capacity of 50 kW, instead of originally envisaged 20 kW. The new investment C7.1 R1-I2 entails retrofitting of five diesel locomotives to hydrogen and five charging stations for buses, trains and/or maritime transport, and investment

C7.1 R1-I4 includes new electric buses charging infrastructure. These investments will have a long-lasting impact since they will contribute to the decarbonisation of the transport sector and will reduce dependency on fossil fuels. The transferred investment C7.1 R1-I5 includes the adoption of a plan for the production and use of biofuels in transport. These measures are coherent with other efforts of Croatia since there is synergy with measures in Component 1.2. and 1.4.

Measures contributing to the REPowerEU objective of contributing to green skills, under **Article 21c(3)(f) of the RRF Regulation,** include a new **reform C7.2. R4 "Introduction of a new model for the preparation, organisation and implementation of adult learning programmes aimed at developing green skills and competences in the construction sector for foreign workers from third countries"**. This reform introduces a new model of adult learning programmes aimed at developing green skills and competences in the construction sector for non-EU foreign workers. This reform will have a long-lasting impact since it will contribute to supporting the requalification of the workforce towards the green transition. This measure is coherent with other efforts of Croatia since there is synergy with measures in Components 4 and 6.1.

As part of the preparation of its REPowerEU chapter, the Croatian authorities organised consultations with stakeholders, focusing primarily on the potential beneficiaries of relevant measures.

Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the chapter is expected, to a large extent, to contribute effectively to energy security, the diversification of the Union's energy supply, an increase in the uptake of renewables and in energy efficiency, an increase of energy storage capacities or the necessary reduction of dependence on fossil fuels before 2030. This would warrant a rating of A under criterion 2.12 of Annex V to the RRF Regulation.

3.13. Cross-border or multi-country dimension or effect

Eleven measures included in the Croatia's REPowerEU chapter have a cross-border or multi-country dimension or effect.

The investment in the expansion of the LNG terminal on the island of Krk and of the relevant gas pipeline infrastructure has a multi-country and cross-border dimension since it will increase the security of supply, by providing alternative gas route to South-East Europe, in particular Slovenia and Hungary. The investments in the upgrade of the electricity network also have a cross-border dimension, as they are expected to enable connection of a higher share of renewables to the network and decrease the demand for fossil fuels. Hydrogen related investments, the investment in biorefinery for the production of advanced bioethanol, the investments in geothermal energy and sustainable biomethane have a cross-border dimension since they will increase the share and uptake of renewable energy, thereby reducing demand for fossil fuels. The investments in deployment of alternative fuel buses and alternative fuels infrastructure will reduce dependency on fossil fuels. The investments in renovation of buildings will increase energy efficiency, thereby reducing energy demand and dependency on fossil fuels.

The total costs of these measures account for a total of EUR 2,904.99 million representing more than 30% of the estimated costs of the REPowerEU chapter.

Table 3: REPowerEU measures with cross-border or multi-country dimension or effect

REPowerEU measure with cross-border or multi-country dimension or effect	Costs (EUR million)	Contribution to the target in % of the REPowerEU chapter estimated costs
Investment C7.1 R1-I1 - Hydrogen use and new technologies	44.59	1.52 %
Investment C7.1 R1-I2 - Establishment of a hydrogen-based economy (through the North Adriatic Hydrogen Valley)	58.5	2 %
Investments C7.1 R1-I3 and C7.1 R1-I4 – Strengthening the use of renewable energy sources in transport and heating	105	3.6 %
Investment C7.1 R1-I5 – Biorefinery to produce advanced biofuels Sisak	99.54	3.4 %
Investment C7.1 R1-I6 – Strengthening the transmission and distribution capacities of the electricity network	99.5	3.4 %
Investment C7.1 I1 – Scaled-up measure: Procurement of alternative-fuel-powered vehicles for public urban and suburban regular transport	100.18	3.42 %
Investment C7.1 I2 – Scaled-up measure: Co-financing programme for the purchase of new alternative fuel vehicles and the development of alternative fuel infrastructures in road transport	32	1.1 %
Investment C7.1 I3 – Increasing the capacity of the LNG terminal on the island of Krk and strengthening the gas infrastructure	559	19.1 %
Investment C7.2 I1 – Scaled-up measure: Energy renovation of buildings	281.77	9.63 %
Investment C7.2 I2 – Renovation of buildings damaged in earthquakes with energy renovation (investment C.6.1 R1-I2 transferred from the already adopted Council implementing decision), including a scaled-up part	1,524.91	52.12 %

Total	2,904.99	99.29 %

Taking into consideration the assessment of all the measures envisaged in the REPowerEU chapter, the measures in the chapter are expected, to a large/moderate extent, to have a cross-border or multi-country dimension or effect. This would warrant a rating of A under criterion 2.13 of Annex V to the RRF Regulation.

ANNEX I: Climate tracking and digital tagging

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C1.1.1. R1-I1	Digitalisation of government and public administration services by business sector (G2B)	4.6	011	0%	011	100%
C1.1.1. R1-I2.b	Continued administrative and fiscal burden relief, and a better regulatory environment	1.1	011	0%	011	100%
C1.1.1. R4-I1.a	Supporting businesses for the transition to an energy and resource-efficient economy – SMEs	99.5	047	40%		0%
C1.1.1. R4-I1.b	Supporting businesses for the transition to an energy and resource-efficient economy – large companies	152.6	047bis	40%		0%
C1.1.1. R4-I2.a	Financial instruments for micro, small and medium-sized enterprises – green part	27.9	047	40%		0%
C1.1.1. R4-I2.c	Financial instruments for micro, small and medium-sized enterprises – digital part	23.2	010	0%	010	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C1.1.1. R4-I3.a	Mid-cap financial instruments businesses and large entities – green part	26.5	047bis	40%		0%
C1.1.1. R4-I4.a	Financial instruments for public sector entities – green part	8.0	047bis	40%		0%
C1.1.1. R6-I1	Transforming and strengthening the competitiveness of cultural and creative industries	33.2	021	0%	021bis	100%
C1.1.1. R6-I2	Establishing media fact-check and public disclosure system	6.6	021	0%	021bis	100%
C1.1.2. R3-I1	Preparation of strategic documents for the digital transformation of the economy and artificial intelligence	0.4	021	0%	021ter	100%
C1.1.2. R3-I2	Digital vouchers	10.0	010	0%	010	100%
C1.1.2. R3-I3	Grant support for digitalisation	27.3	010	0%	010	100%
C1.1.2. R4-I1	Support for Digital Innovation Hubs	7.5	010	0%	010	100%
C1.2. R1-I1	Revitalisation, construction and digitalisation of the energy system and supporting infrastructure to decarbonise the energy sector	542.2	033	100%	033	40%
C1.2. R1-I2.a	Fostering energy efficiency, heat and	30.0	024	40%		0%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
	renewable energy to decarbonise the energy sector – SMEs part					
C1.2. R1-I2.b	Fostering energy efficiency, heat and renewable energy to decarbonise the energy sector – industry	30.9	024bis	40%		0%
C1.2. R1-I2.c	Fostering energy efficiency, heat and renewable energy to decarbonise the energy sector – geothermal renewable energy	30	032	100%		0%
C1.3. R1-I1.b	Programme for the development of public sewerage – water supply	64.6	039bis	40%		0%
C1.3. R1-I2.a	Programme for the development of public water supply	312.6	039bis	40%		0%
C1.3. R1-I2.b	Programme for the development of public water supply – digital part	8.3	040	40%	011	100%
C1.3. R1-I3.a	Disaster risk reduction programme in the water management sector – risk reduction	124.6	035	100%		0%
C1.3. R1-I3.b	Disaster risk reduction programme in the water management sector – green infrastructure	33.1	050	40%		0%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C1.3. R2-I1	Disposal reduction programme	146.0	044	40%		0%
C1.4. R1-I1	Electronic tolling system	130	063	0%	063	100%
C1.4. R1-I2	Improving the system of exercising the rights of persons with disabilities in the field of mobility	2.0	011	0%	011	100%
C1.4. R1-I3	National road transport electronic storage and data exchange system (NSCP)	7.7	063	0%	063	100%
C1.4. R1-I4	Reporting control system for road passenger and freight transport	1.9	063	0%	063	100%
C1.4. R1-I5	Monitoring of Transport of Dangerous Goods by Road (e-ADR)	2.5	063	0%	063	100%
C1.4. R2-I1	Reconstruction of existing and construction of second track of railway section Dugo Selo – Novska, sub-section Kutina – Novska (phase D)	140.7	064	100%		0%
C1.4. R2-I2	Modernisation of the line M604 Oštarije – Knin – Split	39.8	068	100%		0%
C1.4. R2-I3.a	Removing “bottlenecks” on railway infrastructure – TEN-T	18.8	068	100%		0%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C1.4. R2-I3.b	Removing "bottlenecks" on railway infrastructure – general	1.1	069	40%		0%
C1.4. R2-I4	Modernisation of Zagreb Kustošija – Zagreb Zapadni Kolodvor – Zagreb Glavni Kolodvor	29.2	067	100%		0%
C1.4. R2-I6	Use of green technologies in rail passenger transport	13.3	072bis	100%		0%
C1.4. R2-I7	Upgrading of the IT and sales system and modernization of trains with the IT system	6.4	070	40%	070	100%
C1.4. R3-I1	Modernisation programme for ports open to public traffic	11.3	081bis	40%		0%
C1.4. R3-I2	Procurement/construction of passenger ships used for regular coastal transport	40.8	074	100%		0%
C1.4. R3-I3	Construction of new cable ferry 'Križnica', Municipality of Pitomača	0.8	073	100%		0%
C1.4. R3-I4	Equipping ports and harbours with waste management infrastructure	1.5	044	40%		0%
C1.4. R4-I1	Procurement of alternative-fuel-powered vehicles for public urban and	39.8	074	100%		0%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
	suburban regular transport					
C1.4. R4-I2	Modernisation of tram fleet	59.7	074	100%		0%
C1.4. R5-I1.b	Alternative fuels infrastructure at Zadar airport	5.3	077	100%		0%
C1.4. R5-I1.c.	Capacity building for solar energy at Zadar airport	0.5	029	100%		0%
C1.4. R5-I2.b	Research, development and production of new mobility vehicles and supporting infrastructure – vehicles	179.5	N/A[3]	100%	063	100%
C1.4. R5-I3.a	Co-financing programme for the purchase of new alternative fuel vehicles and the development of alternative fuel	21.2	N/A[4]	100%		0%

[3] The "Methodology for climate tracking" annexed to the Recovery and Resilience Facility Regulation (2021/241) does not set out intervention fields that would allow for climate or environmental tracking of electric vehicles or plug-in hybrid vehicles, except for vehicles for urban transport falling under intervention field 074. According to Article 18 (4)(e) of the Regulation, the methodology should however 'be used accordingly for measures that cannot be directly assigned to an intervention field listed in Annex VI'. In this context, the Commission has applied a 100% climate contribution coefficient for zero-emission vehicles of all categories (this includes battery electric and fuel cell/hydrogen-powered vehicles).

[4] Ibid.

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
	infrastructure in road transport – vehicles					
C1.5. R1-I1.b	Construction and equipping of logistic distribution centres for fruit and vegetables – Construction of the energy efficient logistics distribution centres	37.3	025ter	40%		0%
C1.5. R1-I1.c	Construction and equipping of logistic distribution centres for fruit and vegetables - Investments into renewable energy sources (solar)	1.6	029	100%		0%
C1.5. R1-I1.d	Construction and equipping of logistic distribution centres for fruit and vegetables - Equipping of the logistic distribution centres	38.1	044	40%		0%
C1.5. R2-I2	Agricultural Land Monitoring Programme	1.7	011	0%	011	100%
C1.5. R3-I1	Deployment of digital public services	1.9	011	0%	011	100%
C1.5. R3-I2	Smart Agriculture	6.6	011	0%	011	100%
C1.5. R3-I3	Traceability System	1.7	011	0%	011	100%
C1.5 R4	Improving food donation systems	0.3	011	0%	011	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C1.6. R1-I1.b	Regional diversification and specialisation of Croatian tourism through investments in the development of high added value tourism products – energy efficiency	74.1	026	40%		0%
C1.6. R1-I2.a	Strengthening the competitiveness of entrepreneurs and fostering the green and digital transition of the tourism sector – large enterprises	83.0	047bis	40%		0%
C1.6. R1-I2.b	Strengthening the competitiveness of entrepreneurs and fostering the green and digital transition of the tourism sector - SMEs	74.7	047	40%		0%
C1.6. R1-I2.c.	Strengthening the competitiveness of entrepreneurs and fostering the green and digital transition of the tourism sector – digital part	8.3	100	0%	100	40%
C2.1. R1-I1	Optimisation, Standardisation and Digitalisation of processes for strategic management and impact assessment of public policies	1.2	011	0%	011	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C2.2. R1-I2.a	e-National Professional exam - infrastructure	0.1	055	0%	055	100%
C2.2. R1-I2.b	e-National Professional exam – support services	0.6	011	0%	011	100%
C2.2. R2-I1.b	Improving pay systems in state administration and public services, HRM and COP systems – digital part	3.5	011	0%	011	100%
C2.2. R2-I2.a	Introduction of a model for hybrid access to the workplace – smartworking – non-digital part	1.1	011	0%	011	100%
C2.2. R2-I2.c.	Introduction of a model for hybrid access to the workplace – smartworking – digital infrastructures	8.2	055	0%	055	100%
C2.2. R3-I1	Deployment of digital infrastructure and public administration services through the development of a conservation base system	10.8	011	0%	011	100%
C2.2. R3-I2.a	Improve the digital infrastructure and public sector services by developing the national archives information system and strengthening the	5.3	011	0%	011	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
	national archives network - digitalisation					
C2.2. R4-I1.b	Further optimisation and decentralisation of JLP(R)S through support for functional blending – digital part	0.9	011	0%	011	100%
C2.3. R1	Digital Croatia strategy and strengthening inter-institutional cooperation and coordination for a successful digital transition of society and economy	0.1	011	0%	011	100%
C2.3. R2-I1	Establishment of a central interoperability system	14.0	011	0%	011	100%
C2.3. R2-I2	Establishing a central data light repository and business analytics system	16.6	055	0%	055	100%
C2.3. R3-I1	Upgrading the Shared Services Centre	34.5	055	0%	055	100%
C2.3. R3-I2	Strengthening the capacity of the police to tackle cybercrime	1.8	021	0%	21quinquies	100%
C2.3. R3-I3	Establishing a one-stop shop for all e-public helpdesk services	4.1	055	0%	055	100%
C2.3. R3-I4	Consolidation of CEZIH health information infrastructure systems	13.3	095	0%	095	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C2.3. R3-I5	Digital Identity Card Deployment Project	0.9	011	0%	011ter	100%
C2.3. R3-I6	Investments in state information infrastructure networks	31.4	053	0%	053	100%
C2.3. R3-I7	Improvement of spatial planning systems, construction and state assets through digitalisation	23.9	011	0%	011	100%
C2.3. R3-I8	Creation of a digital mobile platform	4.3	011	0%	011	100%
C2.3. R3-I9	Establishing a new platform for the Electronic Public Procurement Bulletin of the Republic of Croatia	1.5	011	0%	011	100%
C2.3. R3-I10	Digitalisation and computerisation of the CES (eHZZ)	7.6	011	0%	011	100%
C2.3. R3-I11	ICT support modernisation (eHZMO)	17.1	011	0%	011	100%
C2.3. R3-I12	Digitalisation of the HZMO archives (eArhiva)	6.2	011	0%	011	100%
C2.3. R3-I13	Digital transformation of the Tax Administration	56.6	011	0%	011	100%
C2.3. R3-I14	Implementation of the non-cash payment system in the economy through eInvoices with integrated e-archives	14.2	011	0%	011	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
	and active tax accounting					
C2.3. R3-I15	Putting in place tourism applicative solutions with the aim of administratively relieving entrepreneurs and transforming the tourism model towards sustainability	5.3	011	0%	011	100%
C2.3. R3-I16	Digitalisation of processes in sport and recreation at local and regional level	1.5	011	0%	011	100%
C2.3. R4	Enhancing connectivity as a cornerstone of the digital transition of society and economy	0.4	053	0%	053	100%
C2.3. R4-I1	Implementation of projects under the National Framework Programme for the Development of Broadband Infrastructure in areas where there is no sufficient commercial interest in investment	106.2	053	0%	053	100%
C2.3. R4-I2	Construction of passive electronic communications infrastructure	19.6	051	0%	051	100%
C2.4. R5	Optimisation of State-owned property management	0.3	011	0%	011	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C2.5. R1-I1	Enhancing the Court Case Management System (efile)	2.9	011	0%	011	100%
C2.5. R1-I2	Improvement of land register information system and cadastre	3.1	011	0%	011	100%
C2.5. R1-I3	Development of a tool for the publication and search of court decisions	0.2	011	0%	011	100%
C2.5. R1-I4	Project and implementation of the Zagreb Justice Square project to improve access to justice and efficiency of commercial procedures and administrative disputes	67.9	025ter	40%		0%
C2.5. R1-I5	Implementation of energy efficiency measures to renovate obsolete judicial authorities	10.5	026bis	100%		0%
C2.5. R1-I6	A stable and resilient IT infrastructure for the Justice Information System	16.0	011	0%	011quater	100%
C2.6. R1-I2	Digitalisation of the Ethics System of Civil Servants	0.3	011	0%	011	100%
C2.6. R1-I3	Advancing the existing asset declarations system of state officials	0.1	011	0%	011	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C.2.6. R1-I4.a	Supporting efficiency in the fight against corruption and organised crime – digital investments	1.3	011	0%	011	100%
C.2.6. R1-I4.b	Supporting efficiency in the fight against corruption and organised crime – renovation of buildings	2.7	026	40%		0%
C3.1. R2-I1	Digital transformation of higher education	84.0	012	0%	012	100%
C3.2. R1-I1.b	Development of a system of programming agreements to finance universities and research institutes focused on innovation, research and development – digital part	5.9	009	0%	009bis	100%
C3.2. R1-I2.a	Strengthening institutional capacity of universities and research institutes for innovation – digital investments	4.4	021	0%	021quater	100%
C3.2. R2-I1.a	Developing an enabling model for researchers' career progression and conducting cutting-edge scientific research in STEM and ICT fields –	12.1	108	0%	108	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
	granting of scholarships					
C3.2. R2-I1.d	Developing an enabling model for researchers' career progression and conducting cutting-edge scientific research in STEM and ICT fields – Research support digital	3.1	009	0%	009bis	100%
C3.2. R2-I1.e	Developing an enabling model for researchers' career progression and conducting cutting-edge scientific research in STEM and ICT fields – support for start-ups	7.4	016	0%	016	40%
C3.2. R2-I2.a	Investing in research – technology infrastructure in STEM and ICT fields – digital equipment	15.0	055	0%	055	100%
C3.2. R2-I2.b	Investing in research – technology infrastructure in STEM and ICT fields – digital research	15.0	021	0%	021quater	100%
C3.2. R3-I1.d	Introducing a more functional R & D & I project funding programming framework – spin-offs in digital field	19.2	018	0%	018	40%
C3.2. R3-I1.e	Introducing a more functional R & D & I	19.2	021	0%	021	40%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
	project funding programming framework – digital research cooperation					
C4.1. R1a	Develop and implement new targeted active employment policy measures for the green and digital transitions of the labour market – green jobs	62.5	01	100%		0%
C4.1. R1b	Develop and implement new targeted active employment policy measures for the green and digital transitions of the labour market – digital jobs	62.5	108	0%	108	100%
C4.1. R3a	Setting up a voucher system for the education of employed and unemployed people – green jobs	0.0	01	100%		0%
C4.1. R3b	Setting up a voucher system for the education of employed and unemployed people – digital jobs	0.0	108	0%	108	100%
C4.1. R3-I1.a	Implementation of vouchers for the education of employed and	24.3	01	100%		0%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
	unemployed persons – green jobs					
C4.1. R3-I1.b	Implementation of vouchers for the education of employed and unemployed persons – digital jobs	36.5	108	0%	108	100%
C4.3. R1-I1	Enhancing the digitalisation of social benefit systems between national and local levels	0.1	011	0%	011	100%
C4.3. R1-I2	Development of a web application on the possibility to receive social benefits at national level	0.4	011	0%	011	100%
C4.3. R3-I2	Enhancing the digitalisation of welfare systems and connecting welfare centres and social service providers	0.5	011	0%	011	100%
C4.3. R3-I3	Enhancing the digitalisation of welfare systems and implementing systems for the methodology for calculating prices for social services	0.7	011	0%	011	100%
C4.3. R3-I4.b	Construction and equipping of centres for the elderly (accommodation and services) – energy renovation	9.8	026bis	100%		0%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C5.1. R1-I4	Digital image diagnostics KBC Split	2.7	095	0%	095	100%
C5.1. R1-I6	Digital image diagnostics KB Dubrava	5.3	095	0%	095	100%
C5.1. R2-I2	Purchase and implementation of equipment for the establishment of the National Oncological Network and National Oncological Database	10.6	095	0%	095	100%
C5.1. R4-I3	Digitising the pathway through health institutions at secondary and tertiary levels of healthcare	2.5	013	0%	013	100%
C5.1. R4-I4	Developing a system for monitoring and preventing shortages of medicinal products in Croatia	1.4	013	0%	013	100%
C5.1. R4-I5	Introduction of a treatment outcome monitoring system for non-hospital patients with a focus on chronic patients in public pharmacies	0.6	013	0%	013	100%
C5.1. R5-I1	Digital integration of operating halls and robotic surgery in KBC Split	8.0	095	0%	095	100%
C5.1. R5-I2	TELECORDIS	0.6	095	0%	095	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C5.1. R5-I3	Teletransfusion	1.6	095	0%	095	100%
C5.1. R5-I4	Digitalisation and integration of operating rooms equipped with robotic surgery in KBC Sestre milosrdnica	7.6	095	0%	095	100%
C5.1. R5-I5	Digitalisation and equipping of KB Merkur diagnostic units	3.2	095	0%	095	100%
C6.1 R1-I1.a	Energy renovation of buildings – public buildings	85.2	026bis	100%		0%
C6.1 R1-I1.c.	Energy renovation of buildings – multi-dwelling buildings	36.5	025bis	100%		0%
C6.1 R1-I3	Energy renovation of buildings with a status of a cultural good	39.8	026bis	100%		0%
C6.1 R2	Developing a framework for ensuring adequate skills in the context of green jobs needed for post-earthquake reconstruction	5.3	01	100%		0%
C6.1 R3a – digital part	Efficiency gains, reduction of administrative burden and digitalisation of the renovation process	2.0	011bis	40%	011bis	100%
C6.1 R4	Modernisation and integration of seismic	0.7	055	0%	055	100%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
	data for the renovation process and planning of future construction and monitoring of public infrastructure					
C6.1 R4-I1a	Seismological data network development – digital part	8.7	055	0%	055	100%
C6.1 R6	Pilot project for the establishment and implementation of systematic energy management and the development of a new financing model	1.6	011bis	40%	011bis	100%
C7.1. R1-I1.a	Hydrogen use and new technologies - recharging points	21.5	077	100%		0%
C7.1. R1-I1.b	Hydrogen use and new technologies – hydrogen production and electrolysers	10.9	032	100%		0%
C7.1. R1-I1.c	Use of hydrogen and new technologies - Solar	3.1	029	100%		0%
C7.1. R1-I1.d	Use of hydrogen and new technologies - carbon capture and storage	5.3	022	100%		0%
C7.1 R1-I2.a	Establishment of a hydrogen-based economy (through the North Adriatic Hydrogen Valley (NAHV)	13.5	032	100%		0%
C7.1 R1-I2.b	Establishment of a hydrogen-based	35	072bis	100%		0%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
	economy (through the North Adriatic Hydrogen Valley (NAHV) – REFIT of diesel locomotives to hydrogen					
C7.1 R1-I2.c	Establishment of a hydrogen-based economy (through the North Adriatic Hydrogen Valley (NAHV) – recharging points	10	077	100%		0%
C7.1 R1-I3	Strengthening the use of renewable energy sources in transport and heating – geothermal	25	032	100%		0%
C7.1 R1-I4	Strengthening the use of renewable energy sources in transport and heating – electric charging stations	50	077	100%		0%
C7.1. R1-I5	Biorefineries for the production of advanced biofuels Sisak - biofuels	99.5	030bis	100%		0%
C7.1. R1-I6*	Strengthening the transmission and distribution capacities of the electricity network	99.5	033	100%	033	40%
C7.1. I1.a	Procurement of alternative-fuel-powered vehicles for public urban and suburban regular transport - buses	90.2	074	100%		0%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C7.1. I1.b	Procurement of alternative-fuel-powered vehicles for public urban and suburban regular transport - HERMES	10	072bis	100%		0%
C7.1. I2	Co-financing programme for the purchase of new alternative fuel vehicles and the development of alternative fuel infrastructure in road transport - infrastructure	32	077	100%		0%
C7.2 I1.a	Energy renovation of buildings – public buildings	148.3	026bis	100%		0%
C7.2 I1.b.	Energy renovation of buildings – multi-dwelling buildings	110	025bis	100%		0%
C7.2 I2.a	Renovation of buildings damaged in earthquakes with energy renovation – public buildings	989	026bis	100%		0%
C7.2 I2.b	Renovation of buildings damaged in earthquakes with energy renovation – multi-dwelling buildings	79.1	025bis	100%		0%

Measure/ Sub-measure ID	Measure/Sub-measure name	Climate			Digital	
		Budget (EUR mn)	Interv. Field	Coeff. %	Interv. Field	Coeff. %
C7.2 R1	Raising citizens' awareness on the green transition	0.35	027	100%		0%
C7.2. R4	Introduction of a new model for the preparation, organisation and implementation of adult learning programmes aimed at developing green skills and competences in the construction sector for foreign workers from third countries	0.20	01	100%		0%

* Reforms and investments in the REPowerEU chapter are not taken into account when calculating the plan's contribution to the digital target requirement set by Regulation (EU) 2021/241.