

10/05/2022

**Positive preliminary assessment of the satisfactory fulfilment of milestones and targets related to the first payment request submitted by Croatia on 15 March 2022, transmitted to the Economic and Financial Committee by the European Commission**

**Executive summary**

In accordance with Article 24(2) of Regulation (EU) 2021/241, on 15 March 2022, CROATIA submitted a request for payment for the first instalment of the non-repayable support. The payment request was accompanied by the required management declaration and summary of audits.

To support its payment request, CROATIA provided due justification of the satisfactory fulfilment of the 34 milestones and target of the first instalment of the non-repayable support, as set out in Section 2(1) (1.1.) of the Council Implementing Decision of 20 July 2021 on the approval of the assessment of the recovery and resilience plan for CROATIA<sup>1</sup>.

Upon receipt of the payment request, the Commission has assessed on a preliminary basis the satisfactory fulfilment of the relevant milestones and targets. Based on the information provided by CROATIA, the Commission has made a positive preliminary assessment of the satisfactory fulfilment of all 34 milestones and target.

The milestones and target positively assessed as part of this payment request demonstrate significant steps in the implementation of CROATIA's Recovery and Resilience Plan. This includes, among others, reforms in the transport, energy, waste and water, education, public administration and building sectors as well as justice and anti-corruption, fiscal, social and health policies. The milestones and target also confirm progress towards the completion of investment projects related to support renewable energy sources and energy efficiency measures in small, medium-sized and large enterprises.

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

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

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Non-repayable support

<b>Number:</b> 45	Related Measure: C1.2. R1-I2 Fostering energy efficiency, heat and renewable energy to decarbonise the energy sector
<b>Name of the Milestone:</b> The adoption by the Government of an Energy Efficiency Programme for decarbonising the energy sector	
<b>Qualitative Indicator:</b> Entry into force of Energy Efficiency Programme for decarbonising the energy sector, developed by Ministry of Economy and Sustainable Development	<b>Time:</b> Q3/2021
<p><b>Context:</b></p> <p>The objective of this measure is to decarbonise district heating systems and increase energy efficiency in industrial production processes, increasing the use of renewable sources.</p> <p>The Milestone establishes the Energy Efficiency Programme, which defines areas of investment in energy efficiency and district heating systems, including investment priorities up until 2030, in alignment with the planned update of the National Energy Plan. This Milestone is the initial step in the implementation of the related measure. The next steps are the fulfilment of Target #46 C1.2. R1-I2, (<i>Number of companies receiving support for energy efficiency and renewable energy use in industry</i>), due in Q4/2021, and Target #47 C1.2. R1-I2, (<i>Contracts signed for exploring geothermal potential in district heating</i>), due in Q4/2024.</p>	
<p><b>Evidence Provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided by the Croatian authorities:</p> <ol style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note).</li> <li>b) <b>Copy of the adopted Programme and a link to the website</b> where it can be accessed.</li> <li>c) <b>Copy of the publication of the Decision of the Government</b> for the Energy Efficiency Programme for decarbonising the energy sector (Ref 50301-05/27-21-3) in the Official Gazette (NN 143/2021).</li> </ol>	
<p><b>Analysis:</b></p> <p>As set out in the Council Implementing Decision, the Act Energy Efficiency Programme was published in the Official Gazette No. NN 143/2021 and entered into force on the date of its adoption, 23 December 2021.</p> <p>The Energy Efficiency Programme fosters energy efficiency, heat and renewable energy to decarbonise the energy sector by defining the areas of investment in energy efficiency and district heating systems, including investment priorities up until 2030, but also up to 2050 (pages 10, 12 - 13, 16 – 17, and 27 – 28). The Programme groups the investments in energy efficiency and district heating systems into two categories: 1) Investments for reducing heat losses in the distribution network of central heating system and 2) investments for the modernisation of district thermal generation facilities by achieving diversification of heat sources. As regards investment priorities, included in the Energy Efficiency Programme, these foresee, inter alia, replacement of fuel oil boilers, the replacement of co-generation using natural gas with high efficiency cogeneration using natural gas and the replacement of natural gas boilers with inter alia waste heat from industrial production process, exploitation of solar energy or exploitation of geothermal energy.</p> <p>The Programme also highlights that the investments will include modernisation of district heating systems (pages 4 – 22) and energy-intensive industries, focusing on energy efficiency and renewable energy potential (pages 23 – 29).</p> <p>In addition, the Programme is aligned with planned update of the National Energy and Climate Plan</p>	

(due in Q1/Q2 of 2022), which will specify higher target for the share of renewables in the heating and cooling sector, including specific measures.

Furthermore, the Croatian authorities envisage regular updates of the Programme to bring it in line with updated climate and energy targets as well as the objective of climate neutrality by 2050.

The Programme establishes a clear link with Target #47 C1.2. R1-I2 (*Contracts signed for exploring geothermal potential in district heating*) and provides an explanation of how investments in geothermal energy, district heating and energy efficiency of the industrial sector contribute to the decarbonisation of the energy sector in Croatia.

In consideration of the foregoing, by identifying and defining investment priorities in energy efficiency and district heating systems, the Programme contributes to the decarbonisation aims established by Croatia.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 46	Related Measure: C1.2. R1-I2 - Fostering energy efficiency, heat and renewable energy to decarbonise the energy sector		
<b>Name of the Target:</b> Number of companies receiving support for energy efficiency and renewable energy use in industry			
<b>Quantitative Indicator:</b> Number	<b>Baseline:</b> 0	<b>Target:</b> 50	<b>Time:</b> Q4/2021
<p><b>Context:</b></p> <p>The objective of this measure is to increase energy efficiency and the use of renewable sources in district heating systems and industrial production processes, and thus contribute to the decarbonisation of these sectors.</p> <p>The target introduces a support scheme, contributing to energy efficiency and renewable energy sources in small, medium and large enterprises and to improve industrial production processes of energy-intensive manufacturing industry. It constitutes the second step in the implementation of the related measure. The next steps are the fulfilment of Target #47 C1.2. R1-I2, (<i>Contracts signed for exploring geothermal potential in district heating</i>), due in Q4/2024, and Milestone #48 C1.2. R1-I2, (<i>Results of geothermal potential for district heating made publicly available</i>), due in Q4/2025.</p>			
<p><b>Evidence Provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided by the Croatian authorities:</p> <ol style="list-style-type: none"> <li><b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note).</li> <li><b>A table with the list of 75 contracts awarded containing information</b> on where, the information <b>relevant to point b)</b> technical specifications of the project, including the percentage of reduction in the energy consumption and <b>point c)</b> on DNSH requirements, <b>of the Verification mechanism</b>, can be found and verified in the contracts and their annexes.</li> <li><b>Copies of 75 contracts awarded with relevant</b> annexes.</li> </ol>			
<p><b>Analysis:</b></p> <p>As set out in the Council Implementing Decision the evidence provided by the Croatian authorities demonstrates that 75 contracts have been awarded to the beneficiary companies, following a public tender to support renewable energy sources and energy efficiency measures in small, medium-sized and large enterprises. The Council Implementing Decision stipulates 50 contracts awarded, but considering the high number of applications for excellent quality projects and the available funding, it was possible to contract 25 more awards based on the same public tender, bringing the total</p>			

number of contracts awarded to the beneficiary companies to 75. The target has thereby been met and superseded.

The contracts awarded include energy-efficiency measures and measures for the use of renewable energy sources (including both production process and ancillary buildings). Article 9.3 in each of the 75 contracts stipulates that the implementation of energy efficiency and/or renewable energy measures shall lead to a minimum reduction of 20% in the energy consumption in production facilities. The same Article also stipulates that for energy renovation of buildings accompanying the production facility, which are exclusively linked to industrial or production processes, the implementation of measures shall lead to a minimum reduction of 40% of energy consumption. The exact amounts of energy savings specified in each of the 75 awarded projects are in line with the requirements from the Annex to the Council Implementing Decision.

Compliance with the DNSH principle is ensured through Articles 6 and 6a in each of the 75 contracts. The provisions of Article 6 stipulate the ineligible expenses, as well as the activities ineligible for funding from the Recovery and Resilience Facility. In line with the Annex to the Council Implementing Decision, the provisions of Article 6a stipulate the measures that are excluded from the grant contracts: (i) Fossil fuel related activities; (ii) Measures supporting activities covered by the EU Emission Trading System (ETS) achieving projected greenhouse gas emissions that are not lower than the relevant benchmarks; (iii) Activities related to landfills, (iv) Waste incinerators and mechanical biological treatment devices; and (v) Long term waste disposal activities that can harm the environment.

By checking the data on beneficiaries, the Commission verified that none of the 75 beneficiaries conduct activities under EU Emission Trading Systems and that their companies and their facilities are not listed in the Allocation Table Installations for Phase 3 (2013-2020) and Phase 4 (2021-2030) published in the Commission websites (Climate Action) at the following links:

[https://ec.europa.eu/clima/ets/napInstallationInformation.do?commitmentPeriodCode=2&napId=19875&commitmentPeriodDesc=Phase+3+%282013-](https://ec.europa.eu/clima/ets/napInstallationInformation.do?commitmentPeriodCode=2&napId=19875&commitmentPeriodDesc=Phase+3+%282013-2020%29&allowancesForOperators=37446379&action=napHistoryParams&allowancesForReserve=91946&registryName=Croatia)

[2020%29&allowancesForOperators=37446379&action=napHistoryParams&allowancesForReserve=91946&registryName=Croatia](https://ec.europa.eu/clima/ets/napInstallationInformation.do?commitmentPeriodCode=2&napId=19875&commitmentPeriodDesc=Phase+3+%282013-2020%29&allowancesForOperators=37446379&action=napHistoryParams&allowancesForReserve=91946&registryName=Croatia)

[https://ec.europa.eu/clima/ets/napInstallationInformation.do?commitmentPeriodCode=3&napId=200653&commitmentPeriodDesc=Phase+4+%282021-](https://ec.europa.eu/clima/ets/napInstallationInformation.do?commitmentPeriodCode=3&napId=200653&commitmentPeriodDesc=Phase+4+%282021-2030%29&allowancesForOperators=17850850&action=napHistoryParams&allowancesForReserve=0&registryName=Croatia)

[2030%29&allowancesForOperators=17850850&action=napHistoryParams&allowancesForReserve=0&registryName=Croatia](https://ec.europa.eu/clima/ets/napInstallationInformation.do?commitmentPeriodCode=3&napId=200653&commitmentPeriodDesc=Phase+4+%282021-2030%29&allowancesForOperators=17850850&action=napHistoryParams&allowancesForReserve=0&registryName=Croatia)

By focusing on the increase of the energy efficiency measures and the use of renewable energy sources in small, medium-sized and large enterprises, the implementation of this investment will contribute to decarbonisation of the Croatian economy and to the objectives of the green transition. It can therefore be concluded that the constitutive elements of the Target have been satisfactorily fulfilled.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 49	Related Measure: C1.2. R1-I3 - Hydrogen use and new technologies
<b>Name of the Milestone:</b> Entry into force of the Alternative Transport Fuels Act	
<b>Qualitative Indicator:</b> Entry into force of the Alternative Fuels for Transport Act	<b>Time:</b> Q3/2021
<b>Context:</b> The objective of this measure is to improve the use of hydrogen and new technologies in Croatia, in order to decrease greenhouse gas (GHG) emissions in transport sector and industry.	

The Act creates a legislative framework for the deployment of alternative fuels in the transport sector and promotes the production and use of advanced biofuels/hydrogen in transport. This Milestone is the initial step-in the implementation of the related measure. The next steps are the fulfilments of Milestone #50 C1.2. R1-I3, (*Adoption of the Hydrogen Development Strategy*), due in Q1/2022, Target #51 C1.2. R1-I3, (*New hydrogen production capacity installed*), due in Q2/2025, Milestone #52 C1.2. R1-I3, (*Public tender for additional hydrogen capacity*), due in Q2/2026, and Target # 53 C1.2. R1-I3, (*at least 6 hydrogen charging stations for cars, buses and heavy-duty vehicles have been built*), due in Q2/2026.

**Evidence Provided:**

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

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled, **with appropriate links** (Cover note)
- b) **Copy of the Decree on the Promulgation of the Act** on amendments to the Act on Biofuels for Transport **with the text of the publication of the Act** (Ref 71-10-01/1-21-2) on amendments to the Act on Biofuels for Transport **from the Official Gazette** (No. 52/2021).

**Analysis:**

As set out in the Council Implementing Decision, the Act on Amendments to the Act on Biofuels for Transport was published in the Official Gazette No. 52/2021 and entered into force on 22 May 2021.

The Act on amendments to the Act on Biofuels for Transport adopted by the Croatian Parliament contains in article 4.42 provisions aimed at creating a legislative framework for deployment of alternative fuels in the transport sector and promoting the production and use of advanced biofuels/hydrogen in transport.

Articles 1, 4 and 12 regulate the production, trade and storage of biofuels, the use of renewable energy sources in transport, the adoption of programs and plans to encourage the production and use of renewable energy sources in transport. As such the Act provides the legislative framework for the deployment of alternative fuels and encourages the production and use of advanced biofuels/hydrogen in transport and contributes to the increase of renewable energy in final energy consumption in the transport sector in the Republic of Croatia, and to the objectives of the green transition.

Article 3 stipulates the national target in Republic of Croatia of at least 10 % of renewable energy sources in final consumption in transport by 2020, and at least 14 % by 2030.

Article 3 also establishes the conditions for including hydrogen and electricity as forms of renewable sources of energy in transport. To ensure that the share of renewable energy in transport reaches at least 14% by 2030, Articles 10, 14 and 15 stipulate an obligation for fuel suppliers in accordance with the indicative path, calculated in accordance with the prescribed methodology.

Furthermore, the Croatian authorities also provided additional clarifications to the Commission regarding the definitions of biofuels and the other renewable energy sources used in transport. Although the title of the Act only refers to biofuels, the Act in fact addresses other alternative fuels and other forms of renewable sources of energy in transport such as hydrogen and electricity. The reference only to biofuels in the title of the Act is due to the fact that the transposition of the Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources, was done through the amendments of an already existing Act in the Croatian legislation, (that is, the Act on Biofuels for Transport), rendering the change of the title of the Act impossible, from a legal perspective.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 59	Related Measure: C1.3.R1 Implementation of the water management programme	
<b>Name of the Milestone:</b> Adoption of the Multiannual Water and Urban Wastewater Treatment Construction Programme		
<b>Qualitative Indicator:</b> Publication of Multiannual Water and Wastewater Construction Programme		<b>Time:</b> Q4 2021
<p><b>Context:</b></p> <p>The objective of the reform is to address the fragmentation of public water providers in Croatia. It aims to consolidate and reduce the number of water providers, in order to improve their efficiency and governance. This reform shall introduce a benchmarking system for monitoring and reporting the operational and financial performance of water service suppliers and contribute to improving the long-term sustainability of infrastructure investments in the water sector, by improving efficiency and governance of water providers, as well as strategic planning of water investments, considering complementarities across EU funding. The reform shall include the development of a multiannual investment programme for water and wastewater infrastructure to ensure the coherent implementation of investments C1.3 R1-I1 and C1.3 R1-I2, as well as complementarities with other EU funding.</p> <p>This Milestone concerns the adoption of a multi-annual water and wastewater construction programme, which lists and prioritize the necessary investments, in order to comply with the requirements of the EU wastewater treatment legislation. The plan shall also include an assessment of risks and mitigation measures. The next Targets for this Reform are #60 (Q2 2022) to #73 (Q2 2026), relating to the construction of water supply and wastewater network, in line with the Multiannual Water and Wastewater Construction Programme.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (cover note), including:</li> <li>b) A copy of the Decision of the Government of the Republic of Croatia adopting the Multiannual Water and Urban Wastewater Treatment Construction programme</li> <li>c) Link to the website of the Ministry of Economy and Sustainable Development where the complete version of Multiannual Programme is available</li> <li>d) Copy of the Multiannual Programme.</li> </ul> <p>The authorities also provided: Summary of the Multiannual Programme.</p>		
<p><b>Analysis:</b></p> <p>As set out in the Council Implementing Decision, the Government of the Republic of Croatia has adopted the Programme on December 30, 2021, and it was published in the Official Gazette NN 147/2021.</p> <p>The programme adopted by the Government and published in the Official Gazette NN 147/2021, provides a long-term investment framework for the development of water and wastewater system in Croatia.</p>		



In particular,

1. Chapter 6.4 of the programme includes the methodology for prioritization of investments, to ensure compliance with the requirements of the Urban Wastewater Treatment Directive. For water investments, the prioritization is made on the basis of 3 criteria: (1) health risks of water to population, (2) reduction of water losses in the water system, and (3) increasing water quantities for the population. The prioritization list also includes 7 projects from earthquake-affected areas.

For wastewater investments, the prioritization is made based on Article 17 of The Urban Wastewater Treatment Directive, focusing on mature projects in agglomerations larger than 2,000 population equivalents.

The programme also includes a list of planned water and wastewater investments, in chapter 6 and in Annex 8.3. In total, the programme estimates that the required investments over a 10-year period amount to HRK 52.8 billion (EUR 6.95 billion). However, due to limited administrative capacity, to the limited capacity of the construction sector as well as to time restrictions for construction during the tourist season, it is estimated that up to HRK 45 billion (EUR 5.92 billion) of investments would be completed by 2030.

2. Chapter 6.6 of the programme includes an assessment of risks and mitigation measures.

In particular, the programme lists three main risks to implementation:

- i. limited information about the current status of water infrastructure, which impacts adequate planning and technical design (very high risk)
- ii. limited administrative capacities at national and local level (very high risk)
- iii. unexpected changes to the current budget estimates (very high risk)

Following a list of dedicated mitigation measures for each of the main risks, the risks have been reduced from very high to moderate or high.

The programme considers investments from various funding sources, including Recovery and Resilience Facility and the European Regional Development Fund.

In light of the content of the Programme, it is considered that the Programme introduces strategic planning that will accelerate implementation of water infrastructure investments and allow greater efficiency in public spending, particularly at local level, thus satisfactorily fulfilling the constitutive elements of the Milestone.

The assessment of this milestone does not prejudice any further assessment of the Water Management Plan by the Commission, neither in the context of the EU water legislation nor in the framework of ESIF programming 2021-2027, notably regarding the requirements defined by the Common Provision Regulation 2021/1060, Article 15 and Annex IV – Enabling Conditions.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 81	Related Measure: C1.3-R.2: Implementation of sustainable waste management
<b>Name of the Milestone:</b> Adoption of the Waste Management Act	
<b>Qualitative Indicator:</b> Entry into force of the Waste Management Act	<b>Time:</b> Q3 2021
<b>Context:</b> The objective of the reform is to improve waste management in Croatia and accelerate the transition to the circular economy, in line with the objectives of the European Green Deal.  This Milestone concerns the establishment of the regulatory framework to reduce waste generation	

and increase re-use and recycling of municipal waste, with a view to reduce the share of mixed municipal waste and the introduction of the eco-modulation approach for extended producer responsibility (EPR) schemes and address all Commission recommendations of the 2018 Early Warning Report for Croatia. The next Milestone for this reform is #82 (Q4 2021), Revision of the Waste Management Plan for the period 2017-2022, which shall quantify targets for waste recycling, sorting, reusing and repairing by 2022, and introduce a separate target for bio-waste collection and recycling.

**Evidence provided:**

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

- a) Summary document duly justifying how the milestone was satisfactorily fulfilled (cover note).
- b) Copy of the publication in the Official Gazette of the Decision of the Waste Management Act.

**Analysis:**

As set out in the Council Implementing Decision, the Waste Management Act regulates waste prevention, preparation for re-use and recycling, in line with the concept of the circular economy and the European Green Deal. The Waste Management Act was published in the Official Gazette No 84/2021, on July 31, 2021, and entered into force the same day.

In particular, the act includes specific measures to support the circular economy, i.e.,

1. Article 1 sets out the context of the legislation as supporting transition to circular economy.
2. Article 54 sets out circular economy objectives, quantifying recycling, and reuse targets.
3. Articles 108-111 set out the obligation for preparation of National and Regional Waste Management Plans. Annex VI outlines the content of the Plans, including specific measures promoting circular economy
4. Section 10 (Articles 91-98) specifies extended producer responsibility (EPR) schemes.
5. Section 11 (Articles 99-107) introduces economic instruments, while Annex 6 mandates pay-as-you throw schemes as an integral part of the waste management plans point.

The Act includes principles and measures to the support transition to the circular economy, and sets the timeline for action, achieving a result equivalent to that of a circular economy roadmap. Annex VI of the Act outlines the content of the waste management plans and lists the measures that these plans shall include, such as availability of repair services, eco-design, or incentives for the reuse of priority product groups (electronics, textiles, furniture, packaging and construction). In terms of the timeline for implementation, the Act defines several deadlines (Article 54, 55, 56, 109 and 173). Based on these elements, the Ministry of Economy and Sustainable Development is preparing a circular economy plan due by end-2022, prioritising management of construction waste in the context of earthquake reconstruction activities. The Ministry is supported by a technical assistance project "Circular Economy Approaches in Solid Waste Management," funded by the Cohesion Fund and implemented by the World Bank. The Act also addresses all Commission recommendations of the 2018 Early Warning Report for Croatia, notably actions to improve performance on data reporting, extended producer responsibility, separate collection, regulation and incentives for local authorities, pay-as-you-throw schemes, communication and awareness-raising, technical support to municipalities, use of EU funds and regional approach to waste management. These elements are addressed within articles: 1., 4., 6., 14., 16., 18., 21., 22., 23., 24., 25., 39., 42., 45., 54., 56., 57., 59., 60., 61., 63.-87., 91., 92., 93., 94., 95., 96., 99., 101., 105., 109., 110., 129., 130., 137., 154., and Annex II., Annex III., Annex IV., Annex V. Annex VI.

With respect to above provisions, it is considered that the Waste Management Act introduces regulatory reforms that accelerate the shift to circular economy, with dedicated measures.

The assessment of this milestone does not prejudice any further assessment of the Waste Management Act by the Commission, neither in the context of the EU waste legislation nor in the framework of European structural and investment funds (ESIF) programming 2021-2027, notably requirements defined by the Common Provision Regulation 2021/1060, Article 15 and Annex IV – Enabling Conditions.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 82	Related Measure: C1.3.-R2 Implementation of sustainable waste management	
<b>Name of the Milestone:</b> Revision of the Waste Management Plan of the Republic of Croatia for the period 2017-2022		
<b>Qualitative Indicator:</b> Publication in the Official Gazette of the Republic of Croatia of Amendments to the Waste Management Plan of the Republic of Croatia for the period 2017-2022		<b>Time:</b> Q4 2021
<p><b>Context:</b></p> <p>This reform includes new waste legislation and waste management plans to promote circular economy in line with the new EU Circular Economy Action Plan. In particular, the measure entails the entry into force of the new Waste Management Act, as well as the adoption of two waste management plans for the periods 2017-2022 and 2023-2029.</p> <p>The revision of the Waste Management Plan for the period 2017-2022 focuses on targets and measures to be undertaken by end-2022. The next milestone (#83) will include the preparation of the new Waste Management Plan 2023-2029 due in Q4 2022, as the key strategic document for longer-term investment planning.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the Milestone was satisfactorily fulfilled (Cover Note), which includes the results of public consultations and explanation demonstrating the actions foreseen in the plan contribute to achieving the objectives of the reform</li> <li>b) <b>Government Decision</b> on amendments to the Waste Management Plan 2017 – 2022</li> </ul> <p>The authorities also provided:</p> <ul style="list-style-type: none"> <li>a) Minister’s Instruction on Implementation of the Revised Waste Management Plan</li> <li>b) Summary of the Waste Management Plan</li> </ul>		
<p><b>Analysis:</b></p> <p>As set out in the Council Implementing Decision, the adoption and publication of the Revised Croatian Waste Management Plan 2017-2022 is in line with the new Circular Economy Action Plan, following public consultations. Public consultations were held in the period November 26-December 4, 2021.</p> <p>The Government of the Republic of Croatia adopted the Waste Management Plan in December 2021 and published it in the Official Gazette No. 01/2022. In March 2022, three elements of the milestone Description which were not covered in the Plan have been adopted by a formal act, the Minister’s Instruction on the Implementation of the Waste Management Plan, which complements the Plan, and is published on the Ministry’s website. More specifically, the Minister’s Instruction includes information about (i) investment gap assessment for the closure of landfills, (ii)</p>		

prioritisation list for planned waste investments, capacity of future waste treatment installations, as well as information on how the future site locations will be determined, and (iii) support to capacity building for the implementation of infrastructure projects. Following the request for further clarifications by the Commission, the authorities have confirmed that the adoption of the Instruction as a complement of the Plan leads to the same results and impact regarding the reform, as if its elements were an integral part of the Plan.

*The revised Plan includes:*

1. Chapter 4 of the Plan specifies targets of 52% for waste recycling, sorting, reusing and repairing by 2022, as well as a separate target for bio-waste collection and recycling.
2. Chapter 8 includes specific measures to encourage the ambition of local and regional units, such as economic instruments.
3. The Plan outlines communication actions to ensure effective separate collection at source, and digital aspects. For example, section 4.1 of the Plan includes the creation of a digital stakeholder platform to raise awareness about separate collection of food waste, as well as education of elementary school pupils and teachers.
4. Chapter 3.4 includes an assessment of the current situation and existing collection schemes.

Furthermore, the Minister’s Instruction on implementation of the Revised Waste Management Plan adopted by the Minister includes, in Annex 1:

1. In Section 1, an investment gap assessment for the closure of landfills,
2. In Section 2, a prioritisation list for planned waste investments, capacity of future waste treatment installations, as well as information on how the future site locations will be determined, and
3. In Section 3, support to capacity-building for implementation of infrastructure projects.

In light of the above, it is considered that the revision of the Waste Management Plan 2017-2022 introduces relevant changes for 2022 that will improve waste management in Croatia and accelerate the transition to the circular economy. The assessment of this milestone does not prejudice any further assessment of the Waste Management Plan by the Commission, neither in the context of the EU waste legislation nor in the framework of ESIF programming 2021-2027, notably requirements defined by the Common Provision Regulation 2021/1060, Article 15 and Annex IV – Enabling Conditions.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 91	Related Measure: C1.4. R1 - Road sector reform	
<b>Name of the Milestone:</b> The amendments to the Roads Act		
<b>Qualitative Indicator:</b> Entry into force of the amendments to the Roads Act		<b>Time:</b> Q3/2021
<p><b>Context:</b></p> <p>The objective of the reform is to reduce the operating costs of companies, align financial obligations with cash flows, increase road safety and thus reduce road mortality. As a part of this reform, legislation governing the road sector shall be updated through the entry into force of the Amendment to the Roads Act.</p> <p>The Amendments to the Roads Act ensure the interoperability of electronic road toll systems, facilitate the cross-border exchange of vehicle registration data, include provisions fostering the increase of infrastructure used for bicycles and pedestrians, contain conditions on pay toll cost</p>		

coverage, and address exemptions from the obligation to pay certain fees. It is the initial step in the implementation of the related measure. The next step is Target #94 C1.4. R1-I2 (*Establishment of a functional system for the exercise of the rights of persons with disabilities in the field of mobility*) due in Q4/2023.

**Evidence Provided:**

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

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled, **with appropriate links** (Cover note).
- b) **Copy of the Decree on the Promulgation of the Act** (Ref.: 71-10-01/1-21-2) on amendments to the Roads Act **with the text of the publication of the Act** on amendments to the Roads Act **from the Official Gazette** (No. 144/2021).

**Analysis:**

As set out in the Council Implementing Decision, the Act on amendments to the Roads Act was published in the Official Gazette No. 144/2021, and entered into force on 4 January 2022.

The interoperability of electronic road toll systems on the whole Union Road network, urban and interurban motorways, major and secondary roads, and different structures, such as tunnels or bridges, and ferries, are ensured through the provisions set out in Articles 5 –14.

Provisions in Article 15 regulate the identification of the vehicles and the owners of the vehicles, or the person entitled under contract to use a vehicle for which a failure to pay a road fee has been established, and by the provisions of this Article the national contact points of other EU Member States are granted access to the designated vehicle registration data of the Republic of Croatia.

Provisions in Articles 3 and 17 contribute to fostering the increase of infrastructure used for bicycle traffic and pedestrian traffic. Furthermore, the Croatian authorities confirmed that they will prepare a “National Cyclist Transport Development Plan 2022-2027”, to promote cycling and walking. In addition, the Croatian authorities provided clarifications regarding the envisaged road infrastructure safety management procedures.

The criteria and conditions on pay toll cost coverage are set out in Article 4.

With Articles 37 and 49, the exemptions from the obligation to pay the fees for the right to build and the right of easement on a public road, have been removed. This creates a level playing field in relation to such fees for all entrepreneurs.

The Act not only increases road safety but also contributes to the objectives of the green transition. For example, the Act, inter alia, creates the preconditions for the introduction of a new electronic and contactless road toll system, which is expected to reduce greenhouse gas emissions by removing bottlenecks and dangerous road congestions, especially in the summer months.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 92	Related Measure: C1.4. R1 Road sector reform	
<b>Name of the Milestone:</b> The National Road Safety Program 2021-2030		
<b>Qualitative Indicator:</b> The National Road Safety Program 2021-2030 adopted by the Croatian Government		<b>Time:</b> Q3/2021
<b>Context:</b> The objective of the reform is to reduce the operating costs of companies, align financial obligations with cash flows, and increase road safety and thus reduce road mortality. The Milestone establishes the of the National Road Safety Program 2021-2030 shall be to improve		

road safety in Croatia. It is the second Milestone related to measure C1.4 R1 on (*Road sector reform*). The next step is the fulfilment of Target #94 C1.4. R1-I2, (*based on the establishment of a functional system for the exercise of the rights of persons with disabilities in the field of mobility*), due in Q4/2023.

**Evidence Provided:**

In line with the verification mechanism, the following evidence was provided by the Croatian authorities:

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled (Cover note).
- b) **Copy of the publication in the Official Gazette** (NN.86/2021) and reference to the relevant provisions indicating the entry into force of the Decision of the Government of the Republic of Croatia on the adoption of the National Road Safety Program 2021-2030 (Ref.: 50301-21/22-21-2),

**Analysis:**

As set out in the Council Implementing Decision, the National Road Safety Program 2021-2030 came into force on the same day when it was adopted, on 29 July 2021 as specified in the Decision of the Government.

The main objective of the adopted National Road Safety Program 2021-2030 is to improve road safety in Croatia. To that end, the National Program defines measures to raise the level of road traffic safety in Croatia, envisages 190 educational, engineering, and legislative activities, sorted into 71 measures, and categorized into 13 areas of activities representing different elements of road traffic safety (on pages 25, 26 - 40).

The principal areas of activities are Safe speed, driving free from the influence of alcohol, drugs and medicines, Safe driving, Prevention of driver distraction, Safety of active modes of traffic, Safety of motorcycles and mopeds, Safety of professional drivers, Protection in the vehicle, Secure infrastructure, Safe vehicles, Rapid and efficient emergency services, Strengthening the capacity of traffic police and inspection services, and Database and data collection. Activities are grouped in three basic categories (educational, engineering, and legal). In line with the objective, the focus of the National Program, including the activities, is on education, and the division of responsibilities between users, designers, and road infrastructure managers.

By contributing to the increase of road safety and reducing road mortality, the National Program directly contributes to the UN (United Nations) 2030 Agenda for Sustainable Development, e.g., Sustainable development goal 3 on “Good Health and Well-being” and Sustainable development goal 11 “Sustainable Cities and Communities”.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 98	Related Measure: C1.4. R2 - Reform of the railway sector	
<b>Name of the Milestone:</b> Adoption of the Sectoral Policy Letter		
<b>Qualitative Indicator:</b> The Sectoral Policy Letter for the Railway Sector adopted by the Croatian Government		<b>Time:</b> Q2/2021
<b>Context:</b> The reform aims at increasing the competitiveness and efficiency of the rail sector in order to provide better services to passenger and freight customers and increase Croatia’s economic competitiveness. The Milestone establishes the Sectoral Policy Letter for the Railway Sector, that shall present the		

way forward in key areas related to the reform and modernisation of the railway sector, and shall establish implementation plans for the government and railway companies. It is the initial step, the first Milestone in the implementation of the related measure. The next step is Milestone #99 C1.4. R2 (*The National Plan for the Development of Railway Infrastructure and the National Management Plan for Railway Infrastructure and Service Facilities*), due in Q4/2022.

**Evidence Provided:**

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

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled, **with appropriate link** (Cover note).
- b) **Copy of the Decision of the Government** of the Republic of Croatia on the adoption of the Policy letter for the Railway Sector on the modernization and restructuring of the railway sector (REF.50301-05/20-21-1)

**Analysis:**

As set out in the Council Implementing Decision, the Sectoral Policy Letter for the Railway Sector came into force on the same day when the Decision of the Government of the Republic of Croatia was adopted, 1 July 2021.

Page 2 of the Sectoral Policy Letter lists the key objectives of the modernization and restructuring of the railway sector in Croatia.

Provisions on a review of the envisaged improvements such as professionalization, transparency of operations and management activities are set out on pages 4 – 12, including a set of specific measures, which aim at: (i) improving the financial and operational efficiency of state-owned railway companies; (ii) increasing public investment in the maintenance and modernisation of critical railway infrastructure; (iii) redefining the scope of the services to improve the efficiency of the rail system; and (iv) improving coordination and planning functions across the transport sector.

The Sectoral Policy Letter identifies necessary improvements in the following key sectoral areas:

- a) sector management and governance (pages 4 – 7);
- b) management of railway companies and operations (pages 7 – 10);
- c) sectoral investment and financial planning (pages 10 – 11);
- d) development of knowledge, technologies and skills in the railway sector (pages 11 – 12).

The commitments to adopt the Strategic Framework for the Railway Sector, the National Plan for the Development of Railway Infrastructure and the National Plan for the Management of Railway Infrastructure and Service Facilities, as well as the Development of Railway Transport Services, which are set out on page 4, are accompanied by an implementation plan of related measures and activities aimed at reforming and modernizing the railway sector, on pages 12 – 16.

The implementation of the measures set out in the Sectoral Policy Letter shall increase the competitiveness and efficiency of the railway sector of Croatia, and shall provide better services for users of passenger and freight transport, therefore contributing to the goal of the Reform of the railway sector and also to the objectives of the green transition.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 109	Related Measure: C1.4. R3 - Maritime and inland navigation reform	
<b>Name of the Milestone:</b> The new Regular and Seasonal Coastal Traffic Act		
<b>Qualitative Indicator:</b> Entry into force of the new Regular and Seasonal Coastal Transport Act		<b>Time:</b> Q3/2021
<b>Context:</b> The objective of the reform is the development of sustainable and efficient maritime and inland		

waterway transport that shall contribute to increased safety of navigation, ensure the revitalisation of inland waterways, improve transport connectivity of islands, and improve port infrastructure in order to reduce the negative environmental impact of the transport sector.

The new Regular and Seasonal Coastal Transport Act shall simplify the current administrative procedures and create better conditions for a more efficient operation of public coastal maritime transport. It is the first Milestone in the implementation of the related measure. The next is Milestone #110 C.1.4. R3, on the entry into force of the new Inland Navigation and Ports Act, due in Q3/2021, which shall contribute to the development of a sustainable and efficient inland waterway transport, to increased navigation safety, and to ensuring the revitalisation of inland waterways. The following Milestone #111 C1.4. R3, (*The new Maritime Domain and Seaports Act*), due in Q4/2022, and the Target #112 C1.4. R3-I1, (*Modernised/reconstructed 2 seaports open to public traffic*), due in Q4/2025, will improve port infrastructure.

**Evidence Provided:**

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

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled, **with appropriate links** (Cover note).
- b) **Copy of the publication in the Official Gazette** (NN 19/2022) and reference to the relevant provisions indicating the entry into force of the Decree on the Promulgation of the Regular and Seasonal Coastal Maritime Transport Act (Ref.: 71-10-01/1-22-2), including the text of the Regular and Seasonal Coastal Maritime Transport Act.

**Analysis:**

As set out in the Council Implementing Decision, the Regular and Seasonal Coastal Maritime Transport Act adopted by the Croatian Parliament was published in the official gazette (NN 19/2022) on 11 February 2022 and entered into force 19 February 2022.

Simplification of the current administrative procedures and creation of better preconditions for a more efficient operation of public coastal maritime transport, by regulating the provisions relating to the activity of the Agency for Regular Coastal Maritime Transport, in particular in the section on the licensing of state routes, shall be achieved through the implementation of provisions in Articles 19, 21 and 22, as well as Chapter IV of the Act and Articles 43 – 53 of the Regular and Seasonal Coastal Maritime Transport Act.

The Act within Articles 19, 21 and 22, stipulates that the procedure for establishing state, county, inter-county, and local routes shall be fully transparent and implemented in a way that entirely meets the needs of the market. Therefore, according to the new Regular and Seasonal Coastal Maritime Transport Act, state, county, inter-county, and local routes, shall be:

1. established by a decision of the Government of the Republic of Croatia (which cannot be based solely on the discretion of Croatian Government);
2. Designated on a case-by-case basis.
3. Established due to a prior public consultation with both traffic users and traffic suppliers and only if the general economic interest cannot be achieved without imposing a public service obligation or without entering a public service contract.

As stipulated in Chapter IV of the Act and Articles 43 – 53, no prior-authorisation system (procedure) shall be applicable on non-Public-service-obligation routes. Consequently, the non-Public-service-obligation market shall be fully liberalised in accordance with the principle of unrestricted freedom to provide services to maritime transport within Member States.

Better use and control of public transport IT systems (SEOP system) shall be achieved through the implementation of provisions in Articles 91 –99 of the Act.



By fulfilling the requirements described in the Council Implementing Decision, the new Regular and Seasonal Coastal Maritime Transport Act will contribute to the development of a sustainable and efficient maritime transport and to the improved transport connectivity of islands.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 110	Related Measure: C1.4 R3 – Maritime and inland navigation reform
<b>Name of the Milestone:</b> The new Inland Navigation and Ports Act	
<b>Qualitative Indicator:</b> Entry into force of the new Inland Navigation and Ports Act	<b>Time:</b> Q3/2021
<p>The objective of the reform is the development of sustainable and efficient maritime and inland waterway transport that shall increase safety of navigation, ensure the revitalisation of inland waterways, improve transport connectivity of islands and improve port infrastructure in order to reduce the negative environmental impact of the transport sector.</p> <p>The new Inland Navigation and Ports Act shall allow for, where necessary to ensure safety of navigation, the identification of specific risks in (parts of) Croatia’s inland waterway sectors. It is the second Milestone in the implementation of the related measure <i>(Maritime and inland navigation reform)</i>. The next step is the Milestone #111 C1.4. R3 <i>(on the entry into force of the new Maritime Domain and Seaports Act)</i>, due in Q4/2022.</p>	
<p><b>Evidence Provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided by the Croatian authorities:</p> <ol style="list-style-type: none"> <li><b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note).</li> <li><b>Copy of the publication in the Official Gazette</b> (NN 144/2021) and reference to the relevant provisions indicating the entry into force of the Decree on the Promulgation of the Inland Navigation and Ports Act (Ref.: 71-10-01/1-21-2), including the text of the Inland Navigation and Ports Act NN 144/2021.</li> </ol>	
<p><b>Analysis:</b></p> <p>As set out in the Council Implementing Decision, the Inland Navigation and Ports Act adopted by the Croatian Parliament entered into force on 4 January 2022 and was published in the Official Gazette N. 144/2021. The Act contains provisions regarding the improvement of the safety of navigation (in Section Two, but also includes references on Section Four, Chapter II). According to Article 74, the Act stipulates the possibility of identifying sectors of inland waterways with specific risks in (parts of) Croatia’s inland waterway sectors, which will be regulated in detail by a special regulation for the purpose of navigation safety and prevention of accidents with possible victims, damage of goods and possible consequences for health and the environment.</p> <p>By fulfilling the requirements specified in the Council Implementing Decision, the new Inland Navigation and Ports Act shall successfully promote one of the most sustainable and green modes of transport, inland waterways transport, by contributing to the development of a sustainable and efficient inland waterway transport, to increased navigation safety, and to ensuring the revitalisation of inland waterways due to carriers of passengers and goods.</p>	
<b>Commission Preliminary Assessment:</b> Satisfactorily fulfilled	

<b>Number:</b> 126	Related Measure: C1.5. R1 - Establishing a network of logistics infrastructure to strengthen the production market chain in the fruit and vegetables sector
<b>Name of the Milestone:</b> The Operational Programme for strengthening the market capacity of the	

fruit and vegetables sector for the period 2021-2026	
<b>Qualitative Indicator:</b> Entry into force of the decision of the Croatian Government on the adoption of the Operational Programme for strengthening the market capacity of the fruit and vegetables sector for the period 2021-2026	<b>Time:</b> Q4/2021
<p><b>Context:</b></p> <p>The objective of the reform is to organise and link the supply of small farms through producer organisations to encourage pooling, cooperation, exchange of experience and knowledge. The reform is expected to improve the position of farmers in supply chains, particularly in the fruit and vegetable sector, and contribute to the development of products with greater added value.</p> <p>The Operational Programme for strengthening the market capacity of the fruit and vegetables sector for the period 2021-2026 shall be adopted in order to implement the measure aimed primarily at strengthening the role and management capacity of producer organisations in the fruit and vegetable production and marketing chain in Croatia. It is the initial step-in the establishment of the related measure. The next step is Target #127 C1.5. R1-I1, on a logistic distribution centre (LDC) built and operational, due in Q4/2023.</p>	
<p><b>Evidence Provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided by the Croatian authorities:</p> <ul style="list-style-type: none"> <li>a) Summary document duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (Cover note)</li> <li>b) <b>Copy of the adopted Operational Programme</b> for strengthening the market capacity of the fruit and vegetables sector for the period 2021-2026 and a link to the website where it can be accessed</li> <li>c) <b>Copy of the publication in the Official Gazette No. 143/2021 of 21 December 2021, and reference to the relevant provisions indicating the entry into force of the Decision of the Government on the adoption of the Operational Programme</b> for Strengthening the Market Capacity of the Fruit and Vegetable Sector for the period 2021-2026</li> </ul>	
<p><b>Analysis:</b></p> <p>The Operational Programme for Strengthening the Market Capacity of the Fruit and Vegetables Sector for the period 2021-2026 adopted by the Government of the Republic of Croatia addresses all the requirements from the description of the Milestone #126 in the Annex to the Council Implementing Decision.</p> <p>To strengthen the role and management capacity of producers' organisations in the fruit and vegetable production and marketing chain, the Operational Programme contains provisions related to the implementation of the following measures: (i) C1.5. R1-I1, Construction and equipping of logistic fruit and vegetables distribution centres (page 4 - 17) and (ii) C1.5. R1-I2, Strengthening the position and visibility of producers in the food supply chain (page 17 - 18).</p> <p>The objective of the Operational Programme is to define the funding framework and aid intensity, eligible projects or activities, eligible beneficiaries, eligible costs, and implementation, for the measures C1.5. R1-I1 and C1.5. R1-I2, Provisions defining these elements are on pages 4-17 and 17-18 of the Operational Programme, respectively for the two measures.</p> <p>In the Operational Programme, measure C1.5. R1-I1, Construction and equipping of logistic fruit and vegetables distribution centres was further developed through two project models: 1) logistic fruit and vegetables distribution centre as project of local infrastructure (page 4 - 12) and 2) logistic fruit and vegetables distribution centre as a project of producer organizations and partners (page 12 – 18).</p> <p>The implementation of the Operational Programme shall primarily strengthen the role and management capacity of producer organisations in the fruit and vegetable production and marketing chain (page 2). The Operational Programme shall contribute to the objective of reform</p>	

C1.5. R1, as it helps to organise and link the supply of small farms through producer organisations to encourage pooling, cooperation, exchange of experience and knowledge. Consequently, this shall improve the position of farmers in supply chains, particularly in the fruit and vegetable sector, and contribute to the development of products with greater added value (page 2).

The Operational Programme came into force on the same day when it was adopted, on 23 December 2021.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 134	Related Measure: C1.5. R3 - The digital transformation of agriculture	
<b>Name of the Milestone:</b> Establishment of a Unit for Implementation and Management of Digital Transformation Projects in the Ministry of Agriculture		
<b>Qualitative Indicator:</b> Decision taken by the Minister of Agriculture to set up a Unit for Implementation and Management of Digital Transformation Projects in the Ministry of Agriculture		<b>Time:</b> Q4/2021
<b>Context:</b> The objective of the reform is to make public services in agricultural sector more accessible to farmers by digitising these services, while also reducing the administrative burden. The reform is expected to contribute to increasing agricultural production, ensuring the quality and traceability of agricultural products and ensuring the application of agronomic practices that are sustainable in the long term for the climate and the environment. The Milestone entails setting up of a coordinating unit, which shall plan and monitor the implementation of all investments and ensure the achievement of defined goals of digitalised public services, operational Smart Agriculture platform and publicly accessible traceability information system. It is the first Milestone in the implementation of the related measure. The next step is Target #135 C1.5. R3-I1, on the Digitalisation of at least 30 public services in agriculture listed in the Action Plan for the Digital Transformation of Agricultural Public Services, due in Q3/2025.		
<b>Evidence Provided:</b> In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided by the Croatian authorities: <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled (Cover note)</li> <li>b) <b>Copy of the published Minister's Decision</b> by the Minister of Agriculture on the Establishment of a Unit for implementation and Management of Digital Transformation Projects in the Ministry of Agriculture, from 24 November 2021 (Class: 003-05/21-01/1, Reg. No.:525-05/0095-21-1), and three annexed implementation plans, i.e., Investment Implementation Plan R3-I1 – Deployment of digital public services, Investment Implementation Plan R3-I2 – Smart Agriculture, Investment Implementation Plan R3-I3 – Traceability System</li> <li>c) <b>A link to the website</b> where the Decision and three following implementation plans annexed to the Decision can be accessed: Investment Implementation Plan R3-I1 – Deployment of digital public services, Investment Implementation Plan R3-I2 – Smart Agriculture, Investment Implementation Plan R3-I3 – Traceability System. <b>Copy of the Explanatory report</b> demonstrating how the actions foreseen in the summary document contribute to achieving the objectives of the reform</li> </ul>		
<b>Analysis:</b> The Decision by the Minister of Agriculture on the Establishment of a Unit for implementation and Management of Digital Transformation Projects in the Ministry of Agriculture, of 24 November 2021 (Class: 003-05/21-01/1, Reg. No.:525-05/0095-21-1), establishes the Unit for planning, implementation, and management of digital transformation projects within the Ministry of Agriculture and addresses all the requirements from the description of the Milestone in the Annex		

to the Council Implementing Decision.

The Decision envisages cooperation of the established unit with relevant stakeholders and government and public administration bodies (e.g., Paying Agency, Croatian Agency for Agriculture and Food and Central State Office for the Development of Digital Society, in Articles 11, 12 and 13).

The Decision also establishes the monitoring and implementing role of the Unit related to Investment C1.5. R3-I1 on the Digitalisation of at least 30 public services in agriculture listed in the Action Plan for the Digital Transformation of Agricultural Public Services, Investment C1.5. R3-I2 on Setting up a Smart Agriculture platform and Investment C1.5. R3-I3 on the Establishment of a traceability information system, as set out in Articles 2, 6, 7 and 14, as well as in three implementation plans annexed to the Decision.

The Decision defines the leaders of the Unit for planning, implementation and management of digital transformation projects within the Ministry of Agriculture and the members of the Implementation units for all the investments within the Reform C1.5. R3 on the digital transformation of agriculture (Articles V, VIII, IX, X).

As indicated on the cover pages of the initial Investment implementation plans, Unit teams in charge of the implementation have prepared the initial implementation plans on the 22 November 2021. The Plans contain a more detailed elaboration of the investment activities, timetables for the implementation, participating organisational units and the organisational units responsible for each activity within the individual investment. All Units defined by the Decision are already operational for the realisation of the investments under Reform C1.5. R3.

The establishment of the Unit shall contribute to the successful digitalisation of the agricultural sector in the Republic of Croatia. It increases the accessibility of public services in agricultural sector for farmers by digitising these services and reducing the administrative burden at the same time. This shall help to increase agricultural production, ensure the quality and traceability of agricultural products, and the application of agronomic practices that are sustainable in the long term for the climate and the environment.

The Decision came into force on the same day when it was adopted, on 24 November 2021.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 140</b>	Related Measure: C1.6-R1: Enhancing the resilience and sustainability of the tourism sector	
<b>Name of the Milestone:</b> Scenario analysis as part of the Sustainable Tourism Development Strategy for 2030.		
<b>Qualitative Indicator:</b> Develop the Scenario analysis		<b>Time:</b> Q4 2021
<b>Context:</b> The reform aims to establish an effective organisational and legal framework for managing the development of sustainable tourism through drawing up the Tourism Act, the 2030 Strategy for the Sustainable Development of Tourism, the National Plan for the Sustainable Development of Tourism by 2027 and the Strategic Environmental Assessment. It shall include the development of a new model of tourism that offers more diversified tourism products, contributes to the green and digital transition of tourism entrepreneurs, and ensures adherence to circular economy principles. The implementation of the reform shall set the base for future investments in the tourism sector improving its sustainability and boosting green and digital transition. The scenario analysis, defined in the first milestone of reform C1.6-R1, is produced as part of the <i>Sustainable Tourism Development Strategy for 2030</i> that establishes the priorities of the development direction at national and territorial level in consultation with key stakeholders in the sector.		

The scenario analysis, together with the strategy sets the basis for mobilising the investments specified under the RRP component 1.6 developing sustainable, innovative, and resilient tourism. The next milestones constituting part of this reform C1.6-R1 are milestone #141 on the adoption of the Strategy for the Development of Sustainable Tourism by 2030, milestone #142 drawing up the Sustainable Tourism Satellite Account and milestone #143 Entry into force of the Tourism Act.

**Evidence provided:**

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

- a) **Summary document** duly justifying how the milestone (including all the constitutive elements) was satisfactorily fulfilled.
- b) **Copy of the Scenario Analysis** prepared as part of the Sustainable Tourism Development Strategy for 2030 and a link to the website where it can be accessed.
- c) **Ministry of Tourism and Sport decision** on the publication of the Scenario Analysis on the website, number 529-03-01-01-03/1-22-73 from 13 January 2022.

**Analysis:**

The Scenario analysis prepared as part of the Sustainable Tourism Development Strategy for 2030 is the foundation for mobilising the investments specified under measure C1.6. R1: Enhancing the resilience and sustainability of the tourism sector of the National Recovery and Resilience Plan 2021-2026.

The Scenario analysis identifies 10 key challenges related to the development of sustainable tourism in Croatia and creates 4 alternative future scenarios to see the implication and impact on these challenges and how they should be developed.

The 10 key challenges related to the development of sustainable tourism (pages 3 to 6) are:

- 1) temporal and spatial disparities
- 2) the impact of tourism on the environment and nature
- 3) the interrelationship between tourism and climate change
- 4) adaptation to rapid technological changes in tourism
- 5) quality of life and well-being of the local population
- 6) insufficient human resources in abundance and quality
- 7) inadequate structure and quality of accommodation
- 8) an unfavourable business and investment environment
- 9) insufficiently effective legislative and governance framework
- 10) the impact of crises on tourism and the changing behaviour and needs of tourists.

The 4 alternative scenarios (pages 11 to 13) are:

- Scenario 1: Negative scenario (intensity drop)
- Scenario 2: Negative scenario (intensity rise)
- Scenario 3: Base scenario
- Scenario 4: Positive scenario

The next step involved a detailed assessment of each scenario, where particular attention was given to the (1) overall assessment and the discussion of the causal connection between the proposed scenario and the 10 key challenges identified; (2) the territorial level based comparative assessment concerning the expected influences in regions where tourism is highly developed and underdeveloped, and (3) the assessment of the influences of the scenario on the sustainability and trajectory of tourism development in Croatia (pages 14 to 29).

The result is a set of comprehensive guidelines designed for the Sustainable Tourism Development Strategy for 2030 (pages 30 and 31). The guidelines aim to help the tourism sector become more

resilient and sustainable by adapting to the green and digital transition, tackle climate change and reduce environmental impact, while promoting investments in tourism infrastructure and products.

The Scenario analysis provides evidence that it had designed the development direction at national and territorial level through an impact assessment at national level and regions of high and low tourism development of the 10 key challenges under the 4 alternative scenarios (page 16 to 30 and annex 1).

The scenario analysis also provides evidence in annex 2 that it was done in consultation with local population (1166 local population from different regions replied to an opinion survey) and the relevant stakeholders (34 institutions out of which 16 are public sector and 18 are NGOs, scientific community, and other relevant stakeholders).

Given that the tourism sector is one of the main drivers of growth in Croatia, investments in inland tourism and extending the tourist season together with the transition to a greener tourism sector will strengthen its sustainability.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 156	Related Measure: C2.1. R2 Strengthening the capacity to prepare and implement EU projects	
<b>Name of the Milestone:</b> Amendment of ARPA's statutes to redefine its mandate		
<b>Qualitative Indicator:</b> Entry into force of amendments to ARPA's statutes		<b>Time:</b> Q3/2021
<b>Context:</b> The reform aims to strengthen the capacity of the administration to prepare and implement EU projects. As part of the reform it was agreed that the statute of the Agency for the Audit of European Union Programmes Implementation System (ARPA) shall be adapted to bring it in line with Regulation (EU) 2021/241 and provide the legal mandate for carrying out audits in the scope of the National Recovery and Resilience Plan of Croatia (Plan). It provides for an amendment of ARPA's statutes (Odluka o izmjeni i dopuni statuta Agencije za revizij sustava provedbe programa Europske unije, number 327-01/21-15, adopted by the Managing board of ARPA on 28 April 2021, endorsed by the Ministry of Finance on 6 May 2021 and entered into force on 7 May 2021) to define the legal mandate to set up and carry out system audits and controls related to the implementation of the Recovery and Resilience Plan. It is part of the audit and control package of milestones aimed at ensuring that a comprehensive and robust management system is in place in Croatia.		
<b>Evidence Provided:</b> In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided by the Croatian authorities: a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note). b) <b>Copy of the publication on the ARPA's official notice board</b> and reference to the relevant provisions indicating the entry into force of the Amendments to Statutes of the Agency for the Audit of European Union Programmes Implementation System (Odluka o izmjeni i dopuni statuta Agencije za revizij sustava provedbe programa Europske unije, number 327-01/21-15, adopted by the Managing board of ARPA on 28 April 2021, endorsed by the Ministry of Finance on 6 May 2021, entered into force on 7 May 2021 and published on the official notice board ( <a href="http://www.arpa.hr/Onama/ARPAstruktura/tabid/2374/Default.aspx">http://www.arpa.hr/Onama/ARPAstruktura/tabid/2374/Default.aspx</a> on 7 May 2021). The authorities also provided: c) <b>Copy of the publication in the Official Gazette</b> and reference to the relevant provisions indicating the entry into force of the Decision on the management and monitoring of the		

implementation system of the activities within the framework of National recovery and resilience plan 2021 —2026 (Odluka o sustavu upravljanja i praćenju provedbe aktivnosti u okviru nacionalnog plana oporavka i otpornosti 2021. – 2026, Official Gazette no.78/2021, 9 July 2021, Government of the Republic of Croatia).

**Analysis:** The Amendments to the Statute of the Agency for the Audit of European Union Programmes Implementation System (ARPA) adequately address the requirements of the CID, namely define the mandate of ARPA to set up and carry out system audits and controls related to the National Recovery and Resilience Plan.

The Amendments introduce a new organisational unit responsible for the Recovery and Resilience Plan’s audits and controls in Article 13(2) of the Statute of the Agency for the Audit of European Union Programmes Implementation System. In the previous version of the Statute (Statut Agencije za reviziju i sustava provedbe programa Evropske unije, 003-05/09-03/02, last modified on 21 January 2019, Managing board of ARPA), the Service for Support to Audit Processes was established as a service responsible for audits and controls within the Sector for Horizontal Processes Management, without division into sub-units. This service was responsible for activities such as the audit methodology, consultations related to public procurement and sampling and procedures related to confidentiality and impartiality, establishing procedures related to audit quality standards, etc.

With the adoption of the modifications to the Statute of the Agency for the Audit of European Union Programmes Implementation System, the Service for Support to Audit Processes is divided in 3 Departments, namely the Department for Methodology, the Department for Legal Analysis and the Department for Audit of Recovery and Resilience Facility.

In the context of the fulfilment of the requirements of both milestones #156 and #157, the Decision on the management and monitoring of the implementation system of the activities within the framework of the National recovery and resilience plan 2021 —2026, was adopted on 8 July 2021 and entered into force on 10 July 2021. The Decision defines the competent authorities and sets out their roles and responsibilities in Articles 3, 5, 7 and 15.

As set out in the Council Implementing Decision, the new provisions in Article 13 of the amended Statute of the Agency for the Audit of European Union Programmes Implementation System, together with the provisions in Articles 3, 5, 7 and 15 and 7 of the Decision, provide the legal mandate to carry out audit work on the Recovery and Resilience Plan and shall allow for proper monitoring of its implementation and for safeguarding the financial interests of the Union. More concretely the legal mandate is provided for by: a) The amended Statute of the Agency for the Audit of European Union Programmes Implementation System which establishes the internal structure of the audit authority and puts in place a dedicated unit for auditing the Plan.

b) The Decision, in articles 3, 5, 7 and 15 indicate that the Agency for the Audit of the European Union Programmes Implementation System shall carry out audits of the governance system and monitoring of the implementation of reforms and investments and reviews of the achievement of the milestones and targets of the National Recovery and Resilience Plan, in line with the Croatian legislative framework and Regulation (EU) 2021/241.

The amendments came into force on the day of their publication on the official notice board of the Agency, on 7 May 2021.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 157	Related Measure: C2.1. R2 Strengthening the capacity to prepare and implement EU projects	
<b>Name of the Milestone:</b> Establishment of the implementation and audit and control system for the RRP		
<b>Qualitative Indicator:</b> Entry into force of the decision by the Croatian		<b>Time:</b> Q4 2021

<p>Government on the bodies in the system of implementation of the National Recovery and Resilience Plan, establishment of the coordinating body under the Ministry of finance and update of procedures used by implementing bodies</p>	
<p><b>Context:</b></p> <p>The reform aims to strengthen the capacity of the administration to prepare and implement EU projects. As part of the reform, the system for implementing and managing the National Recovery and Resilience Plan is to be set up.</p> <p>The milestone calls for setting up the system for implementing and managing the National Recovery and Resilience Plan, including the setting up of the Coordinating body, establishing an Implementation Committee to ensure consistency across funds and updating the procedures used by line ministries and bodies involved in the implementation.</p>	
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document/Cover note</b> duly justifying how the milestone (including all constitutive elements) was satisfactory fulfilled.</li> <li>b) <b>Decision on the management and monitoring of the implementation system of the activities within the framework of National recovery and resilience plan 2021 — 2026</b>, defining the competent authorities and setting out their roles and responsibilities, pages 1-7; 1-7.</li> </ul> <p>The authorities also provided:</p> <ul style="list-style-type: none"> <li>c) <b>Decree on the amendments of the Regulation on the internal structure of the Ministry of finance</b>, establishing the Coordinating body within the Ministry of Finance, pages 1,2, 17 and 18;18.</li> <li>d) <b>Minister’s Decision adopting common national rules and procedures for the implementation of the National Recovery and Resilience Plan 2021 — 2026; putting in place the updated rules and procedures (Official Gazette no.78/2021).</b></li> <li>e) <b>Package of 76 updated procedures;</b> to align with the requirements of the Recovery and Resilience Facility regulation and serve as the basis for implementation and monitoring.</li> <li>f) <b>Revised package of the procedures;</b> addressing the findings from the system audit and the comments in the Observation letter of the Commission.</li> <li>g) <b>Follow-up report of the national audit authority;</b> confirming that the recommendations, as stemming from the system audit and included in the Observation letter of the Commission, have been properly taken on board, and will be further improved in the area of fraud assessment by June 2022, pages 3-9.</li> </ul>	
<p><b>Analysis:</b></p> <p>As set out in the Council Implementing decision, the Government decision (Official Gazette no.78/2021 from 9 July 2021) defines the competent authorities and responsibilities for carrying out the tasks in the implementation of the Recovery and Resilience Plan and puts in place the necessary provisions to ensure the management and implementation of the Recovery and Resilience Plan. The Decision also puts in place provisions for the functioning of the Implementation Committee to ensure consistency and coherence in the use of EU funds.</p> <p>With the Decree on amending the Regulation of the structure of the Ministry of Finance, the Coordinating body was established under the Ministry of Finance on 21 September 2021 and given the required powers and obligations to ensure proper management of all Recovery and Resilience</p>	



Plan related processes. The Coordinating body is fully functional at the time of the fulfilment of the milestone with six staff working exclusively on the implementation of the Recovery and Resilience Plan. In line with the milestone, the Decision and the Decree formally establish the system for the monitoring and implementation of the Recovery and Resilience Plan by defining the competent authorities and their roles and responsibilities involved in the structure.

The mandate of the Implementation Committee for ensuring consistency and coherence in the use of the Union funds implies the following preventive measures: a) the provision of appropriate trainings for employees of Coordinating Body, National Fund and National Authority responsible for Component/Sub-component and Enforcement Body; b) regular monitoring of OLAF's website and publication of reports by the European Court of Auditors; c) workshops tailored to the audience and expertise level; d) In relation to public procurement procedures, the persons in the National Authority responsible for Component/Sub-components and Enforcement Body regularly monitor the Electronic Public Procurement Bulletin (EOJN), the website of the State Commission for the Control of Public Procurement Procedures (DKOM) and other relevant websites and search engines (e.g. [www.strukturnifondovi.hr](http://www.strukturnifondovi.hr), <https://sudreg.pravosudje.hr>, <http://www.poslovnna.hr>) and use the ARACHNE tool; e) verification of beneficiaries (natural or legal persons) and/or persons authorised to represent beneficiaries through the ARACHNE system.

During the second half of 2021, a thorough update of procedures was launched, starting with the guidance drafted by the Coordinating body, based on which, all other bodies involved in the implementation of the Recovery and Resilience Plan were asked to update their procedures. By the end of 2021, a total of 76 procedures, falling under five categories, were updated: Common chapter, Grant awards, Management of Contracts, Financial instruments, Monitoring of implementation, Payment requests, and Irregularities.

In addition to the milestone requirements, the authorities also engaged in consultations with external stakeholders (potential beneficiaries) to determine any additional changes and updates that could further simplify and optimise procedures. While the initial feedback was already taken on board, the authorities also expressed their intention to include any further, viable feedback in ongoing updates of procedures throughout the implementation of the Recovery and Resilience Plan.

When performing the system audit, the national audit authority identified several deficiencies in the procedures, namely relating to the arrangements for checking fraud, corruption, and conflict of interest, as well as avoidance of double funding, as reported in the summary of audits. The national audit authority identified a need for a clearer definition of the tools, methodology, responsible entities, and times at which checks to detect, prevent, and correct fraud, corruption, and conflict of interest, as well as avoidance of double funding, are to be carried out. These findings coincided with the Commission analysis of the procedures upon reception of the payment request and the authorities were requested to address the findings of the national audit authority ahead of the finalisation of its preliminary assessment. The authorities have further updated the procedures and submitted the updated documentation on 6 and 7 April 2022.

The additional updates provided by the authorities relate to:

- a) The definition of the mechanisms, tools and exact checks to be carried out, including the description of the methodology for checks to be carried out, the elaboration of the process and the introduction of targeted questions in the accompanying annexes and checklists (including the definition of deadlines for checks).
- b) Definition of the entities and/or persons in charge of the checks.
- c) Instructions on the use of ARACHNE in all relevant written procedures and for all relevant stages, specifying the methodology of the verifications using ARACHNE, and setting out the entities in charge of the use of ARACHNE and how the checks carried out through ARACHNE are recorded.

d) Further information on the cooperation modalities between the Ministry of Finance and the Ministry of Regional Development and EU Funds with relation to the necessary assistance/support in updating and using ARACHNE.

It is considered that the updated procedures, including the additional updates stemming from the audit findings, as submitted to the Commission, allow for an implementation of the Plan in line with the requirements of Regulation (EU) 2021/241, help improve the implementation of the Plan, and result in optimisation of business procedures allowing for greater efficiency in implementation.

To ensure continuous compliance with the milestone and its obligations under the Financing and Loan Agreements, as attested through the summary document justifying how the milestone was satisfactorily fulfilled, Croatia has committed to further elaborate and implement the fraud risk assessment procedures by June 2022.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 158	Related Measure: C2.1. R2 Strengthening the capacity to prepare and implement EU projects	
<b>Name of the Milestone:</b> Adoption of the Act on the institutional framework for EU funds		
<b>Qualitative Indicator:</b> Entry into force of the Act on the institutional framework for EU funds		<b>Time:</b> Q4/2021
<b>Context:</b> With the objective to increase the absorption of the Union funds, this reform shall increase the capacity for the preparation and implementation of the Union funds. The Implementation Committee is mandated with ensuring consistency and coherence in the use of the Union funds. The milestone requires the adoption of an Act on the institutional framework for EU funds that, in addition to the establishment of the institutional framework and the designation of bodies in the Act, also provides a framework for the establishment of the capacity-building activities. The law shall recognise the need to further strengthen the capacity of beneficiaries to prepare, apply and implement projects, which are implemented through EU-funded (operational) programmes.		
<b>Evidence Provided:</b> In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided by the Croatian authorities: <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note).</li> <li>b) <b>Copy of the Act</b> on the institutional framework for EU funds (Official Gazette no. 116/2021) (Zakon o institucionalnom okviru za korištenje EU fondova u RH).</li> <li>c) <b>The authorities also provided:</b> An additional explanatory document providing in-depth information on how the various elements of the milestone were addressed.</li> </ul>		
<b>Analysis:</b> <p>As set out in the Council Implementing Decision, 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.</p> <p>The Act on the institutional framework for EU funds establishes the institutional framework and the designation bodies in the Act. Pursuant to the Article 5, Paragraph 4 of the Act, the Government will define functions, tasks, and responsibility of the Coordinating Body, in line with the Act and applicable Union legislation. Pursuant to the Article 7, Paragraph 3 of the Act, the Government shall, by decrees, designate programme authorities and eventually authorities to which certain functions (or part of functions) will be delegated. The Act, in particular Articles 8 and 9, outlines the different institutions, functions, roles and responsibilities to manage and implement EU funding programmes. This permanent feature of the institutional framework will go beyond the current and any single financial perspective (such as main Coordinating Body functions that relate to coordination of</p>		

preparation, monitoring, reporting and evaluation of the programming documents and establishment of the Monitoring and Control Systems of each respective financial perspective; communication and visibility activities etc.).

The Act defines implementation activities for strengthening the capacities of the institutional framework for EU Funds usage as well as of beneficiaries, partners and associates on EU financed projects (Article 1).

The Law sets out the framework for the establishment of the capacity-building activities. As per competent bodies defined in Article 8, the Coordinating Body, in cooperation with the competent programme authorities and the ministry responsible for administrative affairs and, if necessary, with other competent line bodies (Ministries or implementing agencies), shall conduct regular analyses of the capacity of the institutional framework for the use of EU funds and define activities for their further strengthening.

For the implementation of those activities, a Roadmap for administrative capacity building for the use of EU funds shall be prepared, which shall contain activities and measures for strengthening the capacity of the institutional framework for the use of EU funds for each EU financial period.

The law recognises the need to further strengthen the capacity of beneficiaries to prepare, apply and implement projects. In line with Article 9, the Coordinating Body, and the competent programme bodies for managing and controlling the implementation of programme documents oversee informing beneficiaries in the field of implementation of EU funds and determining activities for strengthening their capacities, in accordance with available financial resources.

Setting up the framework for administrative capacity building through Article 8 and 9 has multiple effects. It sets up the framework for administrative capacity building activities at the level of Law and it defines target groups (capacities of institutional framework, beneficiaries, partners, and associates in the project implementation). Based upon this framework, activities will be further developed through a Roadmap, as defined above. The Law also stresses the importance of the capacity building of beneficiaries, highlighting their needs.

Considering the above, the new Act on the institutional framework for EU funds will improve the capacity building activities as well as the spending efficiency of EU funds, ensure greater transparency and coordination and sets the framework for accelerating the implementation of the projects financed by the EU funds.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 159	Related Measure: C2.1-R2 Strengthening the capacity to prepare and implement EU projects	
<b>Name of the Milestone:</b> Assessment of the administrative capacity		
<b>Qualitative Indicator:</b> Publication of a workload analysis		<b>Time:</b> Q4 2021
<b>Context:</b>		
The reform aims to strengthen the capacity of the administration to prepare and implement EU projects. As part of the reform a workload analysis is to be carried out for the institutions involved in the management and control systems. The objective of the analysis is to provide information needed to address the bottlenecks in administrative capacity.		
The milestone requires a workload analysis to be carried out, looking at the implementation capacities for all EU funds and providing recommendations for decisions addressing the bottlenecks. For the two main bodies in the management system of the Recovery and Resilience Plan, the		

Coordinating body and the audit authority, these decisions on addressing workload bottlenecks, are issued by the time of the fulfilment of the milestone, while for the remaining bodies, subsequent government decisions are to be taken in the future.

**Evidence provided:**

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

1. **Summary document/Cover note** duly justifying how the milestone (including all constitutive elements) was satisfactorily fulfilled.
2. **Report on the assessment of administrative capacity** (Izvešće o procjeni administrativnih kapaciteta za provedbu EU fondova u okviru VFO-a 2014.-2020. i 2021.-2027. i NPOO-a 2021.-2026. za 2022. godinu) with details on the methodology, the assessment of capacity needs, bottlenecks, and recommendations, prepared by the Coordination Body for the Recovery and Resilience Plan under the Ministry of Finance in cooperation with the Ministry for Regional Development and published on the official website of the Ministry of Finance on March 11, 2022.
3. **Minister's Decision on the allocation of the necessary resources No. 513-03-01-22-1**, signed by the Minister of Finance of Croatia on 10 January 2022) providing for the launch of a Call for expression of interest.

The authorities also provided:

4. **Call for expression of interest** (No. 513-03-01-22-2, signed by the Minister of Finance of Croatia on 13 January 2022) to ensure the additional staff needed for the Coordinating body based on the recommendations stemming from the workload analysis.
5. **Explanatory report** providing additional explanations following the discussions between the Commission and the national authorities.

**Analysis:**

As set out in the Council Implementing Decision, the workload analysis has been published on 11 March 2022. The workload analysis was carried out for the institutions involved in the respective management and control systems, considering also the additional administrative effort arising from the implementation of the Recovery and Resilience Facility.

The authorities provided the Report on the assessment of administrative capacity which include:

- a) A description of the methodology used for the workload analysis and identify the authors – pages 8-11.
- b) Summary report of the analysis clearly showing the bottlenecks and resource needs – pages 13 to 28, table in Annex 1
- c) List of recommendations stemming from the analysis, pages 29 and 30

The authorities also provided a:

- d) Decision to launch a Call for expression of interest to recruit additional staff for the Coordinating body for the Recovery and Resilience Plan and the text of the actual Call for expression of interest. The analysis did not show any need for additional staff at the Service for Support to Audit Processes within the Agency for the Audit of European Union Programmes Implementation System; so no additional Decision on such allocations was needed.

The report presents the methodology used for the analysis which is well-elaborated and appropriate. The summary of the analysis clearly shows the bottlenecks and recommendations are provided to address them. The authorities included a timeline in their report indicating by when the recommendations would be addressed and in what manner. It is considered that the workload

analysis adequately assesses the capacity needs and includes recommendations which effectively deal with the administrative challenges rising from the substantial allocation of both the Recovery and Resilience Facility and other EU funds to Croatia.

Regarding point d), the analysis showed the number of staff needed at the Coordinating body for the Recovery and Resilience Plan and the Agency responsible for the audit of EU programmes. Based on the recommendations, a Minister's Decision was issued, on 10 January 2022, to recruit five additional staff at the Coordinating body. The posts to fill these needs were allocated with the Amendment of the Decree on the Internal Organisation of the Ministry of Finance from September 2021, with the posts to be filled following the issuance of the Minister's decision from 10 January 2022, which is based on the recommendations from the workload analysis. The posts will be filled based on a call for expression of interest.

For the audit authority, the staff needs identified through the analysis fall within the number of posts already allocated in mid-2021. This means that no dedicated Decision is needed. It is considered that the Decision to allocate additional staff to the Coordinating body for the Recovery and Resilience Plan provides for adequate additional capacities required to ensure proper coordination and reporting on the implementation of the Recovery and Resilience Plan.

At the time of the fulfilment the actual recruitment procedure is ongoing and close to being finalised. The implementation of this milestone will contribute to the overall reform and help strengthen the capacities of the Croatian administration to implement EU funds.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 207</b>	Related Measure: C2.4-R1: Revising the list of state-owned enterprises of particular interest to Croatia	
<b>Name of the Milestone:</b> New Croatian Government Decision adopted on state-owned enterprises of particular interest to Croatia.		
<b>Qualitative Indicator: Publication of revised list of state-owned enterprises of particular interest to Croatia in accordance with established criteria.</b>		<b>Time:</b> Q4 2021
<p><b>Context:</b></p> <p>The objective of this reform is to adopt and publish a Decision on the new revised list of SOEs (State Owned Enterprises) of particular interest to Croatia. In this way, the portfolio of Croatia's financial assets will be clearly separated into the part that is of particular interest (and should remain State-owned) and that of no particular interest (and hence be monetized).</p> <p>The milestone establishes the publication of a new Croatian Government Decision with the revised list of SOEs of particular interest to Croatia. The Decision includes an explanation why a company is kept on the list. Companies listed for which the existence of a public interest is not demonstrated are to be transferred to the Restructuring and Sales Centre (CERP) with a view of monetizing the assets. This is the only milestone related to reform 1 of Component 2.4.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li><b>Summary document/Cover note</b> justifying how the milestone was satisfactorily fulfilled, including the preparation process of the publication of the new list of SOEs.</li> <li><b>Copy of the revised list of SOEs of particular interest to Croatia</b> as published in the Official Gazette.</li> </ol> <p>The authorities also provided:</p>		

a. **Copy of the Proposal for a Decision** with the revised list of SOEs, indicating the criteria followed, the explanations why the companies were kept on the list and thus separating the portfolio of financial assets that remain State-owned and those prepared for privatization.

**Analysis:**

As set out in the CID (Council Implementing Decision), the Croatian Government published a new Decision defining a new list of state-owned enterprises of particular interest to Croatia (Article 2). The new Government Decision on state-owned enterprises of particular interest for Croatia was adopted on 31/12/2021.

Before publishing the final new Decision, the Croatian authorities shared with the Commission the Proposal for a Decision with the revised list of SOEs, indicating the criteria followed and the explanations why some of the companies were kept on the list. In this way, the portfolio of Croatia's financial assets was clearly separated into the part that is of particular interest and therefore shall remain state-owned and the part which is not of particular interest to Croatia and hence should be monetised in the following years (according to the CID). According to the explanations provided in the Proposal, three companies were excluded from the list compared to the 2018 Decision, namely Autocesta Rijeka-Zagreb, Imunološki zavod and Pomorski centar za elektroniku. Thus, the revised Decision of 2021 contains 36 companies of particular interest to Croatia instead of 39 companies listed in the Decision of 2018. Autocesta Rijeka-Zagreb was excluded from the list as it was merged into the company Hrvatske autoceste on 1 January 2021. The other two companies were excluded from the list based on defined criteria and reasoned opinions of the competent state administration bodies, setting out the public and national interests for each of the legal persons, according to 2015 OECD Guidelines on Corporate Governance in State-Owned Enterprises. The latter two companies excluded from the list were transferred to the Restructuring and Sales Centre (CERP) portfolio with a view to monetization of the assets (according to the CID, the sale of at least 90 state-owned enterprises which are not of particular interest to the Republic of Croatia and are managed by CERP should be realized by Q2 2026).

Furthermore, as established in the 'Verification mechanism', the Croatian authorities provided a summary report on the process of preparation of the publication of the revised list of state-owned enterprises of particular interest to Croatia in accordance with established criteria. In this report, the Croatian authorities explained that the Ministry of Physical planning, construction and state assets (MPGI) conducted several activities in line with verification mechanism and the milestone's monitoring steps. These activities included: (i) adoption of the Decision on the criteria which was enacted in 2020 in line with the OECD corporate governance guidelines; (ii) creation of the standardized form sent to all line ministries under whose authority legal entities of particular interest to Croatia operate, regarding the requested written explanations for reviewing the reasons (rationale) for state ownership; (iii) preparation and adoption of the draft Proposal of the Decision on legal entities of particular interest to the Republic of Croatia, with written explanations for each legal entity made in annex; (iv) communication with state administration bodies in order to receive official opinions for the Proposal and (v) preparation and adoption of the new Decision on state-owned enterprises of special interest for the Republic of Croatia.

The decision with the updated list was published in Official Gazette [https://narodne-novine.nn.hr/clanci/sluzbeni/2020\\_02\\_22\\_536.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2020_02_22_536.html) and the two companies excluded from the list that still legally exist were transferred to Restructuring and Sales Centre (CERP) portfolio, which is available on the following link <http://www.cerp.hr/portfelj-cerp-a/dionice-i-poslovni-udjeli/114>

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 231	Related Measure: C2.6.R1: Increasing the efficiency, coherence and openness of authorities in the fight against corruption through digitalisation, enhancing transparency and improving coordination	
<b>Name of the Milestone:</b> Adoption of a new anti-corruption strategy for 2021-2030		
<b>Qualitative Indicator:</b> New Anti-Corruption Strategy 2021-2030 adopted by the Parliament and published in the Official Journal		<b>Time:</b> Q4 2021
<p><b>Context:</b></p> <p>The objective of the reform is to improve coordination and cooperation of the authorities involved in the implementation of national anti-corruption policy documents using information technology, and to develop an information platform for informing citizens clearly about the existing legislative framework in the field of corruption prevention and the available tools.</p> <p>The milestone includes measures to strengthen the institutional and normative framework for the fight against corruption. The next milestones for this reform are #232 C2.6 – R1 Adoption of the new Law on the Prevention of Conflict of Interest, due in Q4 2021, and #233 C2.6 – R1 Adoption of amendments to the Act on the protection of persons reporting irregularities, due in Q4 2022.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note).</li> <li>b) <b>Copy of the Strategy Prevention of Corruption</b> for the period 2021-2030 (EN and HR version) and a link to the website (Official Gazette) where it can be accessed (Nr.120/2021): <a href="https://narodne-novine.nn.hr/clanci/sluzbeni/2021_11_120_2069.html">https://narodne-novine.nn.hr/clanci/sluzbeni/2021_11_120_2069.html</a></li> </ul>		
<p><b>Analysis:</b></p> <p>As set out in the Council Implementing Decision the Strategy for the prevention of Corruption 2021-2030 was adopted by the Parliament on 29 October 2021 and published in the Official Journal (Narodne Novine (NN; Official Gazette of the Republic of Croatia (OG120/21)) on 10/11/2021.</p> <p>The Strategy strengthens the institutional and normative framework for the fight against corruption, enhances the transparency and openness of the work of public authorities, strengthens integrity and conflict of interest management systems, enhances the capacity to detect, prevent and ultimately reduce corruption in the public procurement system, raises public awareness of the harmfulness of corruption, and the need to report irregularities and enhance transparency. The strategy lists 95 measures to achieve the five objectives and will be complemented by three-year implementation plans. The first implementation plan, covering the period 2022-2024, is under preparation and would include first steps to start implementing most of the measures listed in the Strategy. The Council for the Prevention of Corruption will monitor the triennial plans' implementation on the side of the executive branch. This monitoring will be complemented on the parliamentary side through the work of the National Council for Monitoring the Implementation of the Anti-Corruption Strategy.</p> <p>The purpose of the new strategic framework is further strengthening of existing mechanisms and creating new systemic solutions to prevent corruption at all levels, taking into account the experiences of previous strategic documents. The content of the Strategy is in line with the National Development Strategy until 2030 (NDS).</p> <p>The realization of the vision and purpose of the Strategy will be ensured by achieving the set specific goals. The Strategy is divided into <b>five specific objectives</b> which are:</p> <ol style="list-style-type: none"> <li>1. <b>Strengthening the institutional and normative framework for the fight against corruption.</b></li> </ol>		

This objective, including 36 implementation measures will contribute to improve the coordination between authorities by strengthening their administrative and financial capacity (M4.1.1), and providing an effective normative framework to fight against corruption.

**2. Increasing transparency and openness of public administration bodies.**

The new strategy within this objective introduces, alongside 21 implementation measures, new mechanisms and tools with the Law on the right access to information (M4.2.5), which address and monitor improvements in the area of disclosure of information and will enhance more public transparency.

**3. Improving the integrity and conflict of interest management system.**

Within the 18 implementation measures under this objective, the Croatian authorities seek to improve the state-owned company's management, due to strengthening mechanisms and ethical norms for civil servants (M4.3.11)

**4. Strengthening of anti-corruption potentials in the public procurement system.**

The objective based on 11 implementation measures is to reduce corruption risks by strengthening the supervision capacity of the state through introducing a new system of redress for public procurement (M4.4.3)

**5. Raising public awareness of the harmfulness of corruption, the necessity of reporting irregularities and strengthening transparency.**

The Strategy includes 9 implementation measures to increase public awareness of corruption by implementing a national campaign (M4.5.5) and introducing new tools to report corruption.

The implementation measures are listed after each priority area in the specific objectives and the full list of implementation measures under the specific objectives can be found in **Annex 1** of the Strategy.

The ways in which the specific objectives will be addressed are defined in the measures, i.e., in the text of the Strategy for each individual measure which will be formulated in specific activities.

**Specific activities for the implementation** of these measures will be envisaged in accompanying action plans to be adopted in **3 three-year periods** 2022-2024, 2025-2027 and 2028-2030.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 232	Related Measure: C2.6.R1: Increasing the efficiency, coherence and openness of authorities in the fight against corruption through digitalisation, enhancing transparency and improving coordination	
<b>Name of the Milestone:</b> Adoption of the new Law on the Prevention of Conflict of Interest		
<b>Qualitative Indicator:</b> Entry into force of the act amending the Law on Prevention of Conflict of Interest		<b>Time:</b> Q4 2021
<b>Context:</b> The objective of the reform is to improve coordination and cooperation of the authorities involved in the implementation of national anti-corruption policy documents using information technology, and also to develop an information platform for informing citizens about the existing legislative framework in the field of corruption prevention and the available tools.  The new Law on Prevention of Conflict of Interest is contemplated in the new anti-corruption strategy for 2021-2030 (Milestone #231 C2.6 R.1, Q3 2021), and the objective is to extend the scope of the Act to cover companies owned by local and regional government units and companies owned		



by such companies, make asset declarations mandatory, and remedy any potential conflict of interest. The next steps after this Milestone are Milestone #234 C2.6-R.1 Adoption of a code of ethics for parliamentarians and a code of ethics for officials in the executive, due in Q4/2023, and Milestone #237 C2.6-R.1 Setting up an information system to monitor the implementation of national anti-corruption measures, due in Q4/2025.

**Evidence provided:**

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

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled (Cover note).
- b) **Copy of the Law on the Prevention of Conflict of Interest** adopted (EN and HR version) and a link to the website (Official Gazette) where it can be accessed (Nr.143/2021):  
[https://narodne-novine.nn.hr/clanci/sluzbeni/2021\\_12\\_143\\_2435.html](https://narodne-novine.nn.hr/clanci/sluzbeni/2021_12_143_2435.html).

**Analysis:**

As set out in the Council Implementing Decision, the Law on the Prevention of Conflict of Interest was adopted by the Croatian Parliament in December 2021 and entered into force on 25 December 2021. It contains the following provisions:

1. **Extends the scope of the Act in terms of addressees, including companies owned by local and regional government units and companies owned by such companies.** According to the Law, asset declarations have to be submitted once a year by a greater number of obliged entities (about 1 000 more). The new Law includes presidents and members of the management boards of companies, majority-owned by local and regional government units and companies' majority-owned by such companies as well as many other new addressees in State Agencies, directors of health care facilities, Director of the Fund for the Reconstruction of the City of Zagreb, Krapina-Zagorje County and Zagreb County and many others (Article 3 of the Law).
2. **Obliges certain categories of addressees of the law to fill in asset declarations annually and to make declarations within given deadlines.** Pursuant to Article 10 paragraph 4 of the Law, all addressees of the Law are obliged to submit asset declarations every year until January 31 of the current year for the previous year. Article 14 prescribes that if the addressee fails to fulfil the obligation to submit the asset declaration referred to in Articles 10, the Commission shall initiate proceedings for violating the provisions on submitting the asset declaration. The sanction for failure to fulfil this obligation is envisaged in Article 48. Furthermore, certain definitions have been expanded, such as the concept of private gain, which now includes not only material, but also non-material gain. The Law also further clarified the procedures before the Commission for the Resolution of Conflicts of Interests.
3. **Remedies any potential conflict of interest.** The Law introduces a new mechanism for declaring conflicts of interest and non-participation in decision-making in Article 9 which envisages that if a potential conflict of interest arises, the addressee is obliged to declare it in an appropriate manner and resolve it in a way that protects the public interest. In the context of the new duties, it is important to emphasize that Article 48 of the Law also provides for the possibility of imposing a sanction for violation of these provisions on declaring conflicts of interest and non-participation in decision-making. Furthermore, it is important to note the list of prohibited actions of the addressees listed in Article 7 for which the sanctioning is also envisaged in Article 48.
4. **Regulates the possibility of better determining penalties for infringements by introducing the principle of proportionality into the law, and regulates some aspects of the cooling period, including proposals from the Committee for the Resolution of Conflicts of Interest as to how to**

**improve the law in practice.** The Law authorises the Committee for the Resolution of Conflicts of Interest (Commission for the Resolution of Conflict of Interest, hereinafter: The Committee) to impose administrative sanctions for non-compliance with the Law (the Committee can essentially impose two kinds of administrative sanctions: fine and warning). But it is also possible to impose misdemeanour sanctions for certain violations of the Law. Having in mind that sanctions are imposed through legal proceedings, it is explicitly stated that the sanction is imposed, taking into account the principle of proportionality. The Committee is in the best position to weigh (as any other authority applying legislation) what concrete conduct should result in which sanction. Moreover, addressees of the Law may not accept appointments to managerial positions in a legal entity with which the public authority in which the addressee held office was in a business relationship or performed supervisory functions during his/her term of office, unless otherwise prescribed by a special law. This limitation shall apply 18 months after the termination of service. The Committee can impose higher minimum fines on officials who do not submit the required public information, which could contribute to more effective investigations. New ethical bodies (see point 5) are envisaged to sanction public officials' violations of principles of conduct, rather than the Committee – in this regard, no additional legal basis was included in the Law. Finally, as regards the proposals made by the Committee during the work on a Law, many of them were included in the legal text such as those related to the list of addressees in Article 3 and, to asset declarations, the checking of data in asset declarations or the procedure before the Commission.

- 5. Provides a legal basis for drawing up a model code of ethics for members of representative bodies of local and regional government units, the adoption, implementation, and supervision of which would be the responsibility of representative bodies.** The Law addresses the heads of local and regional level government units such as prefects and mayors and their deputies in the same manner as a minister in the central government. Pursuant to Article 57 of the Law, Representative bodies of local and regional self-government units are obliged to adopt the code referred to in Article 4 of this Act within six months from the day this Law enters into force. Article 4 of the Law provides that the local authorities need to specify the body to decide on ethical violations at second instance, implying that the first instance decisions should be made by municipal councils. The fulfilment of this obligation is to be followed by the anti-corruption coordination authority, while the Committee is tasked with supervising the obligation of municipal council members to declare becoming owners of a company (if above 5%).

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 247</b>	Related Measure: C2.7-R1: Improving fiscal planning and reporting
<b>Name of the Milestone:</b> Strengthening the fiscal framework through the adoption of the Budget Act to improve the budgetary processes	
<b>Qualitative Indicator:</b> Entry into force of the new Budget Act	<b>Time:</b> Q4/2021
<b>Context:</b> The objective of this reform is to improve budgetary processes and related budgetary documents, thus ensuring the development of an efficient and sustainable public finance management system. This milestone amends the Budget Act and together with the next milestone #248 C2.7. R1 “Ensuring the full functionality of the Fiscal Policy Commission” will completely implement this measure C2.7-R1 to improve fiscal planning and reporting.	
<b>Evidence Provided:</b> In line with the verification mechanisms, the following evidence was provided: a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note).	

b) Copy of the publication of the new Budget Act in the Official Gazette: **NN 144/2021 (27 December 2021)**

**Analysis:**

As set out in the Council Implementing Decision, the Budget Act was adopted by the Croatian Parliament and entered into force on 1 January 2022.

More concretely, the new adopted Budget Act sets out the process and key documents for the preparation, adoption and execution of the state budget, the budget of local and regional government units and their extra-budgetary users, the borrowing framework for local and regional government units, monitoring of the use of own and earmarked revenues, the forecast and control of future spending including multi-annual commitments, allowing also for more flexibility in the implementation of EU projects and ensuring compliance with Council Directive 2011/85 in order to establish a more efficient system of financial and statistical reporting.

More precisely,

1. The sections of the Budget Act II "BASIS FOR THE PROCESS OF ADOPTING THE BUDGET AND FINANCIAL PLANS", III "CONTENT OF THE BUDGET AND FINANCIAL PLAN" and IV "PROCEDURE FOR ADOPTION OF THE FINANCIAL PLAN AND BUDGET" set out the process and key documents for the preparation and adoption of the state budget, the budget of local and regional government units and their extra-budgetary users
2. The sections V of the Budget Act "V. EXECUTION OF THE BUDGET AND FINANCIAL PLAN" and section VI "BI-ANNUAL AND ANNUAL REPORT ON THE EXECUTION OF THE BUDGET AND THE FINANCIAL PLAN" set out the process and key documents for the execution of the state budget, the budget of local and regional government units and their extra-budgetary users.
3. Within the section V, Articles 52 - 56 set out the monitoring of the use of own and earmarked revenues.
4. The forecast and control of multi-annual commitments is introduced in Article 19 and 20 together with the provisions in section II of the Budget Act and Articles 47 and 48.
5. Article 60 sets out the reallocation of budgetary funds allowing for more flexibility in the implementation of EU projects.
6. The section IX of the Budget Act "BORROWING AND GUARANTEEING LOCAL AND REGIONAL SELF-GOVERNMENT UNITS" sets out the borrowing framework for local and regional government units.
7. Most of the provisions of DIRECTIVE 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States have been implemented in sections II "BASIS FOR THE PROCESS OF ADOPTING THE BUDGET AND FINANCIAL PLANS", III "CONTENT OF THE BUDGET AND FINANCIAL PLAN" and "XI. ADDITIONAL REPORTS, PUBLICATION OF STATISTICAL AND OTHER INFORMATION".

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 248	Related Measure: C2.7-R1: Improving fiscal planning and reporting	
<b>Name of the Milestone:</b> Ensuring the full functionality of the Fiscal Policy Commission.		
<b>Qualitative Indicator:</b> Appointment by Parliament of the new Chair of the Fiscal Policy Commission.		<b>Time:</b> Q4/2021
<b>Context:</b> The purpose of this milestone is to ensure the functionality of the Fiscal Policy Commission, through the appointment of a new chair based on a public call.		

This milestone to appoint the new chair of the fiscal commission together with the previous milestone #247 C2.7. R1 “Strengthening the fiscal framework through the adoption of the Budget Act to improve the budgetary processes” will completely implement this measure C2.7-R1 to improve fiscal planning and reporting.

**Evidence Provided:**

In line with the verification mechanisms, the following evidence was provided:

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled (Cover note).
- b) **Parliament decision** on the appointment of the chair of the Fiscal Policy Commission no. 124/2021 (19 November 2021).

**Analysis:**

As set out in the Council Implementing Decision, the decision on the appointment of a new chair of the Fiscal Policy Commission was adopted by the Parliament and entered into force on 12 November 2021. The Decision is published in the Official Gazette (124/2021) and entered into force on 19 November 2021, thus the milestone is satisfactorily fulfilled.

The appointment of a new chair of the Fiscal Policy Commission ensures the full functionality of the Fiscal Policy Commission and the implementation of the Fiscal Responsibility Act (OG 111/2018) that sets the tasks of the fiscal commission to assess the application of the fiscal rules in medium-term budgetary documents and on the annual report of the budget execution. The current framework creates more oversight over the government planning and spending and improves the overall robustness of public finances.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number: 250</b>	Related Measure: C2.8-R1: Awareness raising of the need to prevent money laundering	
<b>Name of the Milestone:</b> Raising awareness among all responsible parties through regular training		
<b>Qualitative Indicator:</b> Framework in place for continuous training of staff obliged to report on the prevention of money laundering and terrorist financing		<b>Time:</b> Q4/2020
<b>Context:</b>		
<p>The aim of this reform is to maintain the efficiency of the financial system in line with international standards while preventing illegitimate financial flows by raising awareness, through the establishment of a framework for regular training among all responsible institutions and authorities for the implementation of the anti-money laundering measures.</p> <p>This milestone sets out a framework for continuous training for AML (Anti Money Laundering) supervisory activities and credit institutions. After this milestone is implemented, reform C2.8-R1 to raise awareness of the need to prevent money laundering will be complete.</p>		
<b>Evidence Provided:</b>		
<p>In line with the verification mechanisms, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note). The cover note also provides information on trainings that took place in 2021.</li> <li>b) <b>Copy of the updated Cooperation Agreement</b> containing the continuous training framework between Croatian National Bank and the Anti-Money Laundering Office.</li> <li>c) <b>Copy of the updated Cooperation Agreement</b> containing the continuous training framework between Croatian Financial Services Supervisory Agency and the Anti-Money Laundering Office.</li> </ul>		

- d) **Copy of the updated Cooperation Agreement** containing the continuous training framework between the Tax Administration and the Anti-Money Laundering Office.

The authorities also provided:

- a) Annual report on the work of the Anti-Money Laundering Office for 2020 adopted by the Government.
- b) Government report on the implementation of the Croatia's AML Action Plan as part of the ERM II post-entry commitments.
- c) Evidence of trainings/ seminars that took place in 2020.

**Analysis:**

As set out in the Council Implementing Decision, the framework for continuous training of staff obliged to report on the prevention of money laundering and terrorist financing has been put in place.

The Framework for continuous training by Supervisory bodies (Croatian National Bank, the Croatian Financial Services Supervisory Agency, and the Tax Administration) and the Anti-Money Laundering Office of staff of all reporting institutions and authorities, including anti-money laundering officers and credit institutions management is set in place through Article 7 of the updated Cooperation Agreements adopted on 30 December 2020. The framework envisages that all the signatories of the agreements shall jointly participate in the preparation of programmes for professional training and education of the employees of reporting entities and the employees of the signatory authorities.

Trainings and seminars envisaged as part of the framework focused on raising awareness of the risk-based approach to carrying out customer due diligence measures and on the obligation to report suspicious activities. Training and seminars curricula covered among other things subjects like latest trends in typologies of money laundering, guidelines on risk factors and risk assessment, good/bad practices and AML and CTF rules.

The framework also stipulates, in cooperation agreement b) and c), mentioned in the evidence section above, through articles 4, 9, 10 and 11 and in cooperation agreement d) through articles 3, 9, 10 and 11, that Supervisory bodies and the Anti-Money Laundering Office shall regularly provide institutions and authorities with up-to-date information on money laundering developments.

Trainings and seminars as part of the framework already took place in 2020 and continued in 2021.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 251	Related Measure: C2.8-R2: Enhancing cooperation between the Anti-Money Laundering Office and the supervisory authorities	
<b>Name of the Milestone:</b> Continuation of cooperation between the Anti-Money Laundering Office and supervisory authorities		
<b>Qualitative Indicator:</b> Updated cooperation agreement is signed between the Anti-Money Laundering Office and the supervisory authorities on exchange of information and cooperation		<b>Time:</b> Q4/2020
<b>Context:</b> The objective of this reform is to enhance cooperation between the Anti-Money Laundering Office and the supervisory authorities. This shall be achieved through the revision of the memorandum of understanding between the financial supervisory authorities and the Anti-Money Laundering Office and a series of regular meetings under the Interinstitutional Working Group on AML/CFT supervision (MIRS) aiming to improve the exchange of information and best practices in the fight against money laundering and terrorist financing.		

The aim of the milestone is improving the cooperation between the Anti-Money Laundering Office and supervisory authorities. This is the first step of the measure, the next milestone and final one is #252 C2.8. R2 “Strengthen supervision through regular meetings of Interinstitutional Working Group on Supervision” due by Q4 2024.

**Evidence Provided:**

In line with the verification mechanisms, the following evidence was provided:

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled (Cover note).
- b) **Copies of the updated cooperation agreements** signed by the Anti-Money Laundering Office and the supervisory authorities (Croatian National Bank, the Croatian Financial Services Supervisory Agency, the Financial Inspectorate, and the Tax Administration).

**Analysis:**

As set out in the Council Implementing Decision, the cooperation agreements between the Anti-Money Laundering Office and the supervisory authorities have been updated. The Anti-Money Laundering Office signed four updated "Agreement on Cooperation and Exchange of Data, Information and Documentation in the Field of Prevention and Detection of Money Laundering and Terrorist Financing" with the Croatian National Bank, the Croatian Financial Services Supervisory Agency, the Financial Inspectorate, and the Tax Administration.

In line with the Council Implementing Decision, the updated cooperation agreement between the Anti-Money Laundering Office and the supervisory authorities on exchange of information and cooperation, includes:

1. the exchange of data and information necessary for the supervisory procedures (article 3 and 4),
2. the exchange of information on irregularities identified at reporting entities (article 5, 6, 10 and 11),
3. the exchange of information on the latest Money Launderers/Terrorism Financiers typologies identified by the Anti-Money Laundering Office and the supervisory authorities, (article 3 and 4)
4. the increase in supervisory activities based on the identified risks of money laundering and terrorist financing (article 4 and 12),
5. the exchange of statistical data for the purpose of the National Money Laundering and Terrorist Financing Risk Assessment and assessment of the effectiveness of the system efforts in the prevention and detection of money laundering and terrorist financing (articles 12, 13 and 14).

The updated cooperation agreements improve the scope of cooperation and the exchange of data, information, and documentation between the relevant institutions.

The four updated cooperation agreements between the Anti-Money Laundering Office and the supervisory authorities were signed on 30 December 2020.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 253	Related Measure: C2.8-R3: Complete implementation of the Action Plan to reduce identified money laundering and terrorist financing risks	
<b>Name of the Milestone:</b> Complete implementation of the new Action Plan to mitigate identified money laundering and terrorist financing risks based on an updated national risk assessment.		
<b>Qualitative Indicator:</b> Complete implementation of the new Action Plan to mitigate identified money laundering and terrorist financing risks by further strengthening cooperation and information exchange.	<b>Time:</b> Q4 2021	

**Context:**

The overall objective of this reform is to implement the Action Plan to reduce the risks identified in the National Money Laundering and Terrorist Financing Risk Assessment in Croatia adopted by the Government.

The action plan contains 13 measures aiming to, for example, strengthen the administrative capacity of the Anti-money Laundering Office, the Financial Inspectorate and the supervisory authorities, increase the number of supervisory activities, improve the IT infrastructure and provide training to officers of all obliged entities with a view to strengthening cooperation and administrative capacity.

Milestone #253 is related to the complete implementation of the new Action Plan to mitigate identified money laundering and terrorist financing risks, and is the only milestone being part of the measure C2.8. R3. Completing milestone #253 will lead to a successful implementation of the measure C2.8. R3.

**Evidence provided:**

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

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled (Cover note).
- b) **Report on the implementation of the Croatia's Action Plan for participation in ERM II** ("post-entry commitments") – *extract for policy area Anti-money laundering.*

The authorities also provided:

- a) Government Conclusion on the implementation of the Croatia's Action Plan for participation in ERM II, that is, of the Action Plan to mitigate identified money laundering and terrorist financing risks.
- b) Primary evidence for the completion of each of 13 measures included in the Action Plan.

**Analysis:**

As set out in the Council Implementing Decision, the Action Plan based on the National Money Laundering and Terrorist Financing Risk Assessment in the Republic of Croatia, drawn up to mitigate the identified risks of money laundering and terrorist financing was fully implemented.

The action plan was adopted on 25 June 2020 by the Government and contains measures to reduce the identified risks, public law and other bodies designated by the holders for the implementation of the individual measures that were implemented by the end of 2021 (page 247 of the national risk assessment). The action plan was based on a risk assessment project using the World Bank methodology (page 110 of the national risk assessment) involving the Croatian National Bank, Financial Inspectorate, Croatian Financial Services Supervisory Agency, Anti-Money Laundering Office, State Attorney's Office of the Republic of Croatia and other institutions part of the interinstitutional Working Group on the Prevention of Money Laundering and Terrorist Financing (page 3 of the national risk assessment).

The implementation of the 13 measures of the Action plan have strengthened the administrative capacity of the Anti-money Laundering Office (action 8), the Financial Inspectorate (action 7) and the State Attorney's Office (action 3), increased the number of supervisory activities (action 9), improved the IT infrastructure (action 12) and provided training to officers of all obliged entities with a view to strengthening cooperation and administrative capacity (actions 1, 2, 6 and 13).

Additionally, the implementation of Action plan has further strengthened cooperation and information exchange between all responsible institutions and authorities (actions 4, 5 and 10).

The successful implementation of the action plan contributes to improving the overall capacity and cooperation of Croatian authorities to exchange information, monitor and counter money laundering and terrorism financing.

Concretely, 13 measures within the Action Plan have been implemented, as follows:

#	Action	Documents and assessment
1	Organisation of training for the Anti-Money Laundering Office officials on criminal offences.	The Croatian authorities submitted documents with a training request to the Public Prosecutor's Office and Faculty of Criminal Law. Substantiating evidence provided (list of participants) that confirms trainings took place on 26 and 29 November 2021.
2	Organisation of training for the Anti-Money Laundering Office officials on tax fraud.	The Croatian authorities submitted documents with a training request to the Tax administration. Substantiating evidence provided (list of participants) that confirms trainings took place 22 December 2021.
3	Recruitment of financial investigators at the State Attorney's Office in the Departments for the Investigation of Proceeds from Crime.	Signed orders for appointing 5 financial investigators have been submitted.
4	Continue to strengthen cooperation and information exchange through the Interinstitutional Working Group on AML/CFT supervision.	Substantiating evidence was provided that 7 meetings took place in 2021.
5	Revision of the agreement on exchange of information and cooperation in the field of supervision of the implementation of the Anti-Money Laundering and Terrorist Financing Law.	Updated cooperation agreement signed in December 2020 was provided.
6	Training on good practices in the area of anti-money laundering and terrorist financing for obliged entities.	Substantiating evidence provided, agenda and name of bank/company/institution that attended the meetings. Trainings took place during 2020 and 2021.
7	Strengthening the administrative capacity of the supervisory authority.	Signed orders for appointing of the three new employees in the Specialist Supervision and Supervision Sector of AML/CFT.
8	Strengthening the administrative capacity of the Anti-Money Laundering Office and the Financial Inspectorate.	Signed Ministry of Finance order for appointing two experts.
9	Increase in the number of supervisory activities based on identified money laundering and terrorist financing risks.	Substantiating evidence (notification/report of supervisory activity) provided for the supervisory activities conducted in 2020 and 2021. In 2020, the Croatian Financial Services Supervisory Agency conducted a total of 4 on-site examinations and 2 off-site examinations, while in 2021 it conducted 3 on-site and 13 off-site examinations.
10	Regular feedback to obliged entities	Documents with evidence of reporting of suspicious



	regarding the reporting of suspicious transactions, funds and persons.	transactions and typologies of money laundering were provided.
11	Collect and analyse statistical data and other information for the non-financial sector of obliged entities by developing and sending questionnaires to obliged entities to collect the necessary information for the purpose of risk assessments and keeping up-to-date databases.	<p>Reply from the FINANCIAL INSPECTORATE that “In June 2021, the new IT system became operational, 4 650 questionnaires were sent to obliged entities in the sectors of the professions and 3100 completed questionnaires were returned by 15 July 2021.”</p> <p>Reply from the Tax administration stating that the “Tax Administration shall provide data from the annual declarations of persons subject to income tax and corporate income tax with the following main activities:</p> <ol style="list-style-type: none"> <li>1. 6831 - Real Estate Agency</li> <li>2. 6910 - Legal activities</li> <li>3. 6920 - Accounting, bookkeeping and auditing activities</li> </ol> <p>In addition, information shall be provided on the sale of immovable property for which the procedure for determining the tax base has been carried out.”</p>
12	Strengthening the IT infrastructure of the Ministry of Finance by procuring new and maintaining existing applications.	<p>Substantiating evidence provided for maintaining existing applications and procuring new ones:</p> <ul style="list-style-type: none"> <li>- Agreement for technology maintenance.</li> <li>- Contract for new applications related to certain tasks needed by Ministry of finance (establishment of an information system, automated data collection, preparation of data for export, user support, information system maintenance).</li> </ul>
13	Organising continuous training of employees of supervisory authorities.	Confirmation from the Financial Inspectorate, CNB, Anti money laundering office and Tax administration that the staff took part in 9 trainings for 2020 and 32 trainings for 2021.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 265	Related Measure: C3.1-R1: Adoption of the revised adult learning legal framework	
<b>Name of the Milestone:</b> Adoption of the revised adult learning legal framework		
<b>Qualitative Indicator:</b> Entry into force of the revised legal framework regulating adult learning		<b>Time:</b> Q4 2021
<b>Context:</b> The reform aims to support access to education, as well as its quality, at all levels of education. In relation to adult education, it aims to increase the quality and relevance of adult education. This will		

be done by aligning the adult education programmes with the qualifications standards of the Croatian Qualifications Framework (CROQF), which is expected to facilitate the recognition of acquired knowledge and skills. Thereby, it will support a better match between the offer of programmes and the labour market needs.

This reform milestone (The adoption of the revised adult learning framework) is a part of the reform number 1 (Structural reform of the education system) under the education component. The reform number 1 is subdivided into 4 reforms, one of them being the adult education reform. There is only one milestone (this one #M265) that is directly related to the adult education reform. The New Adult Education Act aligns adult education programmes with the qualification standards of the Croatian Qualifications Framework (CROQF), which is expected to facilitate the recognition of acquired knowledge and skills. The deadline for meeting the two requirements of milestone 265 (alignment with the Croatian Qualifications framework and recognition of informal and non-formal learning) is Q4 2021. In addition, the milestone is complemented by actions to implement the other aspects of the reform, due by 31 December 2023 – i.e., to provide for the introduction of individual education accounts and introduce a system of evaluation of adult education providers – also in the Adult Education Act.

**Evidence provided:**

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

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled (Cover note).
- b) **Copy of the publication of the revised Adult Education Act** in the Official Gazette.

The authorities also provided:

- a) **Action plan for the implementation of the Adult Education Act** (additional document with legal value complementing the revision of the legal framework)

**Analysis:**

As set out in the Council Implementing Decision, the revised Adult Education Act, together with the Action plan for its implementation, address the revision of the adult learning legal framework.

The Adult Education Act was adopted on 15 December 2021 and came into force on 4 January 2022. It has been complemented by the Action plan for the implementation of the Adult Education Act, adopted on 21 February 2022.

The following elements were addressed by the Adult Education Act and the Action plan for the implementation of the Adult Education Act:

Firstly, regarding the alignment of adult education programmes with the content of the qualification standards of the Croatian Qualifications Framework (CROQF), all education programmes (formal or non-formal) implemented under the Adult Education Act, regardless of the provider and source of funding, will comply with the standards of qualifications or sets of learning outcomes in the Croatian Qualifications Framework using various compliance methodologies (Article 1 paragraph 3, Article 12, paragraphs 5 and 6, Article 17, paragraph 6 and 8). This means that programmes implemented under this Act will have to be aligned with the Croatian Qualifications Framework, which will enable broader compliance with the Framework. This requirement excludes a set of privately provided adult education programmes (those implemented by private companies, civil society, etc.) that are not implemented by adult education institutions as those are not governed by

the Adult Education Act.

Secondly, regarding the enabling of the recognition of informal and non-formal learning, the Act prescribes formal programmes for the evaluation of sets of learning outcomes (Article 1, paragraph 7). This means that adults will be able to prove sets of learning outcomes that were previously acquired non-formally or informally through an evaluation programme (Article 8) and thus acquire a qualification proven by a public document.

Furthermore, the Act introduces a quality assurance system in adult education by establishing the following procedures: self-evaluation of institutions (Article 24); external evaluation of institutions (Articles 25 and 26); external evaluation of learning outcomes of learners and applicants (Article 27); inspection, professional and administrative supervision over the work of the institution (Articles 25, 28 and 33); and monitoring of the work of institutions through the National Information System for Adult Education (Article 29, paragraph 4). This establishes a comprehensive system that will ensure the basic quality requirements are met and thereby also increase the quality of adult education programs.

Lastly, regarding the introduction of individual education accounts (also referred to as “individual learning accounts” ), the Act defines a voucher model (Article 17) as a form of financing lifelong learning for employed and unemployed persons with the aim of acquiring skills needed for the labour market. The vouchers will contribute to increasing the number of persons participating in lifelong learning and thereby helping them to acquire skills needed to facilitate their entry into the labour market. Given the individual nature of the vouchers, the establishment of such a model provides for the introduction of individual education accounts to enable every person to participate in lifelong learning.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 293	Related Measure: C4.1-R4: Improvements to the labour legislation	
<b>Name of the Milestone:</b> Entry into force of the amendments to the Minimum Wage Act		
<b>Qualitative Indicator:</b> Entry into force of the act amending the Minimum Wage Act		<b>Time:</b> Q4 2021
<b>Context:</b> The objective of this reform is to improve the labour legislation, creating a clear and modern legislative framework aimed at improving working conditions and work-life balance, better regulating novel forms of work, and encouraging the transitions from fixed to open-ended contracts and from undeclared to declared work.  This milestone entails the entry into force of the amendments to the Minimum Wage Act and is an initial step in measure C.4.1.R4. “Improvements to the labour legislation”. Next steps will include milestone #294 “Adoption of the Law on Tackling Undeclared Work and the new Labour Law”, expected for Q4 2022; target #295 “Increasing the ratio of the minimum wage to the average gross wage in 2024 to 50%” in Q1 2025, and target #296 “Reducing the share of temporary contracts to 17%” in Q2 2026.		
<b>Evidence provided:</b> In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided: a) <b>Summary document</b> duly justifying how the milestone was fulfilled both for the Amendment to the Minimum Wage Act and the Minister’s Decision on the Expert Panel (Cover Note). b) <b>Copy of the act amending the Minimum Wage Act</b> adopted in the Parliament and published in the Official Gazette (Narodne Novine 120/2021).		

- c) **Copy of the Minister's Decision** amending the decision to form the Expert Panel for Monitoring and Analysis of the Minimum Wage approved by the Ministry of Labour, Pensions, Family and Social Policies and published in the Official Gazette (Narodne Novine 136/2021).

**Analysis:**

The amendments to the Minimum Wage Act entered into force on 1 December 2021, and the Minister's Decision amending the decision to form the Expert Panel entered into force on 2 December 2021.

As set out in the Council Implementing Decision, the Amendments to the Minimum Wage Act include:

1. the exclusion of the various supplements (overtime, difficult working conditions, night work and work on Sundays, holidays or another day stipulated by law not to be worked) from the amount of the minimum wage (Article 2) and mandating minimum wage increases for overtime, night work and work on Sundays and holidays (Article 3a; see further explanation below);
2. ruling out the possibility of renouncing to the minimum wage in order to prevent abuses (Article 2);
3. strengthening controls by inspection authorities and redefining penalties for non-payment of minimum wages (Article 5 and Article 6); and
4. strengthening of the role of the Expert Commission for Monitoring and Analysis of Minimum Wage Developments by entrusting it with analysis of the potential impact of minimum wage increases on the economy, employment, standards of living and other segments of life and work (Minister's Decision amending the decision to form the Expert Commission).

With respect to mandating minimum wage increases for overtime, night work and work on Sundays (Article 3a in the Amendments to the Minimum Wage Act), based on the unanimous feedback from the social partners, the law delegates the quantification of the minimum increases to the collective bargaining process, i.e., the salary increases are to be quantified in collective agreements. Hence, the employer associations and the unions negotiate the amounts as established in the Amendment, which is in line with a longstanding recommendation for Croatia to strengthen social dialogue and collective bargaining. Although the Amendments to the Minimum Wage Act do not quantify the minimum increases, they recognise the right to such salary increase and entrust its quantification to a different and more suited instrument, the collective agreements. Therefore, the actions taken by the authorities under the scope of this milestone are expected to achieve the intended result through several ways.

Firstly, the Croatian labour Act already establishes that employees have a right to an increased salary for overtime, night work and work on Sundays (Article 94). Secondly, with the aim of improving enforcement, the Amendments to the Minimum Wage Act includes renewed and increased penalties for infringements (Article 6 of the Amendment). Thirdly, an ex-post assessment of the effects of the Amendment was included (Article 8) to gauge the efficacy of the approach to delegate minimum increases to the process of collective bargaining. Should the impact assessment show that this approach did not yield satisfactory results, the legal framework could be amended in a more prescriptive way. Finally, at the request of the Commission aimed at ensuring that the intended result is achieved, the authorities:

1. submitted data confirming that all of the 58 collective agreements analysed when preparing the Minimum Wage Act (around a third of the total collective agreements registered with the Ministry of Labour, Pensions, Family and Social Policies) contained provisions quantifying minimum wage increases for non-standard working time, demonstrating that the solution envisaged in the Minimum Wage Act (enabling social partners to negotiate them in collective

agreements) can be considered an effective tool, and

2. committed to providing to the Commission on a biannual basis a report containing an overview of registered collective agreements (newly signed or renegotiated) that contain provisions quantifying minimum wage increases for non-standard working time.

These measures contribute both to a better labour market regulation and improved working conditions, while at the same time a more empirical and evidence-based approach to labour market needs is embraced. Hence, taking all this information into consideration, this milestone is considered as satisfactorily fulfilled.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 302	Related Measure: C4.3-R1: Transparency and adequacy of social benefits in the social protection system	
<b>Name of the Milestone:</b> Adoption of the National Plan against Poverty and Social Exclusion 2021-2027		
<b>Qualitative Indicator:</b> Adoption of the National Plan against Poverty and Social Exclusion 2021-2027		<b>Time:</b> Q4 2021
<p><b>Context:</b></p> <p>The objective of this measure is to increase the adequacy, coverage and targeting of main social benefits targeted at the most vulnerable groups of society and contribute to the reduction of inequalities and, the administrative burden while increasing the transparency of the system. The reform shall allow faster and more efficient provision of benefits by merging some social benefits into a single benefit following an analysis. The reform measure shall aim to achieve better coverage and fairness by improving eligibility conditions and adequacy in the application of the benefits. The National Plan should define the reduction of the at-risk-of-poverty rate to less than 15% while specifying actions to raise the quality of life for people at risk of poverty and those experiencing severe material deprivation. It will also identify developmental priorities to fight poverty and social exclusion and the needs of the vulnerable groups. The Adoption of the National Plan against Poverty and Social Exclusion 2021-2027 is the <b>initial step</b> in measure <b>C4.3 R1 - Transparency and adequacy of social benefits in the social protection system</b>, establishing a basis for the implementation of C4.3-R1- <b>M#303:</b> Adoption of the new Social Welfare Act, C4.3 R1-<b>M#305:</b> Adoption of a normative rule on functionally integrated social benefits, as well as targets C4.3 R1-<b>T#306:</b> At-risk-of-poverty rate after social transfers and C4.3 R1-<b>T#304:</b> Beneficiaries of the Guaranteed Minimum Benefit.</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (cover note).</li> <li>b) <b>Copy of the adopted National Plan against Poverty and Social Exclusion 2021-2027</b> and a link to the Official Gazette (Narodne Novine 143/2021).</li> <li>c) <b>Explanatory report</b> demonstrating how the actions foreseen in the national plan contribute to achieving the objectives of the reform.</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>a) Action plan accompanying National Plan against Poverty and Social Exclusion 2021-2027</li> <li>b) Decision on the adoption of National Plan against Poverty and Social Exclusion 2021-2027</li> </ol>		
<p><b>Analysis:</b></p> <p>The National Plan against Poverty and Social Exclusion 2021-2027, adopted 23 December 2021 on</p>		

Government session, adequately addresses all the elements from the description of the Milestone in the Annex to the Council Implementing Decision. The National Plan sets conditions that contribute to reducing poverty and social exclusion and improving the daily lives of people at risk of poverty and those living in severe material deprivation, while creating important preconditions for legislative reform (see below). The National Plan is structured in eight chapters and an annex, each of them dealing with a specific part (from the medium-term vision and priorities to financial planning). At the same time, four specific objectives and a set of corresponding implementation measures are settled to fulfil them.

1. The National Plan defines two targets to be achieved by 2027. The first one aims to reduce the at-risk-of-poverty or social exclusion rate to 17.8% from a baseline of 23.3% in 2019, while the second one aims to reduce the at-risk-of poverty rate to 15% from a baseline of 18.3% in 2019.
2. Furthermore, chapter 5 provides a description of the public policy priorities in the medium term, including the 4 specific objectives (reducing poverty and social exclusion; prevention and reduction of child poverty and social exclusion; increasing family and minimum pensions; and improving the living conditions of persons at risk of poverty or social exclusion). Within this chapter, the National Plan develops, for each of the specific objectives, implementation measures to ensure that these actions effectively reduce poverty and social exclusion and improve the daily lives of people at risk of poverty experiencing severe material deprivation. Implementation measures for the first specific objective entails a comprehensive diagnosis of poverty and social exclusion, increasing the adequacy of social benefits and improving the coverage of the most vulnerable group of health insured persons with supplementary health insurance, and digitalisation of social benefits in the social protection system. Furthermore, development and implementation of programs aimed at reducing material deprivation and social exclusion of vulnerable groups, contribution to poverty reduction at the regional and local level and ensuring equal access to and participation of vulnerable groups in culture and improving media literacy. Moreover, it envisages further development of volunteering. For the second specific objective, measures aim to improve the availability of free meals to children in poverty or at risk of poverty and social exclusion, increase the availability of education to marginalized and vulnerable groups who are in a worse socioeconomic position, achieve an integrated approach to care for children at risk of poverty and social exclusion, and improve and make available free programs for the social inclusion of children and families at risk of poverty and social exclusion. Lastly, for the third and fourth objectives, actions envisage redefining the family pension model and raising the lower level of pension insurance rights, as well as creating a supportive environment for staying and improving the living conditions of young people and families.
3. The requirement to identify developmental priorities to fight poverty and social exclusion and identify the needs of vulnerable groups is covered in chapter 3.3. The identified priorities are based on the analysis of the situation by program areas covering social welfare, education, pension system, housing, civil society development, and regional development. The Plan sets cultural participation as well as the digitalisation of social benefits in the social protection system and a comprehensive diagnosis of poverty and social exclusion as developmental priorities.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 312	Related Measure: C4.3-R3: Developing community-based services to prevent institutionalisation	
<b>Name of the Milestone:</b> Adoption of the National Plan for the Development of Social Services 2021-2027		
<b>Qualitative Indicator:</b> Adoption of the National Plan for the Development of		<b>Time:</b> Q3 2021

**Context:**

The objective of this measure is to improve and equalise the quality of the provided service and prevent institutionalisation by providing services directly at the home of users in cooperation with other relevant stakeholders at local level. The focus will be to review different forms of social services and lay out a systematic long-term care plan. It will also prioritize the development of home services and community-based services for long-term care and ensure that the institutional care is provided only to people whose needs cannot be met through the provision of out-of-institutional services.

The National Plan should define priorities for the development of social services, identify the needs for institutional and non-institutional forms of care and criteria for the development of residence services, home-based and community services. In addition, it describes the introduction of the social mentoring service and transition from institutional to home and community-based services in elderly care. Adoption of the National Plan against Poverty and Social Exclusion 2021-2027 is the **initial step** in the measure **C4.3 R3 - Developing community-based services to prevent institutionalisation** and complimentary to C4.3 R1-**M#303**: Adoption of the new Social Welfare Act and C4.3 R3-**M#313**: Adoption of standards of treatment for family assistants.

**Evidence provided:**

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

- a) **Summary document** duly justifying how the milestone was satisfactorily fulfilled (cover note)
- b) **Copy of the adopted National Plan for the Development of Social Services 2021-2027** and a link to the Official Gazette (Narodne Novine 136/2021).
- c) **Explanatory report** demonstrating how the actions foreseen in the national plan contribute to achieving the objectives of the reform.

The authorities also provided:

- a) Action plan accompanying National Plan for the Development of Social Services 2021-2027
- b) Decision on the adoption of National Plan for the Development of Social Services 2021-2027

**Analysis:**

The National Plan for the Development of Social Services 2021-2027, adopted by Government session on 10 December 2021, adequately addresses all the elements from the description of the Milestone in the Annex to the Council Implementing Decision.

The National Plan represents an essential element in the strategic framework contributing to the deinstitutionalisation and development of home services and community-based services for long-term care.

1. The Plan fulfils the requirement to **identify the priorities for the development of social services** and to **review the needs for different forms of social care, both non-institutional and institutional, with a particular focus on disadvantaged groups** (long-term unemployed, persons with disabilities, beneficiaries of Guaranteed Minimum Benefits, victims of violence and human trafficking, etc.) (pages 35-40 of the National Plan). Furthermore, with respect to identifying priorities, the Plan sets up five key programme areas relevant for social services, i.e. transformation, deinstitutionalisation, and prevention of institutionalisation, foster care, services for the elderly, and services for other vulnerable groups (victims of domestic violence, victims of human trafficking, homeless, people with addiction problems, long-term unemployed, beneficiaries leaving care, seekers of international protection, and unaccompanied children), as well as listing projects and programmes (pages 9 – 35).

2. The requirement to **lay out a systematic long-term care plan that is tailored to the specific needs of beneficiaries** is addressed by planning to produce an action plan aimed at connecting the health and social welfare systems in the field of long-term care (page 9). More details can be found on pages 10, 40-41, and 45 on the objectives of the plan to improve the coordination and integration of health care with social welfare in the field of long-term care and ensure physical accessibility, efficiency, sustainability and affordability of health care and long-term care of the population at the level of home care, within the community, and all levels of health care also in line with enabling conditions from Policy Objective 4 under the CPR Funds 2021-2027.
3. The measure *Increasing the Scope of Providing Extra-Institutional Services in Areas where these Services are Insufficient* for all socially vulnerable groups (page 43), under the special objective 1, **lists the objectives and criteria for developing residence services for users who functionally entirely depend on institutional care** and whose needs cannot be provided through out-of-institutional services, community and home help services, as well as for developing other services that improve the quality of life and allow users to reside longer in their homes and community.
4. Furthermore, the National Plan lays out **the introduction of the new social services** such as family assistant, respite care, carer service for the elderly, psychosocial treatment, social mentoring, and peer support (pages 35, 37-38, 44). Formally, this new social service will be introduced via the new Social Welfare Act (M#303).
5. The need to **adapt services to focus on empowering individuals to influence their social status by moving from exclusion to inclusion and working** towards expanding their social network is achieved mainly by the introduction of the new social mentoring service described under special objective 2 (pages 34, 38 and, 44).
6. The Plan also defines and **sets criteria necessary to develop residence services, home-based and community services** as well as other services that improve the quality of life and allow users to stay longer in their homes and community, as well as support the development of home services and community-based services for long-term care (pages 38 and 39).
7. In addition, it introduces **planning of semi-residential or residential types of care, with a strong preference for home care services** taking into account the availability of services and users' needs. It then describes the activities for further development of missing community support services, with the aim to ensure that beneficiaries primarily receive services in their homes and the local community, thus creating the conditions for their social inclusion (pages 9, 18-21, 36-38, 40-41, 43-44, and 4-5 and 7-8 of Action Plan).

Lastly, the requirement to ensure the availability of institutional services only for those elderly persons who functionally entirely depend on institutional care, and whose needs cannot be provided through out-of-institutional services, is addressed by the planning of additional facilities (based on the analysis) to be provided in counties to ensure more equal access to care for the elderly (pages 19 and 43).

The role of centres for the elderly is described in the National Plan in point 3.3 entitled *Development Needs and Development Challenges*, explaining that the construction of centres for the elderly will provide access to a variety of non-institutional services to improve the beneficiary's quality of life in their own homes. Thus, they aim at providing integrated social and health care at the primary level, and accommodation services for beneficiaries who need the assistance and supervision of another person to meet all their needs in full due to impaired functional ability and impaired health (pages 36-37).

Taking all these elements into consideration, this milestone is considered to be satisfactorily fulfilled.

**Commission Preliminary Assessment: Satisfactorily fulfilled**



<b>Number:</b> 333	Related Measure: C5.1-R3 Introducing a system of strategic management of human resources in health
<b>Name of the Milestone:</b> National Health Development Plan 2021-2027	
<b>Qualitative Indicator:</b> Adoption of the National Health Development Plan 2021-2027	<b>Time:</b> Q3/2021
<p><b>Context:</b></p> <p>The objective of this measure is to increase access to healthcare for citizens, especially those in rural and less densely populated areas, while improving the effectiveness of emergency medicine and ensuring high quality and efficient health system. Furthermore, the aim is to achieve a balanced geographical distribution of health professionals and sufficient occupation of the Public Health Service Network.</p> <p>Adoption of the National Health Development Plan 2021-2027 is the <b>initial step</b> in the measure <b>C5.1 R3 Introducing a system of strategic management of human resources in health</b>, representing an umbrella sectoral planning act that sets out specific objectives, measures, and activities to be implemented with the primary objective of improving the health system and the health outcomes. It is the strategic framework for the implementation of targets: C5.1 R3-I1-<b>T#334</b> - Specialist medical training at the primary basic level of health care and C5.1 R3-I2-<b>T#335</b> - Bachelors of nursing specialist training in emergency medicine. It outlines the health reform which will be implemented through legislation described in the milestone - C5.1 R4 - <b>M#336</b> Ensuring the financial sustainability of the health system.</p>	
<p><b>Evidence Provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled</li> <li>b) <b>Copy of the adopted National Health Development Plan 2021-2027</b> and a link to the Official Gazette (NN 147/2021)</li> </ul> <p>The authorities also provided:</p> <ul style="list-style-type: none"> <li>a) Action Plan for Health Development 2021-2025</li> <li>b) Decision adopting the National Health Development Plan 2021-2027</li> <li>c) National investment portfolio in health and long-term care 2021 - 2027</li> <li>d) Mapping of health investment requirements</li> </ul>	
<p><b>Analysis:</b></p> <p>As set out in the Council Implementing Decision, the National Health Development Plan 2021-2027 was adopted by the Government on 30 December 2021.</p> <p>The National Plan sets out specific objectives, measures, and activities aiming to improve the health system and health outcomes.</p> <p>The National Plan is aligned and coherent with the European Commission’s Cohesion Policy Guidelines for 2021-2027, national strategies and sectoral plans, also considering recent CSRs (Country Specific Recommendations) (page 5).</p> <p>It defines outcome and result indicators and provides a mapping of health and social care needs in the area of long-term care.</p> <p>These elements should contribute to improved quality and efficiency of the health system as well as to the geographical distribution of health professionals.</p> <ol style="list-style-type: none"> <li>1. Throughout the section “Medium-term development vision”, the Plan defines medium-term development needs for achieving a flexible, efficient, and holistically managed healthcare system. Furthermore, it indicates measures for successful health promotion and disease prevention, introduces coordination of healthcare providers and the transformation of</li> </ol>	

treatment and rehabilitation models towards active care process management at all stages and levels. It defines the integration of health services and social care and the development of integrated long-term care models by development of specific programme on long-term care models implemented at home, social care institutions or healthcare facilities that shall take into account the type and intensity of the health problem. The coordination and horizontal integration of health facilities and horizontal and vertical linkages between all forms of care and stakeholders in processes shall further contribute to the integration. The Plan introduces measures to control and improve the quality of healthcare and patient safety and improves staff management provisions (page 7-19). In the Introduction section (page 5) the plan introduces specific objectives which indirectly contribute to the strategic objective of increasing health years of life expectancy set out in the National Reform Strategy (NRS) by 2030. The latter objective will be pursued by promoting healthy lifestyles and disease prevention by education and campaign programmes, carrying out population research, standardising menus in public institutions, changing regulations on products harmful to health, and setting up a network of advice centres. Furthermore, contribution shall be done by prevention of major non-communicable diseases, priority infectious diseases, and disabilities caused by the most frequent risk factors. Disease prevention from harmful effects of environmental factors and setting up digital solutions in the Croatian Health Information Infrastructure to promote disease prevention and healthy lifestyles shall further support the promotion of mentioned objectives (pages 22-24).

2. Improving the quality of healthcare through improved effectiveness, safety, accessibility and functional integration of all levels and parts of healthcare is ensured through strengthening, horizontal and vertical integration of primary health care, coordination and integration of health and social care resources, and modernisation of hospitals and functional integration of health facilities. The establishment of Centres of Excellence and a Health Performance Measurement Framework shall further improve the healthcare quality. Additional contributing elements are introduction of home haemodialysis method, establishment of a comprehensive national healthcare quality and safety system, improving and developing health tourism, strengthening health technology assessment, development systems for more effective emergency medical care and transport of patients or health resources, including helicopter emergency medical service, as well as digital integration of all healthcare (providers pages 28-32).
3. The introduction of the new care model for key health challenges such as cardiovascular, oncological and rare diseases and diabetes is achieved by the development of improved clinical guidelines for the most burdensome diseases of the health system, improving treatment for cardiovascular and cerebrovascular diseases, treatment of oncology patients, the treatment of dementia and conscience disorders, and accessibility and quality of healthcare for patients with rare diseases. Capacity building in the field of diabetic care, monitoring and publication of patients' health outcomes at institutions and regions level, including patient-reported outcomes, setting up digital platforms and systems for education and communication with patients as well as improving crisis response shall further develop new care models (pages 32-38).
4. Section 4 "Make the health system a desirable place to work" defines four actions to make the health system a desirable place of employment and ensure the optimal number and distribution of employees in the health system. The actions are developing a strategic framework for human resources development, improving the material and working conditions of healthcare workers, introducing a performance evaluation system and fostering excellence in health, and specialised training of health workers and life-long learning programmes (pages 38-40).
5. Lastly, improving the financing and management model of the health system is addressed by the development of a strategic framework for sustainable financing of health, improving the system of integrated public procurement, introduction of a pricing system for health services that reflect the cost of effective treatment, and improving hospital management (pages 40-42).
6. Specific objectives, measures and actions are defined in the section "Specific objectives" (pages

21-42). The five specific objectives are better healthy lifestyles and more effective disease prevention, improving health care systems, improving care models for key health challenges, making the health system a desirable place to work, and improving the financial sustainability of the health system. The outcome indicators for each of the specific objectives and result indicators are defined for each of the actions in the section “List of key outcome indicators and target values” (pages 43-45), and in Annex 2: Action plan for the implementation of the National plan.

7. The results of the mapping of health and social care needs in long-term care feature in Annex 1: Mapping results and Annex 3: National portfolio of investments in health and long-term care. Inputs from national acts and programmes are included in the introductory section by taking into account their data, analysis and special objectives (pages 4-5).

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 351	Related Measure: C6.1 R1 – Decarbonisation of buildings	
<b>Name of the Milestone:</b> Adoption of national energy renovation programmes for (i) multi-dwelling buildings, (ii) for buildings that have the status of a cultural good (both for the period 2021-2030), and for (iii) energy poverty reduction in areas of special state concern (for the period 2021-2025)		
<b>Qualitative Indicator:</b> Publication on the official website of the Ministry of Physical Planning, Construction and State Assets		<b>Time:</b> Q4 2021
<p><b>Context:</b></p> <p>The objective of this reform is to contribute to the renovation wave initiative of the existing buildings and to the transformation of the existing building stock into a highly energy efficient and decarbonised building stock by 2050. The reform includes the adoption of energy efficiency renovation programmes for the period until 2030 for multi-dwelling buildings, public buildings, and a special category of buildings with a status of a cultural good, as well as the adoption of the energy poverty reduction programme in areas of special state concern for the period until 2025. These programmes encourage in-depth renovation of buildings while paying particular attention to ensuring healthy indoor climate conditions, fire safety and addressing the risks related to increased seismic activity as well as reducing energy poverty.</p> <p>This milestone refers to the adoption of the three energy renovation programmes: 1) for multi-dwelling buildings, 2) for buildings with a status of a cultural good, which is a new category that has not yet been included in energy renovation programmes for EU co-financing, and 3) for reducing energy poverty in areas of special state concern. The adoption of these three programmes is the initial step of the implementation of the measure, to be followed by the adoption of the programme for energy renovation of public buildings in Q2 2022 (milestone #352), the signing of EUR 66.4 million worth of contracts for the energy renovation of public and multi-dwelling buildings by Q4 2022 (target #353), and the energy and post-earthquake renovation of a total of 225 000 m<sup>2</sup> of multi-apartment buildings, 562 000 m<sup>2</sup> of public buildings and 31 000 m<sup>2</sup> of buildings with a status of a cultural good, all by Q2 2026 (targets #354 - #358).</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>Summary document duly justifying how the milestone was satisfactorily fulfilled – Cover note</li> <li>Copy of the Programme of energy renovation of multi-dwelling buildings for the period until 2030</li> <li>Copy of the Programme of energy renovation of buildings with the status of cultural good for the period until 2030</li> <li>Copy of the Programme to combat energy poverty, including the use of renewable energy</li> </ol>		

sources in residential buildings in assisted areas and in areas of special state concern for the period until 2025

- e) Copy of the Government Decisions for the three programmes
- f) Links to the Government Decisions published in the Official Gazette
- g) Links to the Programmes published on the official website of the Ministry of Physical Planning, Construction and State Assets

**Analysis:**

The adoption of the three energy renovation programmes contributes to the renovation wave initiative of the existing buildings and to the transformation of the existing building stock into a highly energy efficient and decarbonised building stock by 2050.

As set out in the Council Implementing Decision, the Programme of energy renovation of multi-dwelling buildings for the period until 2030, adopted by the Government on 23 December 2021:

1. Contains provisions to encourage in-depth and comprehensive renovation of buildings, implementation of high-efficiency alternative systems, while paying particular attention to healthy indoor climate conditions, fire safety and risks related to increased seismic activity (pages 34-46).
2. Fosters the decarbonisation of buildings through the requirement that each renovation requires the reduction of energy consumption for heating by at least 50% compared to the annual energy consumption for heating before renovation (pages 5 and 8).
3. Ensures that all renovations financed from the Recovery and Resilience Facility will achieve on average at least 30% primary energy savings compared to the pre-renovation state (pages 5 and 50) at portfolio level and will respect the “Do no significant harm” principle (pages 43 and 57).

As set out in the Council Implementing Decision, the Programme of energy renovation of buildings with the status of cultural good for the period until 2030, adopted by the Government on 23 December 2021:

1. Introduces a specific category of energy renovation of buildings with the cultural heritage status, that was not yet included in energy renovation programmes for EU co-financing in Croatia (pages 2-4 and 21).
2. Contributes to the reduction of energy consumption through the requirement that each renovation requires a minimum savings of 20% of the energy consumption for heating or a minimum saving of 20% of primary energy (pages 16-17, 38 and 90-92).
3. Gives priority to the cultural heritage buildings with the highest energy consumption and the highest potential to generate energy savings, and in particular groups of buildings, which have been damaged by earthquakes (page 1).
4. Ensures that all renovations financed from the Recovery and Resilience Facility shall achieve on average an increase of 30% primary energy savings compared to the pre-renovation state at the level of the portfolio of all renovated buildings (page 92 and 119) and shall respect the “Do no significant harm” principle (pages 121, 125-126).

As set out in the Council Implementing Decision, the Programme to combat energy poverty, including the use of renewable energy sources in residential buildings in assisted areas and in areas of special state concern for the period by 2025 adopted by the Government on 23 December 2021:

1. Contains provisions to encourage comprehensive renovation of buildings where residents are not able to participate in financing the necessary repairs, especially the energy renovation, thus alleviating energy poverty (pages 5, 7).
2. Provides for the reduction of the final energy consumption and the use of renewable energy sources, which will consequently reduce CO2 in households at risk of energy poverty (pages 5 and 18-19).

3. Envisages capacity training to alleviate energy poverty through training and awareness raising activities for building managers and government officials, tenants and the general public (pages 55-57).
4. Envisages on average of 65% primary energy savings compared to the pre-renovation state at the level of the portfolio of all renovated buildings (pages 33-35 and 38) and ensures the respect of the “Do no significant harm” principle” for all measures and activities in the programme.

The Government Decisions on the adoption of the three energy renovation programmes entered into force on 23 December 2021.

**Commission Preliminary Assessment:** Satisfactorily fulfilled

<b>Number:</b> 362	Related Measure: C6.1-R3 Increasing efficiency, reduction of administrative burden and digitalisation of the renovation process	
<b>Name of the Milestone:</b> A physical one-stop-shop office for energy renovation and seismic reinforcement set up and operational		
<b>Qualitative Indicator:</b> One-stop-shop operational		<b>Time:</b> Q4 2021
<p><b>Context:</b></p> <p>The reform aims to reduce the administrative burden for the applicants in the energy renovation and post-earthquake reconstruction process by integrating energy renovation services into the existing physical one-stop-shop services for post-earthquake reconstruction and by developing an on-line one-stop-shop, which would also combine energy renovation and seismic reinforcement services. The reform also finances strengthening the professional capacities of employees in the one-stop-shop and public institutions involved in the reconstruction process to support full functionality of the one-stop-shop services.</p> <p>The milestone refers to the development and operationalisation of one of the existing physical one-stop-shop office for energy renovation and seismic reinforcement in an earthquake-affected area. This is the initial step in the implementation of the measure, to be followed by the setting up of the on-line one-stop-shop for energy renovation and seismic reinforcement by Q4 2022 (milestone #363) and training of at least 80 public employees for providing one-stop-shop services for energy efficiency and post-earthquake reconstruction by Q2 2026 (milestone #364).</p>		
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>a) <b>Summary document</b> duly justifying how the milestone was satisfactorily fulfilled (Cover note)</li> <li>b) <b>Report</b> by the Ministry of Physical Planning, Construction and State Assets demonstrating and certifying that the physical one-stop-shop office has been completed and is operational</li> </ol> <p>The authorities also provided:</p> <ol style="list-style-type: none"> <li>a) Record of acceptance of completed work – Oss Petrinja</li> <li>b) Record of service provided - Component I</li> <li>c) Record of service provided - Component II</li> <li>d) Record of service provided – functionality</li> <li>e) Contract for the implementation of maintenance services</li> <li>f) Material on education/training on post-earthquake and energy renovation (invitation to participants, list of participants, programme of education, 10 power</li> </ol>		

- point presentations, recorded education and report on education)
- g) Material on visibility – promotion activities (four leaflets and two guides)
- h) The number of visitors and applications received via physical one-stop shops from 20 February 2021 to 29 December 2021

**Analysis:**

As set out in the Council Implementing Decision, a physical one-stop-shop office for energy renovation and seismic reinforcement in Petrinja is set up and operational.

Croatia has four existing physical one-stop-shops in earthquake affected areas (in Petrinja, Zagreb, Sisak and Glina). The achievement of the milestone is demonstrated for the office in Petrinja, which has been in operation since 20 February 2021. All the elements from the description of the milestone are adequately addressed.

As set out in the Council Implementing Decision, the reform develops energy renovation services and makes them operational through the physical one-stop-shop in the earthquake-affected area in order to reduce the administrative burden for citizens (Report by the Ministry of Physical Planning, Construction and State Assets). The information provided on the number of visitors and applications received via physical one-stop shops from 20 February 2021 to 29 December 2021 confirms the Petrinja office is operational.

In addition to the information on post-earthquake reconstruction already provided before the reform, in the one-stop shop the citizens can also get information related to the energy reconstruction of family houses and multi-dwelling buildings. Information services provided on energy reconstruction available cover: information about planned calls and implementing bodies; basic conditions of eligibility on call; how to apply for a call; options of technical assistance for application; ways that prove energy savings; types of reconstruction that can be carried out (integrated energy reconstruction, deep reconstruction, comprehensive reconstruction); minimum mandatory technical documentation for the call application and types of energy efficiency measures and use of renewable energy sources and horizontal measures that can be co-financed under the call.

Proof that the required investments have been made:

1. The adaptation and modernisation of the physical infrastructure at a location where one-stop-shop was established - Centre for renovation of Banovina, Trg Stjepana Radića 8, Petrinja (evidenced with Record of acceptance of completed work – Oss Petrinja).
2. Investments in the e-Reconstruction online system development including Component I, which covers the receipt of an application (Record of acceptance - service provided for Component I) and Component II, which covers the processing of an application (evidenced with Record of acceptance - service provided for Component II).
3. The framework for implementing maintenance services was designed (Contract for the implementation of maintenance services).
4. Investments in the functionality of the online system (evidenced with record of acceptance - service provided for functionality).
5. Supporting the training on energy efficiency of staff and public authorities involved in the process. The training service started in December 2021 with 106 participants (evidenced with anonymized list of participants, presentations, and report on education).
6. Supporting promotional activities through publishing earthquake recovery guides for affected areas and leaflets on measures to assist citizens in the renovation of buildings (leaflets provided as evidence).

**Commission Preliminary Assessment: Satisfactorily fulfilled**

<b>Number:</b> 368	Related Measure: C6.1-R5 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	
<b>Name of the Milestone:</b> Adoption of the Circular Management of Spaces and Buildings Development Programme for the period 2021-2030 and of the Urban Green Infrastructure Development Programme for the period 2021-2030		
<b>Qualitative Indicator:</b> Publication on the official website of the Ministry of Physical Planning, Construction and State Assets	<b>Time:</b> Q4 2021	
<p><b>Context:</b></p> <p>The reform aims to develop a framework for the design and implementation of green urban renewal strategies, to be established at the local level. The adoption of the programmes for the development of circular management of space and buildings and the urban green infrastructure, both until 2030, will provide this framework at the national level. The framework will provide a foundation for the development of sustainable space with a focus on developing green infrastructure and integrating nature-based solutions, models for circular management of space and buildings, strengthening resilience against risks and climate change and supporting the overall sustainable development.</p> <p>The milestone refers to the adoption of the Circular Management of Spaces and Buildings Development Programme and the Urban Green Infrastructure Development Programme, both for the period from 2021 to 2030, which will provide the basis for developing guidelines for drawing up green urban renewal strategies. The adoption of the two programmes is the initial step in the implementation of the measure, to be followed by the adoption of 10 green urban renewal strategies by Q4 2023 (target #369), and the implementation of one pilot project identified through green urban renewal strategies and linked with the national programmes on green infrastructure and circular management of spaces and buildings (target #370).</p>		
<p><b>Evidence Provided:</b></p> <p>In line with the verification mechanisms, the following evidence was provided:</p> <ol style="list-style-type: none"> <li>a) Summary document duly justifying how the milestone was satisfactorily fulfilled (Cover note)</li> <li>b) Copy of the Circular Management of Spaces and Buildings Development Programme for the period from 2021 to 2030</li> <li>c) Copy of the Urban Green Infrastructure Development Programme for the period from 2021 to 2030</li> <li>d) Copy of the Government Decisions for the two programmes</li> <li>e) Links to the Government Decisions published in the Official Gazette</li> <li>f) Links to the Programmes published on the official website of the Ministry of Physical Planning, Construction and State Assets</li> </ol>		
<p><b>Analysis:</b></p> <p>As set out in the Council Implementing Decision, the Circular Management of Spaces and Buildings Development Programme for the period 2021-2030 and of the Urban Green Infrastructure Development Programme for the period 2021-2030 have been published on the official website of the Ministry of Physical Planning, Construction and State Assets.</p> <p>As set out in the Council Implementing Decision, the Circular Management of Spaces and Buildings Development Programme for the period 2021-2030 adopted by the government on 23 December 2021:</p> <ol style="list-style-type: none"> <li>1. Defines three specific objectives (1) Development of the system for circular management of buildings and spaces; 2) Circular renovation of unused spaces and buildings, and 3) High level knowledge and social awareness on circular management of spaces and buildings) with their</li> </ol>		

corresponsive measures for circular management of space and buildings (pages 57-58 and 62-71).

2. Contains provisions that encourage:
  - a) the circularity measures in the planning of new buildings which include extending the durability of buildings, flexibility of space, reducing the amount of construction waste and increasing the energy efficiency of buildings (pages 17-19);
  - b) the re-use of abandoned buildings and the extension of the durability of existing spaces and buildings (pages 19-22 and 67-71);
  - c) increasing the energy and resource efficiency of buildings and the use of renewable energy sources (pages 55-56 and 58);
  - d) the reuse of construction products and materials, for the purpose of efficient use of spatial resources and reducing the generation of building waste in line with the updated Waste Management Plan (pages 34-39 and 55-56).
3. Provides the basis for the development of green urban renewal strategies (page 64).
4. Ensures the respect of the “Do no significant harm” principle for all measures and activities in the programme (page 56).

As set out in the Council Implementing Decision, the Urban Green Infrastructure Development Programme for the period 2021-2030 adopted by the government on 23 December 2021:

1. Defines three specific objectives: 1) Quality planning and managing the development of green infrastructures in urban areas, 2) Enhanced, widespread, connected and easily accessible green infrastructure in urban areas, and 3) High level of knowledge and social awareness of sustainable development of urban areas through development of green infrastructures, and their corresponsive measures that contribute to climate change mitigation and adaptation (pages 43-45 and 47-59).
2. Provides seven measures that will contribute to the reduction of the effects of heat islands, reduction of greenhouse gas emissions, improvement of the quality of life and housing in cities, improvement of human health and improvement of the quality of urban areas by transforming under-used and abandoned lands and the encouragement of green investments (pages 47-57).
3. Provides a framework that will be beneficial to the support of the restoration and conservation of species and habitats under the Species and Habitats directives in line with the EU Biodiversity Strategy for 2030, despite the absence of concrete measures to support the biodiversity. The support of the restoration and conservation of species and habitats under the Species and Habitats directives in line with the EU Biodiversity Strategy for 2030 is ensured in the way that the measures defined by the Urban Green Infrastructure Development Programme in urban areas are not intended for those construction areas that are within the Natura 2000 network (as explained in the summary document).
4. Assumes that the implementation of the measures and activities (such as drafting acts of strategic planning of green infrastructure, development and implementation of green infrastructure, implementation of integrated projects, etc.) will create an increased need for professional jobs related to the development of green infrastructure (pages 52-57 and as explained in the Cover note).
5. Contributes to the delivery of energy savings by promoting integrated projects which include both measures for development of green infrastructure as well as measures for increasing energy efficiency (pages 53-54, 57).
6. Provides the basis for the development of green urban renewal strategies (pages 49-50).
7. The respect of the “Do no significant harm” principle is ensured for all measures and activities in the programme (page 42).

The Government Decisions on the adoption of the two programmes entered into force on 23 December 2021.

**Commission Preliminary Assessment: Satisfactorily fulfilled**





<b>Number:</b> 160	Related Measure: C2.1-R2 Strengthening the capacity to prepare and implement EU projects
<b>Name of the Milestone:</b> Upgrading of the eFondovi IT system: Repository system for Audit and Controls: information for monitoring implementation of RRF	
<b>Qualitative Indicator:</b> Audit report confirming repository system functionalities	<b>Time:</b> Q1 2022
<p><b>Context:</b></p> <p>1. The reform aims to strengthen the capacity of the administration to prepare and implement EU projects. As part of the reform the IT system used for European Structural and Investment Funds (ESIF) shall be upgraded to be aligned with the Recovery and Resilience Facility Regulation and allow for robust monitoring of the plan.</p> <p>2. The milestone is covered by the second instalment for non-repayable support. However, the Commission is examining whether the information provided on this milestone indicates if it is satisfactorily fulfilled at the time of the first payment request. This is because the measure C2.1-R2 stipulates that the reform shall be completed before the first payment request is submitted to the Commission. The milestone concerns the upgrade of the IT system used for European Structural and Investment Funds (ESIF) that allows for the collection of data and monitoring of the achievement of milestones as well as collection, storage and access to data as required by Article 22(2)(d)(i) to (iii) of the Recovery and Resilience Facility Regulation.</p>	
<p><b>Evidence provided:</b></p> <p>In line with the verification mechanism set out in the Operational Arrangements, the following evidence was provided:</p> <ul style="list-style-type: none"> <li>a) <b>Summary document/Cover note</b> duly justifying how the milestone (including all constitutive elements) was satisfactory fulfilled.</li> <li>b) <b>Final audit report of the IT system</b> as carried out by the national Audit Authority (ARPA), confirming the functionalities of the repository system (full report).</li> <li>c) <b>Follow-up report from the national audit authority</b> confirming that the updates relating to the safety and security risks were put in operation.</li> </ul>	
<p><b>Analysis:</b></p> <p>As set out in the Council Implementing Decision, the Audit report confirming repository system functionalities has been completed. The repository system is an upgrade to the existing eFondovi IT system, already used for European Structural and Investment Funds (ESIF) monitoring, with the relevant functionalities to ensure collection, storage, monitoring and sharing of data on the implementation of the Recovery and Resilience Plan, including at the level of final beneficiaries. The requirements to ensure collection, storage, monitoring and sharing of data on the implementation of the Recovery and Resilience Plan, including at the level of final beneficiaries, stemming from the Recovery and Resilience Facility Regulation, were included in the existing as well as newly developed modules of the eFondovi IT system. The upgrades to enable the functionalities listed above were done in the second half of 2021 and first months of 2022 and include both updates of existing modules of the system as well as additional, newly developed modules such as the module dedicated to storage and monitoring of data on milestones and targets. These upgrades provide for a thorough monitoring of the achievement of milestones and targets and data at the level of final beneficiaries through a newly developed, dedicated module in the eFondovi IT system, as well as data aggregated at higher levels.</p> <p>The authorities ensured that all required data are in the system and that the accesses related to the</p>	

first payment claim are provided. The audit report confirmed that the IT system:

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

The dedicated audit report of the IT system reported several findings related to potential security risks and deficiencies in the operation of the system. The Commission required the authorities to address these findings – which were qualified as urgent by the National Audit Authority - and to provide updates to the system by 8 April 2022. On 7 April 2022, the national audit authority confirmed that the updates relating to the safety and security risks were put in operation, it can therefore be considered that the IT repository system is in place and operational. It provides for robust and adequate monitoring of the management and implementation of the Plan, and collects, stores and ensures access to the data in accordance with article 22(2), point (d) of the Recovery and Resilience Facility Regulation.

In addition, some of the functionalities of the system that go beyond the requirements set out in the milestone and the measure are to be further developed by July 2022. These include a direct link with the Registry of beneficial owners, granting access rights to further bodies involved in the management and implementation and the input in the system of the data on retroactive projects.

*The implementation of the reform as defined in this milestone has been completed (fulfilment to be checked during the formal assessment of the 2<sup>nd</sup> payment claim under which this milestone falls)*