



## **NextGenerationEU: European Commission endorses Croatia's recovery and resilience plan**

Brussels, 8 July 2021

The European Commission has today adopted a positive assessment of Croatia's recovery and resilience plan. This is an important step towards the EU disbursing €6.3 billion in grants under the Recovery and Resilience Facility (RRF). This financing will support the implementation of the crucial investment and reform measures outlined in Croatia's recovery and resilience plan. It will play a key role in helping Croatia emerge stronger from the COVID-19 pandemic.

The RRF is at the heart of NextGenerationEU which will provide €800 billion (in current prices) to support investments and reforms across the EU. The Croatian plan forms part of an unprecedented coordinated EU response to the COVID-19 crisis, to address common European challenges by embracing the green and digital transitions, to strengthen economic and social resilience and the cohesion of the Single Market.

The Commission assessed Croatia's plan based on the criteria set out in the RRF Regulation. The Commission's analysis considered, in particular, whether the investments and reforms set out in Croatia's plan support the green and digital transitions; contribute to effectively addressing challenges identified in the European Semester; and strengthen its growth potential, job creation and economic and social resilience.

### **Securing Croatia's green and digital transitions**

The Commission's assessment finds that Croatia's plan devotes 40% of its total allocation to measures that support climate objectives. These include reforms and investments to promote the uptake of renewable energy, energy efficiency and post-earthquake reconstruction of buildings and sustainable mobility. Climate change adaptation measures include improved management of water resources and flood protection measures. The plan will also enhance the rich biodiversity in Croatia through the restoration of rivers, floodplains and lakes. Investment support schemes will support businesses, including SMEs, in their green transition.

The Commission's assessment of Croatia's plan finds that it devotes 20% of total expenditure to measures that support the digital transition. This includes investments and reforms to support gigabit connectivity, the digitalisation of public administration, transport, the judicial system and higher education. It also provides for increasing the national broadband coverage to reduce the urban-rural digital divide and help businesses, including SMEs, adapt their operations to the digital environment thereby increasing their competitiveness.

### **Reinforcing Croatia's economic and social resilience**

The Commission considers that the Croatian plan includes an extensive set of mutually reinforcing reforms and investments that contribute to effectively addressing all or a significant subset of the economic and social challenges outlined in the country-specific recommendations (CSRs) addressed to Croatia by the Council in the European Semester in 2019 and in 2020.

The plan addresses CSRs to deliver on the education reform through measures that update school curricula, increase access to early childhood education and care, and implement single-shift, full-day teaching. New active labour market policies aimed to support green and digital skills and jobs will target the most vulnerable groups, thus helping increase Croatia's low employment rate. Challenges concerning the Croatian social welfare system are tackled through measures that improve the coverage, adequacy and targeting of social benefits and enable the development of new social services. The plan should improve the public administration and the business environment in Croatia and address barriers to growth and investment, as identified in successive Council recommendations. The plan envisages measures to improve the effectiveness of the justice system and puts forward concrete commitments to shorten the length of court proceedings, reduce the backlog of cases and improve the digitalisation of judicial procedures. It also envisages strengthening the prevention and sanctioning of corruption.

The plan represents a comprehensive and adequately balanced response to Croatia's economic and social situation, thereby contributing appropriately to all six pillars referred to in the RRF Regulation.

### **Supporting flagship investment and reform projects**

The Croatian plan proposes projects in all seven European flagship areas. These are specific investment projects, which address issues that are common to all Member States in areas that create jobs and growth and are needed for the twin transition. For instance, Croatia has proposed to provide €789 million for comprehensive renovation of private and public buildings, upskilling and education of workers and experts in energy and post-earthquake renovation, and the setting up of one-stop-shops, which will help to reduce the heavy administrative burden in the renovation process.

The assessment also finds that none of the measures included in the plan significantly harms the environment, in line with the requirements laid out in the RRF Regulation.

The controls systems put in place by Croatia are considered adequate to protect the financial interests of the Union. The plan provides sufficient details on how national authorities will prevent, detect and correct instances of conflict of interest, corruption and fraud relating to the use of funds.

### **Members of the College said:**

President Ursula **von der Leyen** said: *"Today, the European Commission has decided to give its green light to Croatia's recovery and resilience plan. With €6.3 billion, Croatia will be the largest recipient of the Recovery and Resilience Facility compared to the size of its economy. Croatia's recovery plan will support crucial measures that will contribute to building a greener, more digital future for all Croatian citizens. This includes reforms and investments to promote energy efficiency, sustainable mobility, improved connectivity, enhance digitalisation of the public and private sectors and increase the efficiency of the justice system. We will stand by Croatia on every step to ensure the projects outlined in this plan are fully delivered."*

Valdis **Dombrovskis**, Executive Vice-President for an Economy that Works for People, said: *"This plan will put Croatia on the path to recovery after being hit hard both by the crisis and deadly earthquakes. It will help Croatia to position itself for the future by promoting the green and digital transitions, paying particular attention to smaller businesses. Croatia's plan will improve its business environment and tackle barriers to growth and investment. It will promote renewable energy, sustainable transport and energy efficiency with the post-earthquakes reconstruction of buildings, while also enhancing the country's rich biodiversity. It aims to roll out greater digital connectivity across the country, and will digitalise public administration. And it places a welcome focus on improving the justice system and fighting corruption. This plan will also help Croatia prepare its economy for a successful membership to the euro area."*

Paolo **Gentiloni**, Commissioner for Economy, said: *"After being hit hard by the economic shock caused by the pandemic, Croatia now has a historic opportunity to relaunch its economy. The successful implementation of the recovery and resilience plan will channel €6.3 billion into Croatia, the equivalent of no less than 11.6% of the country's 2019 GDP. This funding will support crucial measures to boost Croatia's digital competitiveness and modernise its energy, transport and water supply infrastructure, while advancing the climate transition and protecting the environment."*

### **Next steps**

The Commission has today adopted a proposal for a decision to provide €6.3 billion in grants to Croatia under the RRF. The Council will now have, as a rule, four weeks to adopt the Commission's proposal.

The Council's approval of the plan would allow for the disbursement of €818 million to Croatia in pre-financing. This represents 13% of the allocated grant amount for Croatia.

The Commission will authorise further disbursements based on the satisfactory fulfilment of the milestones and targets outlined in the Council Implementing Decision, reflecting progress in the implementation of the investments and reforms.

### **For More Information**

[Questions and Answers: European Commission endorses Croatia's recovery and resilience plan](#)

[Recovery and Resilience Facility: Questions and Answers](#)

[Factsheet on Croatia's recovery and resilience plan](#)

[Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Croatia](#)

[Annex to the Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Croatia](#)

[Staff-working document accompanying the proposal for a Council Implementing Decision](#)

[Recovery and Resilience Facility](#)

[Recovery and Resilience Facility Regulation](#)

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