



Recovery and Resilience Plan Croatia

Budget

Croatia's recovery plan envisages **projects worth €6.3 billion** to cover six key areas. The totality of this budget will be covered by grants from the RRF.

The purpose of the plan is to facilitate the government's reform efforts as well as public and private investments and the GDP growth. For that, **54%** of the funds will be invested to increase competitiveness, such as **green transition, energy transition, renewable energy sources**, transport and traffic infrastructure, water management, and broadband infrastructure. **2% would go for the reconstruction of buildings** and 4% for labour and social welfare.

→ Relevant parts

Component 1.1: Resilient, green and digital economy (€ 738.7 million)

The component aims to promote private investments and focuses investments on the green and digital transitions (country-specific recommendation 3, 2020).

There are two relevant investments:

- **Investment C1.1.1 R4-I1 Support to enterprises for the transition to an energy- and resource efficient economy**

The investment will finance, through grants, productive investments by SMEs in green technologies that contribute to an energy- and resource efficient economy in energy-intensive industries, including metalworking, textile, food, chemical, **construction** and woodworking industries.

Grants shall only be awarded to financially viable companies only if they demonstrate that the planned investments contribute to:

- promotion of a circular economy by introducing resource efficiency in the production cycle, including the sustainable supply of primary and secondary raw materials;

- decarbonisation and emission reduction of energy-intensive industries, including demonstration and deployment of innovative low-emission technologies.¹

- **Investment C1.1.1 R4-I4 Financial instrument for public sector entities (€ 26 544 562)**

The objective of the investment is to provide concessional financing to public entities for projects in economic, municipal, transport and **social infrastructure**. A minimum of 30% of the budget under this investment should support environmentally friendly production and resource efficiency in the public sector. The investment shall be completed by 30 June 2026.²

Component 1.3: Improving water management and waste management (€ 862.7 million)

- **Investment C.1.3 R1-I3 – Disaster risk reduction programme (by 2026)**

The objective of this investment is to **improve flood protection measures for 20 000 inhabitants** of Croatia, prioritising nature-based solutions by **revitalising watercourses, connecting abandoned sleeves and creating secondary wetland habitats, as well as removing invasive species**.³

This investment shall include two sub-measures:

- Flood risk reduction programme will focus on reduction of flood risks of largest Croatian rivers of the Danube River basin. The flood protection measures will entail defensive embankments with broad inundation areas along watercourses, in line with nature-based solutions and principle of ‘give space to rivers’.

- Revitalisation of freshwater systems, including regeneration and protection of the Mirna river area, Vransko Lake and Trakoscan Lake, as well as removal of invasive species in the protected Neretva Delta.

Component 4.3: Improving the social welfare system (€ 83 million)
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The overarching objective of the reforms and investments in this component is **to reduce poverty, prevent social exclusion and develop social services tailored for vulnerable groups**.

The component shall include the following measures:

- Improving the legislative framework by adoption of the new Social Welfare Act and three strategic documents;

¹ Page 4-5, Annex to the Proposal of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-401_annexe_en.pdf

² Page 9, Annex to the Proposal of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-401_annexe_en.pdf

³ Page 45, Annex to the Proposal of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-401_annexe_en.pdf

- Raising the adequacy and coverage of the Guaranteed Minimum Benefit, the main poverty reducing benefit at the national level;
- Technical and functional consolidation of social benefits, at national and local levels, with the introduction of regular indexation and adaptation of the eligibility criteria;
- Harmonizing the pricing of social services across various existing providers;
- Development of the new social services (social mentorship and family assistants) with aim to **prevent institutionalisation and social exclusion**;
- Fostering transition to home and **community-based long-term care for elderly people** by **developing non-institutional services, while providing sufficient accommodation** capacities exclusively for people in need of long-term care without viable home and **community-based alternative**.

- **Reform C4.3 R3 - Developing community-based services to prevent institutionalisation (by 2022)**

The objective of this reform is to **adopt the National Plan for the Development of Social Services 2021-2027**, which shall identify priorities for the development of social services and lay out a systematic long-term care plan that is tailored to the specific requirements of beneficiaries.

It should also develop a systematic and integrated long-term care for older people that shall prioritise transition from institutionalised care to home and community-based elderly care; as well as support the development of home services and community-based services for long-term care.⁴

Furthermore, as part of the reform, **standards of treatment for Family Assistants shall be developed** and **amendments to the new Social Welfare Act should be made to prioritise deinstitutionalisation in long-term care** to induce structural changes in this social policy area.

- **Investment C4.3 R3-I4 - Construction and equipping of centres for the elderly care (home and community-based services and institutional services)**

The objective of this measure is to **construct eight centres for the elderly** that shall accommodate 800 older adults who functionally entirely depend on institutional care and whose needs cannot be provided through out-of-institutional services.

Furthermore, the centres shall create conditions to provide community care and **out-of-institutional services to older people living at home**. The investment shall be completed by 30 June 2026.⁵

⁴ Page 199, Annex to the Proposal of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-401_annexe_en.pdf

⁵ Page 201, Annex to the Proposal of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-401_annexe_en.pdf

Initiative 6.1: Renovation of buildings (€ 789 million)

This initiative concerns investments and reforms aiming to encourage comprehensive renovation of buildings, **including energy renovation, structural reinforcement and post-earthquake renovation**. Renovation shall cover **multi-dwelling and public buildings, including health and educational facilities, as well as buildings with the status of a cultural good**.

In total, RRF funds will support the renovation of at least 225,000 m² of private building stock, 522,000 m² of public buildings and 31,000 m² of buildings with a status of a cultural good.⁶

The initiative includes reforms that shall support the process of renovation and decarbonisation of buildings, while addressing barriers in the construction market and social issues. The measures are going to contribute to the Country Specific Recommendations addressed to Croatia in the past two years, on the need to “focus investment-related policy on [...] energy efficiency, [...] and environmental infrastructure (Country Specific Recommendation 3, 2019) and “to focus investment on the green and [...] transition, in particular on environmental infrastructure [...] (Country Specific Recommendation 3, 2020).⁷

- **Reform C6.1.R1 – Decarbonisation of buildings**

The reform includes **the adoption of energy efficiency renovation programmes for the period 2021-2030 for multi-dwelling buildings, public buildings and a special category of buildings** with a status of the cultural good, as well as the **adoption of the energy poverty reduction programme in areas of special state concern for 2021-2025**.

- **Investment C6.1.R1-I1 – Energy renovation of buildings⁸** is going to implement the reform with the aim to reduce energy consumption for heating in multi-dwelling and public sector buildings by at least 50%.

The investment also aims to **increase the use of renewable energy sources** and consequently reduce CO₂ emissions, **alleviate energy poverty**, and encourage the use of development of green infrastructure and the circular management of buildings and spaces.

The investment shall primarily finance the energy renovation projects that are already in the pipeline. The investment shall be as follows:

- For energy renovation, grants shall cover 60% of eligible renovation costs and 85% of documentation costs.
- For deep energy renovation, which includes energy efficiency measures on the outer walls and the roof of the buildings as well as technical systems in addition to minimum reduction of 50% in energy consumption for heating and primary energy consumption, grants shall cover 80% of eligible renovation costs and 85% of documentation costs.

⁶ Page 52, Assessment of the European Commission on the Croatian RRP

https://ec.europa.eu/info/sites/default/files/com-2021-401_swd_en.pdf

⁷ Page 233, Annex to the Proposal of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-401_annexe_en.pdf

⁸ Page 234, Annex to the Proposal of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-401_annexe_en.pdf

- For comprehensive renovation, which combines energy renovation, seismic reinforcement, fire safety and ensuring healthy indoor climate conditions, grants shall cover 80% of eligible renovation costs and 100% of documentation costs.

- **Investment C6.1.R1-I2 – Renovation of buildings damaged in earthquakes with energy renovation**

The objective is to repair the damages caused by the 2020 earthquakes to multi-apartment and public buildings, to increase the seismic resilience of buildings and to increase their energy efficiency.

The renovation of buildings will be financed by the EU Solidarity Fund, and complemented by the RRF grants.

- **Investment C6.1.R1-I3 – Energy renovation of buildings with the status of a cultural good**

The measure will cover two categories of buildings: individually protected cultural goods (individual buildings and building assemblies) and buildings located within a protected cultural and historical unit.⁹

- **Reform C6.1.R2 – Developing a framework for ensuring adequate skills in the context of green jobs needed for post-earthquake reconstruction**

This reform **aims to provide adequate knowledge and skills needed** to implement all post-earthquake energy renovation and reconstruction processes, integrating the necessary knowledge on seismic resilience, energy efficiency, circular management, protection of cultural heritage and post-earthquake reconstruction, through the improvement of existing education and training programmes and the development of new ones.

The reform includes:

- the design and implementation of adult education programmes;
- the establishment and implementation of a new interdisciplinary study programme that shall combine knowledge on cultural heritage restoration, **application of nature-based solutions**, urban forestry and **urban renewal**;
- the development and implementation of specialist studies and education programmes specialised in **spatial planning and sustainable urban development**, especially on post-earthquake reconstruction, climate change adaptation, energy efficiency, circular management, etc.;
- the development of programmes that shall **support greater use of Building Information Modelling** and its promotion in the building sector and spatial planning.

⁹ Page 235, Annex to the Proposal of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-401_annexe_en.pdf

- Reform C6.1.R3 – Increasing efficiency, reduction of administrative burden and digitalisation of the renovation process¹⁰

The reform includes **improving one-stop-shop services** for energy renovation and **developing offline offices for earthquake-affected areas** to simplify the reconstruction process for citizens and other entities in need of administrative services during the post-earthquake recovery process.

The reform will also finance strengthening the professional capacities of employees in the one-stop-shop and public institutions involved in the reconstruction process to support full functionality of one-stop-shop services.

- Reform C6.1.R4 – Modernisation and integration of seismic data for the renovation process and planning of future construction and monitoring of public infrastructure

The reform aims to **improve risk resilience in spatial planning** and the construction sector by **improving the collection and processing of seismic data** and by strengthening the capacity to apply the data on seismic risks and implement measures to reduce potential damages.

Collected data shall serve as input for risk-related maps, such as fault maps, seismic maps, and slip susceptibility maps, which shall be used in development of spatial plans of local government units in order to plan adequate typology of anti-seismic construction and increase Croatia's resilience to earthquakes.

- Investment C6.1.R4-I1 – Seismological data network development

The aim of the investment is to **finance the acquisition of at least 300 units of new seismic equipment** to carry out data monitoring, processing and analysis relating to seismic activities on Croatia's territory. After 2026, it will be financed by the state budget.

- Reform 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 space¹¹

The new framework shall provide 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.**

The reform shall be available to all local governments in Croatia, but priority shall be given to those in earthquake-stricken areas. Guidelines will be developed by the Ministry of Physical Planning, Construction and State Assets.

¹⁰ Page 236, Annex to the Proposal of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-401_annexe_en.pdf

¹¹ Page 237, Annex to the Proposal of the European Commission https://ec.europa.eu/info/sites/default/files/com-2021-401_annexe_en.pdf

- Reform C6.1.R6 – Pilot project for the establishment and implementation of systematic management energy and the development of a new financing model

Croatia has a functioning energy consumption monitoring system for individual public sector facilities, but this system is not yet developed for other sectors, such as private housing, industrial or transport sector.

The aim is to **develop and test a model for monitoring energy consumption in multi-dwelling buildings**, which shall be implemented based on the voluntary interest of the owners. This model will be based on pilot projects that shall monitor all energy and water consumption in a local government unit by establishing automatic data collection, which is expected to enable systematic energy management and lead to energy and water savings.

Based on collected data, this reform will develop a model that shall enable the customer to apply for an energy renovation loan and repay it through his/her energy account, adjusted for energy savings achieved through the renovation. This shall alleviate the problem of lack of financial resources of final beneficiaries for energy renovation purposes.

→ Link with the European Semester

The measures included in the plan contribute in tackling the recommendation (CSR 2020.3.6) **to focus investment on the green and digital transition**, in particular on environmental infrastructure.

Several components of the plan (1.1, 1.2, 1.3, 1.4, 1.5 and 6.1) contribute to achieving this objective by promoting **investments in clean and efficient energy**, carbon capture and storage, an efficient and sustainable transport system, the improvement of water and waste management and the **decarbonisation of buildings**.

Component 1.2 regarding energy transition addresses the Council recommendations to focus investment on energy efficiency, renewables and environmental infrastructure and the green transition to clean and efficient production and use of energy (CSR 2019.3.3 and CSR 2020.3.8). This component alone exceeds 10% of the plan allocation.¹²

→ Consistency with the NECP

The recovery plan is **consistent with the latest NECP** and aims at being complementary with the future Territorial Just Transition Plans.

Both the “economy” component and the building renovation initiative include reforms and investments that should help reach the climate and energy targets for 2030. **According to the European Commission, Croatia will surpass the 2030 target for greenhouse gas reduction, if all policies set out in the NECP are implemented.**¹³

Beyond the consistency, it should be noted however that **the national contribution to the energy efficiency target specified in the NECP is low**, at 8.23 Mtoe for primary energy and 6.85 Mtoe for final energy consumption.

¹² Page 36, Assessment of the European Commission on the Croatian RRP https://ec.europa.eu/info/sites/default/files/com-2021-401_swd_en.pdf

¹³ Page 12, Assessment of the European Commission on the Croatian RRP https://ec.europa.eu/info/sites/default/files/com-2021-401_swd_en.pdf

The NECP **estimates investment needs to around EUR 19 billion for 2021-2030 period, corresponding to 3.5% of GDP.**¹⁴ Therefore, **further investments in building renovations and energy efficiency would be needed** to deliver on the objectives. Additional efforts will be needed in order to leverage additional private capital and to uphold the Energy Efficiency First principle.¹⁵

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¹⁴ Page 24, Assessment of the European Commission on the Croatian RRP
https://ec.europa.eu/info/sites/default/files/com-2021-401_sw_d_en.pdf

¹⁵ Page 52, Assessment of the European Commission on the Croatian RRP
https://ec.europa.eu/info/sites/default/files/com-2021-401_sw_d_en.pdf