



BRINGING THE EU
TOGETHER ON
CLIMATE ACTION

August, 2022

Analysis of expenditure of European Structural and Investment Funds in Croatia:

Programming period 2014-2022, with focus on energy
and climate



BRINGING THE EU
TOGETHER ON
CLIMATE ACTION

UNIFY : Bringing the EU together on climate action

Publication date: August 2022

Unify project has received funding from the LIFE Programme of the European Union. The information and views set out in this report are those of the author(s) and do not necessarily reflect the official opinion of the European Commission.



Impressum

Contractor and Authors: Society for Sustainable Development Design; Slavka Batušića 7, Zagreb

Consultants and Authors: Institute for Political Ecology, Trg kralja Tomislava 19, Zagreb and Society for Sustainable Development Design; Slavka Batušića 7, Zagreb

Authors:

Maria Julia Ballivian (DOOR)

Ana Klarić (DOOR)

Miljenka Kuhar (DOOR)

Mladen Domazet (IPE)

Vedran Horvat (IPE)

Summary

Executive summary.....	4
Introduction.....	7
• Climate change and climate action.....	7
• Budgeting for climate.....	10
• Cohesion policy.....	11
Data analysis.....	14
• The funds available to Croatia in the 2014-2020 programming period	14
• The focus of the report.....	16
• Implementation challenges identified by the end of 2019: bureaucratic complexity and delays in opening calls for proposals.....	21
• Expenditure by the end of November 2019.....	23
• More detailed analysis of Priority area 5 Climate Change and Risk Mitigation.....	26
• More detailed analysis of Priority area 4 Promoting energy efficiency and renewable energy sources at the end of 2019.....	28
• 2022 update.....	31
• European Social Fund.....	33
• Itemised overview of the 2022 update for ESI funds 2014. – 2020.....	35
• Investments contributing to the Low carbon Economy.....	37
• Investments contributing to the Climate Action.....	38
• Investments contributing to the Environment.....	39
Concluding remarks.....	44

Executive summary

Cumulative scientific research reviewed in IPCC's latest Assessment Reports shows that in all economic sectors and all regions of the world the most vulnerable people and systems are hardest hit by present-day and projected climate change impacts. Climate extremes have already resulted in irreversible changes that human and natural systems cannot adapt to. In Europe, climate change has already had a negative impact on overall physical and mental health of populations. Climate resilient development in the near future requires an understanding of development different from a linear paradigm of profit accumulation. It includes diversity and heterogeneity, welfare and equality, not only in everyday action but also in the long-term strategies. A lot of recent research in social sciences and economics indicates that sober responses to the climate crisis require a systemic societal transformation instead of the empirically unsupported techno-optimistic expectation of ecomodernisation. It also calls for an open confrontation with the vested power interests that presently define the patterns of consumption and innovation.

The EU budget combines resources at the European level and is the key instrument for financing EU priorities such as developing rural areas, fostering entrepreneurship and innovation, safeguarding the environment, protecting external borders, and promoting human rights. Under conditions of climate emergency, it is increasingly dedicated to climate change mitigation and adaptation, and energy transition required for climate neutrality by mid-century.

European Union provides direct financial support to less developed countries through its mechanism of cohesion policies. The budget for cohesion policy for each member state is agreed upon at the EU level, but different managing bodies established in each member state manage funds locally. EU keeps the level of authority over the expenditures of the funds and the level to which are national priorities aligned with EU ones – in that regard each member state programmes the future calls and European Commission gives its approval of the Operational Programmes (OP) for each fund and each member state.



For the period 2014-2020 Croatia programmed and submitted to the European Commission four OPs which envisaged measures that will be funded by the corresponding ESI Fund (Cohesion Fund, European Regional Development Fund, European Social Fund, European Agricultural Fund for Rural Development, and European Maritime and Fisheries Fund).

The period of 2014-2020 was the first full programming period for Croatia which became a full member state in mid-2013. The total funding available to the Republic of Croatia in the period 2014-2020 depending on the fund was €12.65 billion – out of which € 10.7 billion was available from the EU budget and € 1.9 billion was ensured in the national budget. The report focuses on two Priority areas in Croatia's programming period 2014.- 2020. namely Priority Area 4 Promoting Energy Efficiency and Renewable Energy Sources (here and after PA4) and Priority Area 5 Climate Change and Risk Management (here and after PA5) under Operational Program Competitiveness and Cohesion 2014-2020 (here and after OPCC). Priority area 4 is responsible for promoting energy efficiency and renewable energy sources. Priority Area 5 is responsible for supporting investment to improve adaptation to climate change, an example of which is the ecosystem approaches. Also, it is responsible for ensuring resilience to natural disasters by promoting investment, hopefully in line with climate resilient development.

There are various explanations for the discrepancies between planned and executed expenditures identified in Croatia by the end of 2019, but those most often submitted by the beneficiaries state that the calls for proposals were launched too late in the programming period and that national bureaucratic procedures are too complex, leading to further delays in the certification of funds for beneficiaries. One of the main challenges and one of the probable reasons for the low absorption of EU funds by the end of 2019 is the complexity of the management structure of European Structural and Investment Funds in Croatia. The Croatian Government adopted an Act on the Establishment of an Institutional Framework for the Implementation of European Structural and Investment Funds in Croatia in the period 2014-2020. (Official Gazette; No. 92/2014), which established a complex structure consisting of an EFSI coordinating body (ministry in charge of regional development and EU funds), a verification body (ministry in charge of finance), an independent review body, several managing authorities for the respective operational programs and a plethora of first and second level intermediary bodies. It is important to note that the intermediate bodies at the different levels have different functions.

Additional explanation, often heard from employees working in managing authorities (MA) and intermediate body (IB) is the continuous fluctuation of the workforce, which leads to the loss of institutional knowledge, continuous hiring and education of new employees,

and further delays in process of opening the calls, evaluating project proposals, signing the grant agreements and certificating the funds. Despite employees working in MA and IB on ESIF-related jobs receiving a 30% higher monthly salary in comparison to other employees in the public or government sector, fluctuation of the workforce, delays in the publishing the calls, contracting, verification of the cost and publication of reports are still unusually high.

According to the official data provided by the Ministry of regional development and EU funds to Committee for monitoring of the implementation of ESIF allocation for Operative programme Competitiveness and Cohesion, by the end of October 2019, there have been significant differences between allocation and expenditure of ESIF funds in Croatia. Even though in this report the data is available only for funds planned under OPCC we still can see that the actual expenditure of the funds is quite low in comparison to allocations planned under the calls. Of particular interest to this report, in PA5 (Climate Change and Risk Mitigation), 71% of the allocation has been covered by the open calls (“distributed”) so far, 69% of the funds have been contracted, but only 7% of the funds have been reimbursed to the beneficiaries. The situation is similar for PA4 (Promotion of Energy Efficiency and Renewable Energy Sources), where 27% of the funds have been reimbursed. This report shows that there are unspent funds in almost every PA. Based on these “savings” the Committee proposed to reallocate the unspent funds to areas with possibilities to still open new calls and spend the money in the next three years. These “savings” consist partially of performance reserves accumulated through the years and partially from underspending of the main allocation.

The most worrisome reallocation was the one from PA5 (Climate Change and Risk Mitigation). €16.26 million was reallocated to PA4 (Promotion of Energy Efficiency and Renewable Energy Sources) for the scheme for energy renovation of residential buildings and the scheme for energy renovation of public buildings. Additionally, €5 million from the main allocation (and not saved) will be allocated to PA3 (Business competitiveness). The two main reasons for underspending under PA5 are probably the fact that the Ministry failed to open the calls in time and the fact that all funds allocated under this investment priority until January 2020 were awarded in the form of direct awards to beneficiaries. This is a worrying divergence in commitment away from the priority of climate resilient development to persistent expectation of resilience from competitiveness in the hegemonic economic system. In 2014 Croatia intended to use ESIF, among other things, for improvements in ‘resilience and adaptation of living and economic conditions to climate change effects, as well as to specific disasters, and to ensure efficient water and waste management system compliant with EU standards’. This analysis indicates that by 2019 these intentions have not only remained unfulfilled but may also be forgotten.

Introduction



Climate change and climate action

Cumulative scientific research reviewed in IPCC's latest Assessment Reports (WG I – WG III) [1] is unanimous: climate change threatens human wellbeing and planetary health. Any further delay in focused global action on adaptation and mitigation portends to miss the rapidly closing window of opportunity to ensure a bearable and sustainable future for all. Research shows that in all economic sectors and all regions the most vulnerable people and systems are hardest hit. Climate extremes have already resulted in some irreversible changes that human and natural systems are struggling to adapt to. Globally, climate change has had a negative impact on overall physical health, whilst in Europe research shows with highest confidence the same impact on overall mental health too.

On the other hand, in the Assessment report of WG I, the scientists conclude that if we reduce the greenhouse gas (GHG) emissions in line with the Paris Agreement goals, visible differences in environmental health, compared to the current trajectory scenario, will appear within years. Within 20 years the average global temperature will stabilise and begin to drop. Other climate disorders will also begin to disappear, making escape from climate chaos noticeable within the current generation.

[1] See full reports from all three Working Groups (WG) here: <https://ipcc.ch>

Despite its relative wealth and high development level, suggesting a heightened resilience to some readers, Europe is actually warming faster than the global average. This makes it more exposed to climate impacts in the immediate future. At average global warming of 2°C above preindustrial level, combined risks in Europe carry high level and very high level marks, including coastal and inland flooding, increased physical exertion and morbidity under heat, disturbances in ocean and land ecosystems, freshwater shortages and losses in agricultural productivity across the continent that cannot be offset by higher productivity in some northern regions.

All the stated risks are already present today at lower levels. Southern Europe, Mediterranean basin including Croatia, is generally more negatively impacted by climate change at every level of average global temperature rise, than is the north of the continent. In this region on the other hand, scientific research into expected impacts of climate change, social and biophysical, is underutilised and the culture does not foster the importance of climate resilient development over and above playing development catch-up with by now not resilient northern European trends.

Protection of biodiversity and stability of natural ecosystems is foundational to climate resilient development (CRD), and research shows the need to set aside increasing areas of ocean and land in Europe and Croatia as protected from economic exploitation. Research summarised by IPCC's WG II shows that maladaptive projects already implemented to fight climate change, such as inappropriate afforestation and biomass cultivation for biofuels, reduce resilience and lock-in harmful practices for the long term. They finally result in maladaptive infrastructure and accompanying social organisation that detracts from CRD for a long time.

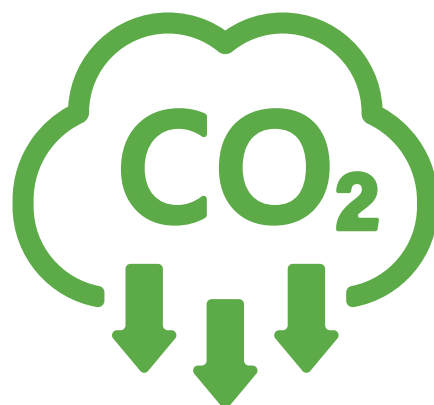


[1] See full reports from all three Working Groups (WG) here: <https://ipcc.ch>

CRD requires an understanding of development different from a linear paradigm of profit accumulation. It is rooted in concepts such as diversity and heterogeneity, welfare and equality, not only in everyday action but also in long-term strategies. A lot of recent research in social sciences and economics indicates that sober responses to the climate crisis require a systemic societal transformation instead of empirically unsupported techno-optimistic expectations of ecomodernisation, but also an open confrontation with the vested interests of power structures that define the patterns of consumption and innovation.

Assessment Report of WG III includes the survey of research that indicates how social norms, cultural patterns and personal choices interact with existing infrastructure and attendant development plans to open strategies for GHG emissions reduction through reduction in energy and material throughput. The research concludes that humans primarily need services for wellbeing, rather than primary energy or physical resources per se. Urgent and radical change in final demand for certain services, the research concludes, significantly facilitates near term and medium term emissions reduction in every economic sector.

Reduction in final throughput of energy and material in highly developed societies such as Europe, one of the foundational principles of the degrowth research, has the potential to reduce total GHG emissions by 40-70% by 2050. The greatest potential lies in the reduction of long haul flights, shift to predominantly plant-based diet and transformation of building stock into low-energy and passive structures. Research indicates that hitherto efforts to reduce emissions through digitalisation and service platforms and circular economy initiatives have not resulted in noticeable mitigation of climate change. Research also shows that attaining dignified standard of living and wellbeing for all is accessible through policies of climate change mitigation based on the high-efficiency services of reduced overall demand. Equality and justice in access to services, as well as cultural acceptance of the necessity to collectively act on climate change mitigation, is essential for systemic social change that enables emissions reduction in line with 1.5°C goal of the Paris Agreement.



Research continues to be active in all these fields, and the scientific community is increasingly turning to extrapolation of transformative societal collective action under well mapped physical trends of different intensity warming of the atmosphere and oceans. And existing research cited by IPCC already shows that even in Europe powerful lobbies (mainly by fossil fuel producers) oppose urgent transformative action in meaningful mitigation of climate change. Economic processes locked in by recent decisions, institutional inertia and hegemonic ideology of growth prevent prioritising scientifically supported responses to climate crisis. Budgeting for government-led action on climate change, even in peripheral Croatia, plays a part in such processes.

Budgeting for climate

The EU budget combines resources at the European level and is the key instrument for financing EU priorities such as developing rural areas, fostering entrepreneurship and innovation, safeguarding the environment, protecting external borders, and promoting human rights. Under conditions of climate emergency, it is increasingly dedicated to climate change mitigation and adaptation, and energy transition required for climate neutrality by mid-century. EU budget is crucial in financing major infrastructure and research projects as well as responding to different societal challenges. The European Commission, the European Council, and European Parliament are responsible for the budget, determining the size of the budget and the way it is distributed, while the European Commission is responsible for managing the budget. The EU adopts long-term spending plans, known as multiannual financial frameworks (MFFs), which are implemented over a period of 5-7 years. [2]



In terms of EU budget percentage of commitment, appropriations included in Multiannual financial framework 2014. – 2020 were as follows:[3]

1. Sustainable growth: natural resources – 47%
2. Economic, social and territorial cohesion - 33.9%
3. Competitiveness for growth and jobs - 13.1%
4. Global Europe - 6.1%
5. Security and citizenship - 1.6%
6. Sustainable growth: natural resources - 38.9%

It is also worth noting that outside the Multiannual financial framework 2014–2020 EU budget has several special instruments such as Emergency Aid Reserve, European Globalisation Adjustment Fund, European Union Solidarity Fund, and Flexibility instrument, while activation of these special instruments is endorsed by the budgetary authority of the EU.

Cohesion policy

European Union provides direct financial support to less developed countries through its mechanism of cohesion policies. In that regard, a substantial part of 7 year EU budget is dedicated to different funds the aim of which is to directly support the implementation of cohesion policy in member states. Following the basic principles of the EU, the budget for cohesion policy for each member state is agreed upon at the EU level but funds are managed locally by different managing bodies established in each member state. EU keeps the level of authority over the expenditures of the funds and the level to which are national priorities aligned with EU ones – in that regard each member state programmes the future calls and European Commission gives its approval of the Operational programmes for each fund and each member state. Operational programs are strategic documents that describe the future measures, activities, indicators that should be achieved during the programming period, but also rough estimation of funds needed for the implementation of planned measures. For the period 2014-2020 Croatia programmed and submitted to the European Commission four Operational programmes which envisaged measures that will be funded by the corresponding ESI Fund (Cohesion Fund, European Regional Development Fund, European Social Fund, European Agricultural Fund for Rural Development, and European Maritime and Fisheries Fund) (European Commission, 2022).

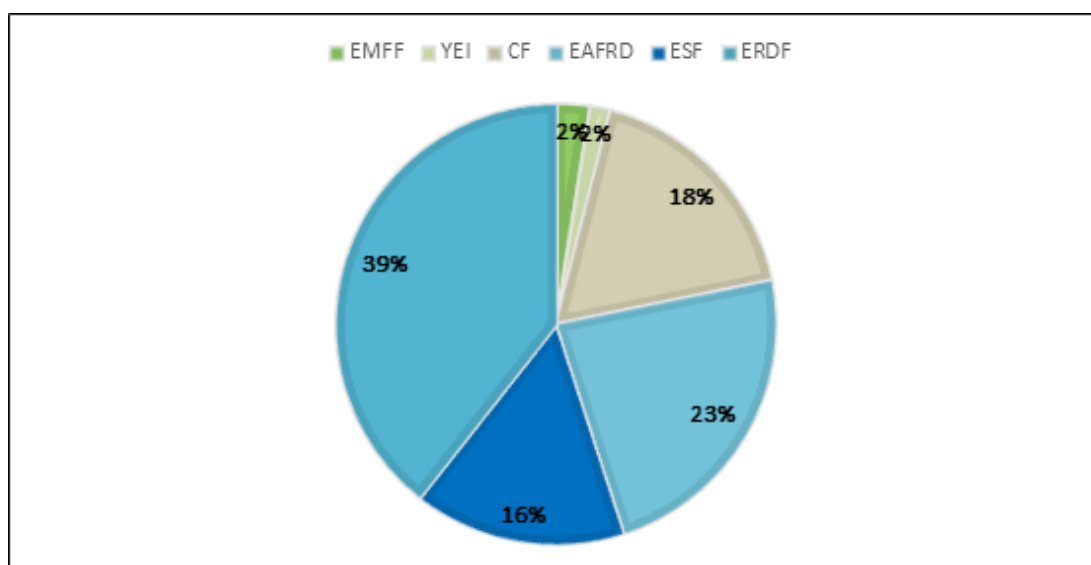
Also, European Commission verifies the expenditure of the funds and does the auditing process when deem necessary.

Considering the aim of the cohesion policy EU sets common goals and targets which need to be archived at the EU level such as investment in the labour market and creation of new jobs, investment in a sustainable economy, investment in the environment, investment in competitiveness and new technologies and so forth...[4].

European cohesion policy is supported by 5 European structural and investment funds:

- European Regional Development Fund (ERDF): supports the investments in balanced development in the different regions of the EU.
- European Social Fund (ESF): contributes to employment-related projects throughout Europe and invests in Europe's human capital, an example of which are workers, young people, and all those looking for work.
- Cohesion Fund (CF): supports the transport and environmental projects in countries where the gross national income (GNI) per capita is less than 90% of the EU average.
- European Agricultural Fund for Rural Development (EAFRD): addresses the challenges of rural areas in the EU.
- European Maritime and Fund (EMFF): helps fishermen to adopt sustainable fishing practices and coastal communities to diversify their economies, improving the quality of life along Europe's coasts[5].

Figure 1: ESIF 2014-2020: Croatia Budget for EU by Fund, EUR updated (date 03.05.2022).



Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/countries/HR>

[4] https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes/overview-funding-programmes/european-structural-and-investment-funds_en#thefunds. (European structural and investment funds, 2022).

[5] https://ec.europa.eu/info/funding-tenders/funding-opportunities/funding-programmes/overview-funding-programmes/european-structural-and-investment-funds_en#thefunds. (European structural and investment funds, 2022).

Out of the entire budget by fund the 39% is destined to European Regional Development Fund (ERDF), 23% to European Agricultural Fund for Rural Development (EAFRD), 18% to Cohesion Fund (CF), 16% to European Social Fund (ESF), and 2% to European Maritime and Fisheries Fund (EMFF) and Youth Employment Initiative (YEI).

In the 2014-2020 period the ESI Funds priorities were focused on the following areas:

- research and innovation
- digital technologies
- support for the low-carbon economy
- sustainable management of natural resources
- small businesses



Data and analysis



The funds available to Croatia in the 2014-2020 programming period

The period of 2014-2020 was the first full programming period for Croatia which became a full member state in mid-2013. The total funding available to the Republic of Croatia in the period 2014-2020 depending on the fund was €12.65 billion – out of which € 10.7 billion was available from the EU budget and € 1.9 billion was ensured in the national budget. As a basic principle EU funds only 85% of total ESIF budget while 15 % ensures the national government or depending on the call beneficiary itself.



Table 1: ESIF funds available to Croatia

MS Name	Fund	EU Amount	National Amount	Total Amount	%
Croatia	ESF	1.944.736.310,00 €	249.659.352,00 €	2.194.395.662,00 €	16%
Croatia	EAFRD	2.825.458.409,00 €	451.753.823,28 €	3.277.212.232,28 €	23%
Croatia	ERDF	4.731.998.251,00 €	815.753.860,00 €	5.547.752.111,00 €	39%
Croatia	CF	2.130.755.644,00 €	376.015.717,00 €	2.506.771.361,00 €	18%
Croatia	EMFF	252.643.138,00 €	92.443.673,00 €	345.086.811,00 €	2%
Croatia	YEI	206.310.104,00 €	18.203.833,00 €	224.513.937,00 €	2%
Total		12.091.901.856,00 €	2.003.830.258,28 €	14.095.732.114,28 €	

Source: European Structural and Investment Funds, 2022

Considering that the UK was part of the European Union the report uses EU-28 data which provides information on the total planned and EU funding at current prices .[6]

The focus of the report

The report focuses on two Priority areas in Croatia's programming period 2014.- 2020. namely Priority Area 4 Promoting Energy Efficiency and Renewable Energy Sources (here and after PA4) and Priority Area 5 Climate Change and Risk Management (here and after PA5) under Operational Program Competitiveness and Cohesion 2014-2020 (here and after OPCC). Priority area 4 is responsible for promoting energy efficiency and renewable energy sources. This is achieved through support for energy efficiency, as well as adequate energy management and the use of renewable energies. Another aspect is the reduction of electricity consumption for public lighting. Priority Area 5 is responsible for supporting investment to improve adaptation to climate change, an example of which is the ecosystem approaches. Also, it is responsible for ensuring resilience to natural disasters by promoting investments.

The areas are focused on achieving specific established objectives, to generate a maximum contribution to the cohesion policy and the objectives of Europe 2020[7]. Each PA is further divided into investment priorities and specific objectives. The measures envisaged under OPCC are funded by ERDF and the CF. The total value of the potential investments under OPCC is EUR 6.8 billion. Due to the pandemic as well as the 2020 earthquakes in Croatia, 2 additional priorities have been included in the initial programming priorities - PA11. Repair of earthquake damage and PA12. Strengthening crisis in recovery in the context of the pandemic aimed to support the economy and prepare green and digital transition to strengthen the future resilience of the economy.

The analysis was done in two different periods in January 2020 for data available until November 2019 and in April 2022.



Table 2: number and percentage of projects in Croatia, in relation to the 12 priorities axes.

PRIORITIES AXIS	NUMBER OF PROJECTS	%
PA1. STRENGTHENING THE ECONOMY THROUGH APPLICATION OF RESEARCH AND INNOVATION	397	4.79%
PA2. USE OF INFORMATION AND COMMUNICATION TECHNOLOGIES	43	0.52%
PA3. BUSINESS COMPETITIVENESS	4640	55.98%
PA4. PROMOTING ENERGY EFFICIENCY AND RENEWABLE ENERGY SOURCES	1594	19.23%
PA5. CLIMATE CHANGE AND RISK MANAGEMENT	38	0.46%
PA6. ENVIRONMENTAL PROTECTION AND SUSTAINABILITY OF RESOURCES	769	9.28%
PA7. CONNECTION AND MOBILITY	119	1.44%
PA8. SOCIAL INCLUSION AND HEALTH	342	4.13%
PA9. EDUCATION, SKILLS AND LIFELONG LEARNING	42	0.51%
PA10. TECHNICAL ASSISTANCE	94	1.13%
PA11. EARTHQUAKE DAMAGE REMEDIATION	209	2.52%
PA12. STRENGTHENING CRISIS RECOVERY IN THE CONTEXT OF THE COVID 19 PANDEMIC AND PREPARING FOR A GREEN, DIGITAL AND RESILIENT ECONOMIC RECOVERY	2	0.02%
TOTAL	8289	100%

As can be seen in Table 2, most of the projects carried out are in Priority 3 (PA3. Business Competitiveness) which represents 55.98%. The second highest percentage is Priority 4 (PA4. Promotion of energy efficiency and renewable energies) with 19.23%. Priority 5 (PA5. Climate Change and Risk Management) has the lowest percentage in relation to the others, with 0.46%. It is necessary to mention that there are new priorities due to the unexpected changes that took place in 2020, which are: priority 11 (earthquake damage remediation) and priority 12 (strengthening crisis recovery in the context of the covid 19 pandemic).

According to the data available on the official national webpage covering the topic of European structural and investment funds, total funds expenditure from ESIF by the end of November 2019[8] and at the beginning of April 2022 was as follows. The reason why both tables are included in the report is to give a certain perspective since 2019 is the year before the pandemic and since the pandemic.

Table 3: ESIF expenditure at the end of November 2019 in EUR

Name of the programme	Value of ESIF contribution €	Value of calls published €	Value of contract signed so far €	Value of funds paid to the beneficiaries €	Value of funds certificated €
OP Competitiveness and cohesion	6.831.255.232,00	7.411.821.336,00	5.677.115.274,00	1.709.784.798,00	1.566.641.744,00
OP efficient human potential	1.617.328.124,55	1.505.759.483,00	1.173.666.565,00	521.381.288,00	412.186.609,00
Program of rural development	2.026.222.500,02	1.982.731.358,00	1.525.625.638,00	893.791.791,00	602.489.938,00
OP for maritime and fisheries	252.643.138,00	172.184.157,00	140.429.828,00	67.209.053,00	43.220.607,00
Total	10.727.448.995,00	11.072.496.333,00	8.516.837.305,00	3.192.166.931,00	2.624.538.899,00

Source: European Structural and Investment Funds, 2019.

[8] <https://strukturnifondovi.hr/financijski-pregled-eu-fondova/> (accessed on January 16, 2019. – webpage available only in Croatian)

For the case of the Republic of Croatia for the 2014-2020 period, the country has EU funding of € 10.727 billion from the European Structural and Investment Funds. Of that amount, € 6.831 billion is expected to be directed to cohesion policy objectives, € 1.617 billion for human potential, € 2 billion for rural development and € 0.2 billion for fisheries.

Following table shows updated expenditures by the end of April 2022 and difference in value by each operation programme.

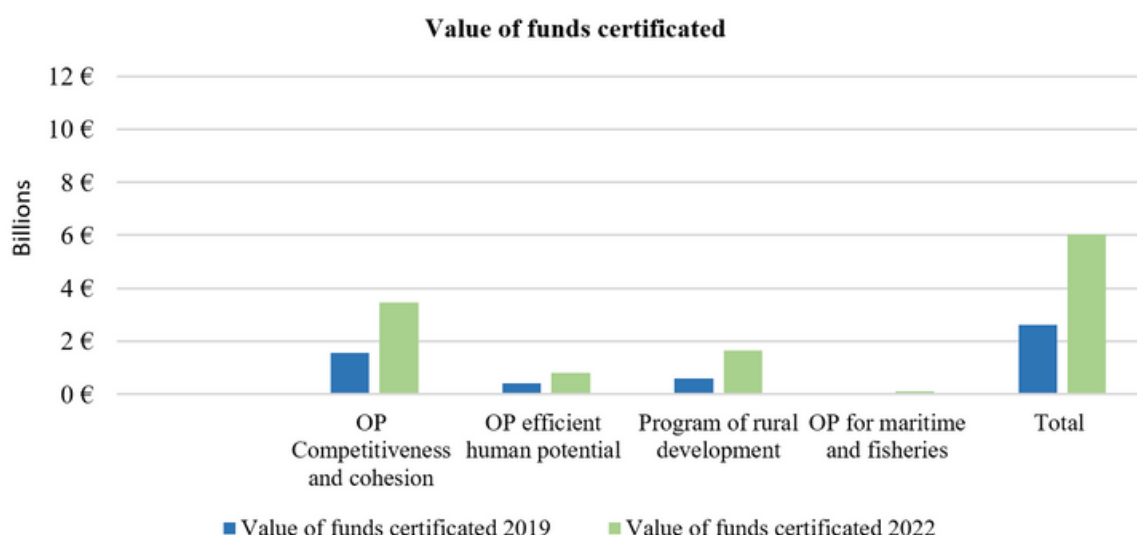
Table 4: ESIF expenditure at the April 2022 in EUR

Name of the programme	Value of ESIF contribution €	Value of calls published €	Value of contracted signed so far €	Value of funds paid to the beneficiaries €	Value of funds certificated €
OP					
Competitiveness and Cohesion	6.831.255.232,00	9.455.429.427,83	9.086.095.019,45	4.368.469.344,92	3.448.706.527,05
OP Effective Human Resources	1.621.046.414,00	2.002.232.498,47	1.905.792.786,72	1.155.087.783,90	812.306.303,51
Rural Development Program	2.026.222.500,00	2.668.670.590,09	2.202.200.770,77	1.786.436.294,71	1.642.468.432,30
OP for Maritime and Fisheries	252.643.138,00	246.782.242,05	255.029.808,32	128.518.490,46	124.189.114,67
Total	10.731.167.284,00	14.373.114.758,45	13.449.118.385,25	7.438.511.914,00	6.027.670.377,53

Source: European Structural and Investment Funds, 2022. <https://strukturnifondovi.hr/en/financijski-pregled-eu-fondova/>

Until April 2022 it can be observed that the country has EU funding of € 10.731 million from the European Structural and Investment Funds. Of that amount, € 6.831 billion is expected to be directed to cohesion policy objectives, € 1.621 billion human potential, € 2.026 billion for agriculture and rural development and € 252 million for maritime and fisheries development.

Figure 2: Budget comparison value of funds certificated in 2019 and 2022



Source: European Structural and Investment Funds, 2022. <https://strukturnifondovi.hr/en/financijski-pregled-eu-fondova/>

With respect to Figure 2 on the value of certified funds, relevant changes are observed for the period 2022. OP competitiveness and cohesion shows an increase from € 1.566 billion in 2019 to € 3.448 billion in 2022. OP efficient human potential presents an increase from € 412 million in 2019 to € 812 million in 2022. Program of rural development increases from € 602 million in 2019 to € 1.642 billion in 2022. Finally, the OP for maritime and fisheries increases from € 43 million in 2019 to € 124 million in 2022.



Implementation challenges identified by the end of 2019: bureaucratic complexity and delays in opening calls for proposals

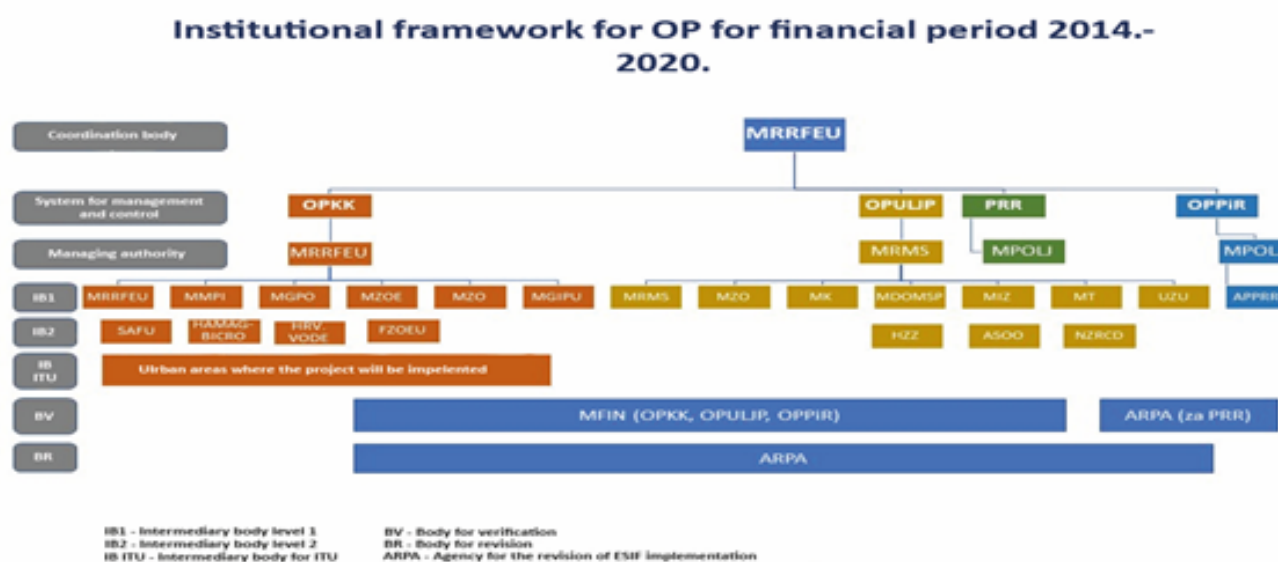
There are various explanations for the discrepancies between planned and executed expenditures identified by the end of 2019, but the ones most often heard by beneficiaries are that the calls for proposals were launched too late in the programming period and that national bureaucratic procedures are too complex, leading to further delays in the certification of funds for beneficiaries.

Croatia has omitted compliance with ex-ante conditionalities for specific priority areas in time, which has led to delays in opening the calls on time. For example, the smart specialization strategy, which was an ex-ante conditionality for Strengthening the economy through research and innovation priority PA1 (R&I), was adopted in early 2016. Many calls under PA1 were not published until mid-2016, which is why many calls were opened at the same time, leading to further delays, as institutions were not properly prepared for the intensity of the work (evaluation of project proposals, budget clearance, etc.) Although the energy priorities (PA4) which aims to promote energy efficiency and renewable energy sources and climate (PA5), were not conditional on the approval of S3 - the climate priorities did not need to meet any ex ante conditionality for this - the first calls for PA4 were opened at the end of 2017 or three years into the programming period and the first call for PA5 was also opened at the end of 2017 in the form of direct allocation. The first call under PA5 opened in mid-2019.

One of the main challenges and one of the probable reasons for the low absorption of EU funds by the end of 2019 is the complexity of the management structure of European Structural and Investment Funds in Croatia. The Croatian Government adopted an Act on the Establishment of an Institutional Framework for the Implementation of European Structural and Investment Funds in Croatia in the period 2014-2020. (Official Gazette; No. 92/2014), which established a complex structure consisting of an EFSI coordinating body (ministry in charge of regional development and EU funds), a verification body (ministry in charge of finance), an independent review body, several managing authorities for the respective operational programs and a plethora of first and second level intermediary bodies. It is important to note that the intermediate bodies at the different levels have different functions. Probably one of the most significant functions of the first level intermediate body is that it participates in the programming process and drafts parts of the Operational Program and the Partnership Agreement; while the second level intermediate body has a more administrative role and approves requests for reimbursement of funds from beneficiaries, drafts requests for disbursement of public funds to beneficiaries and

submits them to the level 1 intermediate body or other relevant sectoral bodies.

Figure 3: Institutional framework for OP for Financial period 2014-2020.



Source: *European Structural and Investment Funds, 2019.*

Additional explanation, often heard from employees working in managing authorities (MA) and intermediary body (IB) is **constant fluctuation of workforce** which leads to the loss of institutional knowledge, continuous hiring and education of new employees, and further delays in process of opening the calls, evaluating project proposals, signing the grant agreements and certificating the funds. Even though, based on the Government decision, employees working in MA and IB on ESIF-related jobs have 30% higher monthly salary in comparison to other employees in the public or government sector, fluctuation of the workforce, delays in the publishing the calls, contracting, verification of the cost and publication of reports is still unusually high.

Considering that Government appointed different ministries as intermediary bodies for specific areas, whose role is to prepare the call under a specific priority area or investment priority, some ministries are struggling more than others which is also visible in performance and expenditure in specific areas. For example, the Ministry of Environmental Protection and Energy was an intermediary body for part of PA4 (Promotion of Energy Efficiency and Renewable Energy Sources), the whole PA5 (Climate Change and Risk Management), and part of PA6 (Environmental Protection and Resource Sustainability). Despite the fact that the same ministry has the role of the intermediary body for two different priority areas there are huge differences in the internal structures of the ministries different sectors of the same ministries are accredited as intermediary bodies and they are practically functioning as autonomous units within the ministries.

Expenditure by the end of November 2019

According to the official data provided by the Ministry of regional development and EU funds to *Committee for monitoring of the implementation of ESIF allocation for Operative programme Competitiveness and Cohesion*, by the end of October 2019, there have been significant differences between allocation and expenditure of ESIF funds in Croatia. Even though in this report the data is available only for funds planned under OPCC we still can see that the actual expenditure of the funds is quite low in comparison to allocations planned under the calls. If we compare the column titled Amount of ESIF grants in open calls and the column titled ESIF grants paid/reimbursed to beneficiaries, we will see that there is huge discrepancy between what is planned and what is actually spent, see table 5.

Table 5: Allocation and expenditure of ESI funds in Croatia for Operative programme Competitiveness and Cohesion by the end of October 2019.

PA	Fond	Main EU allocation	No. of opened calls	Amount of ESIF grants in open calls	Share of open calls in allocation	No. Of signed contract with beneficiaries	Amount of ESIF grants in signed grant agreements	Share of contracted ESIF grants in allocation	ESIF grants paid/reimbursed to beneficiaries	Share of ESIF grants paid/reimbursed to beneficiaries
PA1	ERDF	623,353,884.00	14	514,345,389.00	83%	130	340,142,191.00	55%	73,388,405.00	12%
PA2	ERDF	287,924,765.00	2	110,504,598.00	38%	12	69,884,172.00	24%	4,031,344.00	1%
PA3	ERDF	910,079,249.00	38	1,041,763,285.00	114%	2928	709,062,358.00	78%	515,077,404.00	57%
PA4	ERDF	498,261,406.00	14	451,093,530.00	91%	1592	433,219,882.00	87%	132,616,177.00	27%
PA5	ERDF	229,131,628.00	10	161,634,877.00	71%	9	157,134,877.00	69%	16,627,638.00	7%
PA6	ERDF	316,198,418.00	23	425,670,594.00	135%	134	322,121,303.00	102%	79,494,807.00	25%
	CF	1,550,379,803.00	72	2,067,279,553.00	133%	320	1,746,832,326.00	113%	186,357,786.00	12%
PA7	ERDF	374,359,249.00	9	486,758,596.00	130%	9	485,664,627.00	130%	128,815,156.00	34%
	CF	808,790,503.00	38	1,053,941,537.00	130%	63	575,015,848.00	71%	215,796,719.00	27%
PA8	ERDF	333,569,249.00	24	462,463,904.00	139%	183	270,032,177.00	81%	102,568,280.00	31%
PA9	ERDF	253,119,153.00	3	222,788,816.00	88%	15	169,226,610.00	67%	115,496,614.00	46%
PA10	ERDF	236,112,612.00	9	275,461,077.00	117%	64	244,757,031.00	104%	83,957,614.00	36%
Total OPKK		6,421,379,919.00	256	7,273,705,756.00	113%	5489	5,523,093,402.00	86%	1,654,227,944.00	26%

Source: European Structural and Investment Funds, 2019.

As can be seen, the data show the planned allocation, the number of open calls, the number of contracts signed, and the final amount of funds reimbursed to beneficiaries. There are large differences between the planned allocation of funds and the cost actually reimbursed to beneficiaries. An example of this is the table for PA5 (Climate Change and Risk Mitigation), which shows that 71% of the allocation has been covered by the open calls so far, 69% of the funds have been contracted, but only 7% of the funds have been reimbursed to the beneficiaries. The situation is similar for PA4 (Promotion of Energy Efficiency and Renewable Energy Sources), where 27% of the funds have been reimbursed. The highest reimbursement rate is for PA3 (Business Competitiveness) and is equivalent to 57%.

The same table indicates that there is serious underutilization in several OPCC priority areas; for example, in PA2 (Use of Information and Communication Technologies) only 38% of the allocation has been distributed in the calls and in AP5 only 71% of the funds have been distributed.

Table 6: Reallocation of the funds between priority areas

Priority area	Unspent funds in millions of EUR	Re-allocation to other priority areas
PA1. Research; technological and Innovation	41,4	-
PA2. Use of informational and communication technologies	20,3	-
PA3. Business Competitiveness	59,92	PA1: 41,4. PO2: 8,96. PO5: 5. TOTAL=55,36
PA4. Energy	33,45	PO6: 21,82. PO5:16,26. TOTAL= 38,08
PA5. Climate Change and Risk Mitigation	16,26	-5 from main ESIF allocation
PA 6. Environmental Protection and Sustainability of resources	21,82 (ERDF). 98,96 (CF)	-
PA 7. Connectivity and Mobility	25,54 (ERDF). 51,52 (CF)	PO6: 51,62
PA8-9. Social exclusion and health	22,93	-
PA 10. Education Skills and lifelong learning	17,8	PO2: 11,07

Source: European Structural and Investment Funds, 2019.

As Table 6 indicates there are unspent funds in almost every priority area. Based on these “savings” the Committee proposed to reallocate the unspent funds in respective priority areas, to areas with possibilities to still open new calls and spend the money in the next three years. According to the provided information, all the calls should be opened by the end of 2019 and the first half of 2020. These “savings” are consisting partially of performance reserves accumulated through the years and partially from underspending of the main allocation.

The most worrisome reallocation was the one from PA5 (Climate Change and Risk Mitigation). As it is visible in the table, at the end of November 2019, the total amount of unspent funds for thematic objective 5 Promoting climate change adaptation, risk prevention, and management added up to € 16,26 million. This amount was reallocated to PA4 (Promotion of Energy Efficiency and Renewable Energy Sources) for the scheme for energy renovation of residential buildings and the scheme for energy renovation of public buildings. Additionally, 5 million from the main allocation (and not saved) will be allocated to PA3 (Business competitiveness). The two main reasons for underspending under PA5 are probably the fact that the Ministry failed to open the calls in time and the fact that all funds allocated under this investment priority until January 2020 were awarded in the form of direct awards to beneficiaries.

This reallocation under PA5 is worrisome for several reasons far most important one being unfulfillment of the goals set in the Partnership agreement: loss of investment under this PA and unfulfillment of set indicators. According to the Partnership Agreement signed between the Republic of Croatia and the European Commission in 2014 one of the main development goals in the national context was to “reduce regional disparities and ensure quality living conditions, **contributing most to climate change/energy targets** and accession treaty obligations, but as well to the employment targets, poverty / social inclusion targets, education targets”. The main reason for this was that in 2014 “Croatia [was] **considered highly sensitive in terms of climate change impacts**, both in terms of natural ecosystems (hydrology, soil, biodiversity) and main economic activities (tourism, forestry, and agriculture), primarily in the coastal zones and forests. Croatia was mostly dealing so far with the mitigation of climate change effects and far less with the adaptation to climate change. **Croatia currently has insufficient in-depth knowledge on the actual effects of climate change on the environment and economy as well as underdeveloped capacities for combating climate changes on all levels.** The National Strategy and Action Plan for Adaptation to Climate Change that is to be completed in 2016 will provide a comprehensive approach for tackling these issues. These documents will also include a strategy and measures for addressing territorial climate change hot spots.”[9]

More specifically, in 2014 Croatia intended to use ESIF for improvements, among other things in “resilience and adaptation of living and economic conditions to climate change effects as well as to specific disasters, ensure efficient water and waste management system compliant with EU standards”, but it seems that by 2019 these intentions have been, not only unfulfilled but also forgotten.

More detailed analysis of Priority area 5 Climate Change and Risk Mitigation

PA 5 has two main specific objectives: 5a Improvement of climate change monitoring, forecasting and planning the adaptation measures and 5b Promoting investments to address specific risks, ensuring disaster resilience and developing disaster management systems. Under specific objective 5a it was envisaged that the main target groups and beneficiaries for this SO are public institutions dealing with climate change and impacts, besides relevant ministries and meteorological services, among beneficiaries were local authorities, NGOs and research institutions. And among actions which should have been funded were strengthening the administrative and technical capacities of public institutions dealing with climate change – training the administrative officials to increase expertise level, building awareness on national and local level – communication strategy; workshops for wider public, preparation of education materials, and development of climate plans on local level to prevent climate change and plan better adaptation measures. Unfortunately, none of these actions were funded by the end of 2019. The only project funded under this SO is the project Modernisation of the National Weather Observation Network in Croatia – METMONIC worth around 45 mil. euro in the form of direct allocation to Croatian Meteorological and Hydrological Service (DHMZ). Despite the total worth of the project by the end of 2019 only 3.3% or 1.5 mil. euro of the funds was reimbursed to DHMZ. The aim of the project is to “establish a modern and high-quality system of automatic surface meteorological stations, meteorological-oceanographic buoys and remote measurement systems, including meteorological radars. In total, 450 modern automatic meteorological systems will provide traceable, reliable, high quality and timely information on the state of the atmosphere and the sea throughout the territory of the Republic of Croatia.”



Even though funds from structural and investment funds should have been used synergetic and complementary with other financial sources in many cases funds from ESIF were used for funding of different programs and projects which otherwise would not be funded at all. This begs the question of sustainability of these kinds of projects, especially having in mind that there will be significant differences in funds distribution in the next programming period. The establishment of the system of meteorological stations was one of the national obligations Croatia took upon itself and that that this project could be seen as yet another example of usage of ESIF instead of national budget for strategic projects or national obligations.



Under Specific objective 5a Ministry in charged for climate planned and opened the call for research community – for applied research in climate change overall allocation for the call was only 10 mil. euro and the call were temporarily closed at the end of 2019, then it was shortly opened during the January 2020 and closed again in February 2020. So far this was the only open call in the form of call opened for different beneficiaries. In comparison all the projects funded under specific objective 5b were also funded as direct allocation to the beneficiaries mainly for flood risk management measures.

For priority area 5 in Operational programme is written that the implementation of measures envisaged under this specific PA is planned in two phases the first one until the National adaptation strategy and Disaster risk assessment will be adopted and those measures will mainly be technical assistance related or covering preparatory activities as listed under actions to be supported under this investment priority. It is not explained what kind of measures will be funded in second phase presumably after the adaption of mentioned documents, but it is interesting that a) majority of actions envisaged under said PA5 has not been funded, b) National adaptation strategy is still not approved (despite being 2020 and the end of financial period) and c) Disaster risk assessment was approved late in 2019. National adaptation strategy was not listed as ex ante conditionality for this specific PA while Disaster risk assessment was and it was not adopted prior to 2019 even though flood risk management measures have been funded since 2017. This begs the question, why other measures envisaged in OP under PA 5 have not been funded even though they should have been, at least as preparatory and technical assistance measures according to OP, why even though there is visible serious underspending in this specific PA, Committee is reallocating the funds to other PAs and why was only 3.3% of overall budget awarded to the strategic project reimbursed at the end of 2019.

The fact that some of the actions envisaged under the PA5 have not been implemented by the end of 2019 leads to the question of the fulfilment of indicators set in OP. For example, one of the indicators in the category of common and **programme specific output indicator** is indicator 5a12 Completely automatic surface weather stations (land and marine) and ground-based upper-air stations with the target of 450 station; CO20 Risk prevention and management: Population benefiting from flood protection measures; with the target of 10000 persons; 5b13 Training/education activities (for the staff of organizations responsible for the risk disaster management with the target of 10 educations. Having in mind project reimbursement at the end of 2019, one could be worrisome about the fulfillment of 5a12 indicator as well as 5b13 indicator since no calls aiming at education were opened by the end of 2019. As Programme **specific result indicator, by specific measure**, two indicators are set: 5b11 disaster response capability and 5b12 areas subject to potentially significant flood risks. For the first indicator in this category target is 50% in comparison to the 2014 baseline value of 10% and for the second one 27 thousand square kilometres in comparison to 30 thousand of 2014 baseline values. What is more significant than indicators that are in danger of not being fulfilled by the end of 2023 is the low ambition of existing indicators and lack of indicators related to the results of applied research in climate change and specific indicators targeting goals set in the Partnership agreement in the form of *developing capacities for combating climate changes on all levels*.

More detailed analysis of Priority area 4 Promoting energy efficiency and renewable energy sources at the end of 2019

PA4 has much higher absorption than PA5 but still the most funds were allocated to the reconstruction of public buildings.

In **2015 and 2016** the funds we mainly allocated to the development of the project documentation for energy renewal and use of renewable energy sources in public educational institutions. The Union co-financing rate was 100% and grants were rather small. In 2015 total allocation for 6 projects amounted € 48.226,67, and in 2016, 66 projects were funded; the total cost was € 812.812,30. Besides development of project documentation in 2016 government funded 27 projects of energy renewal and use of RES in the public educational institution, total worth of these investments was € 6.376.619,25 but the union co-financing rate for these projects varied from 70% to 95%.

In **2017** Government funded 217 projects of energy renewal and use of RES in public educational institutions; total worth of these projects was € 81.763.013,31. It is significant that union co-financing rate for these projects dropped in comparison to rate in 2016 for the same types of the projects and in 2017 varied from 35% to 66%.

The same year 493 projects of energy renovation of apartment buildings were funded, the worth of which was € 99.188.085,35 with the union co-financing rate for these projects varied from 37% to 85%. Additional € 25.333.333 was allocated to ESIF loans. In 2017 under PA4 total of 711 projects were funded.

In **2018** Government continued to fund projects of energy renewal and use of RES in public educational institutions. Total of 122 with the total worth of € 81.763.013,3. In 2018, total of 53 projects of energy renovation of apartment buildings were funded the worth of those projects were € 11,593,033.75; the union co-financing rate for these projects varied from 48% to 62%. For the first time projects for the increasing energy efficiency and the use of renewable energy in manufacturing industries were funded. In total 68 projects worth € 62,565,573.36; among which 27 projects were awarded with the funds to build mini solar plant worth € 11,705,493.92, and one project worth € 2,640,873.57 the aim of which was reconstruction and upgrading of the existing cogeneration plant. The union co-financing rate for these projects varied from 29% to 81%. In total in 2018 470 projects were funded with the total value of € 285.499.992,56. Additional 302 projects total value of € 252.820.482,81 were funded in 2019.

Based on these numbers we can see a clear pattern of decrease in union co-funding across the sectors and depend on the year funds were allocated to the beneficiary. It is not clear from accessible data why there is variation in unions contribution. Additionally, it not clear were beneficiaries able to co-fund the total value of the project or not, since publicly available data only shows the total value and percentage of co-funding but not the source of additional funds or success rate of these projects.

What is additionally worrisome is the fact that most of the projects funded so far are projects of energy efficiency of public buildings (schools, police stations, firefighter stations, municipal buildings...) and big residential buildings. Only 27 projects for installation of RES in industry sector was funded and there were no projects funded for increasing energy efficiency of standalone/suburban family houses. Basically, PA4 awarded funds mainly to public sector, to some degree to industry sector and in no amount to citizens, and certainly not ones in danger of or affected by energy poverty.

We saw above that committee will award additional funds to PA4 and these funds will be allocated to the projects of energy efficiency of residential buildings. So far, the call is still not open even though it was announced during 2019.



Analysing these numbers, we have learned that all the funds available under PA4 and PA5 in this programming period were mainly used to fund projects in public sector for the institutions predominantly using state budget and projects which surely could have and should have been funded from other (state) sources. Additionally, we have learned that under these two PAs citizens received no direct support. The support which was given was in the form of the projects aiming at increasing energy efficiency of residential buildings. We should also note that these projects for residential buildings in some cases received only 30% of money from ERDF and that families living in apartments in renewed buildings should cover the rest. This basically means that in some cases citizens were forced either to back out from the projects, due to insufficient funds or to turn to commercial banks and take commercial loans with (high) interest rates to co-fund the project with their own money. Consequentially this means that not only did citizens not benefit long-term from these projects, they are actually doing worse. And even though one could counterclaim that these projects decreased GHG emission, decreased energy bills and increased energy efficiency of the residential buildings, thus fulfilling the goal of improvements in energy efficiency, the question of the price citizens must pay remains.

PA 4 has three investment priorities: 4b Promoting energy efficiency and renewable energy use in enterprises; 4c Supporting energy efficiency, smart energy management, and renewable energy in public infrastructure including public buildings and the housing sector; 4d Developing and implementing a smart distribution system that operates at low and medium voltage levels. Under these 4 investment priorities, there are several specific objectives: for 4b, 2 SO are increasing energy efficiency and RES in the private sector (trade and tourism) and in manufacturing industries; for 4c we have 4 SO, which are: reduction of the energy consumption in the public building sector; reduction of the energy consumption in the residential buildings (multi-apartment buildings and family houses); improvement of the efficiency in the district heating system; improvement of the efficiency in the public lighting system; for 4d we have only one SO Pilot introducing smart grid.

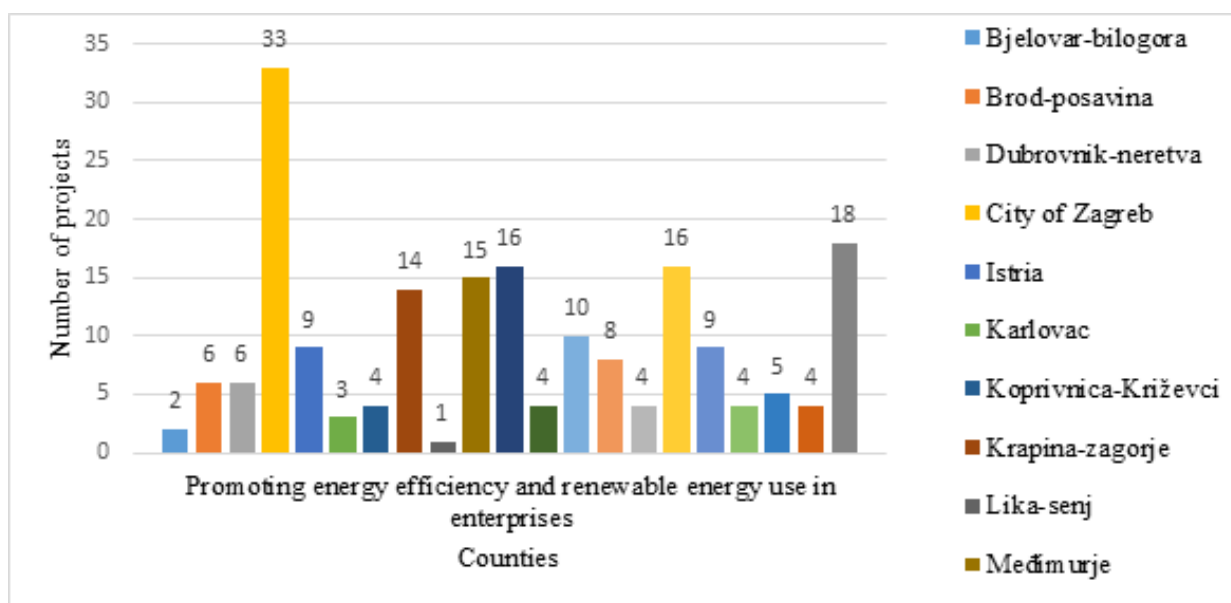


2022 update

The following part of the report will give updated insight with new data collected in 2022

The graph below shows the distribution of the different projects in the 21 counties in the Republic of Croatia.

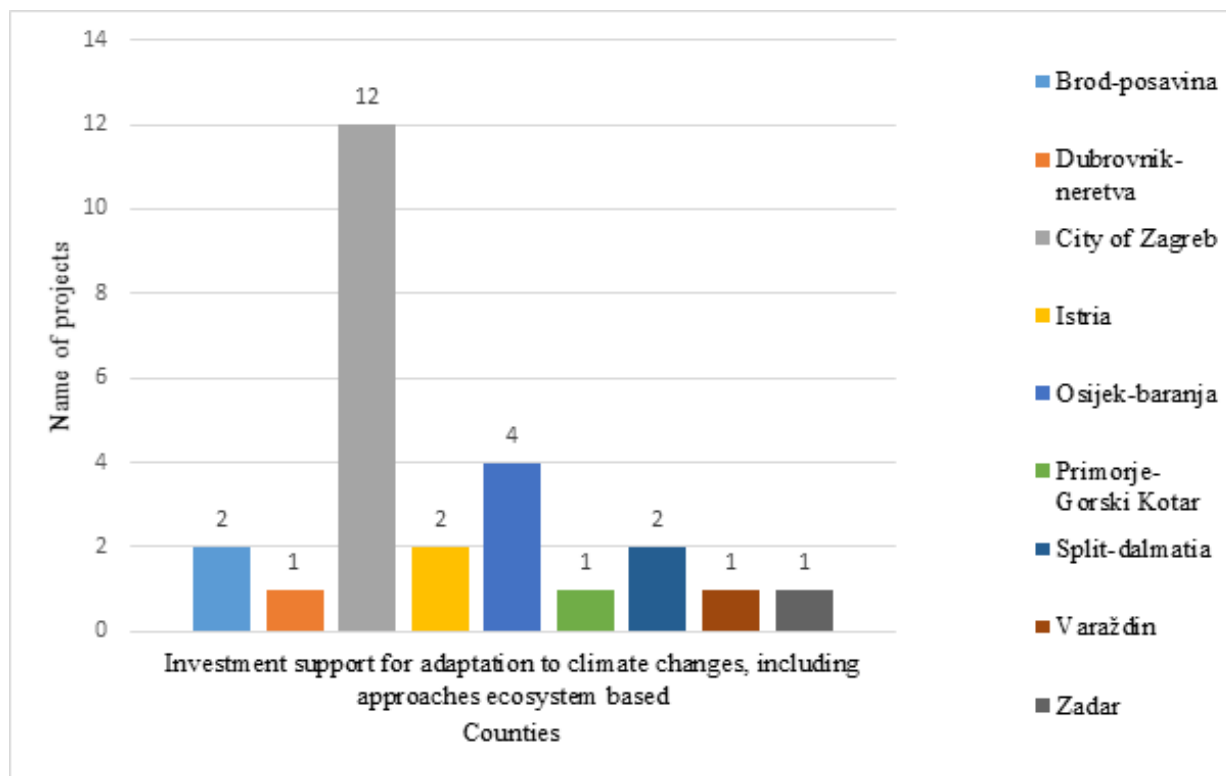
Figure 4: Promoting energy efficiency and renewable energy use in enterprises



Source: *Strukturni fondovi, analysis by DOOR, 2022. <https://strukturnifondovi.hr/wp-content/uploads/2017/03/OPKK-Sazetak-prioriteta-i-ciljeva-1.pdf>*

In relation to Priority 4, Figure 4 shows the investment under the call KK.04.1. “Promotion of energy efficiency and renewable energy use in enterprises”. This call is divided into two specific calls which refer to code KK.04.1.1.01. (Increase energy efficiency and use of RES in manufacturing industries) and KK.04.1.2.01. (Increase energy efficiency and use of RES in the private service sector (tourism and trade)). The highest concentration of projects is in the city of Zagreb, with a total of 33 projects, followed by Zagreb County, with 18 projects, which is related to the fact that the highest concentration of population is in these counties. It is also noted that the region with the fewest projects is Lika-Senj County, which has only one project.

Figure 6: Investment support for adaptation to climate changes, including ecosystem-based approaches



Source: Strukturni fondovi, analysis by DOOR, 2022. <https://strukturnifondovi.hr/wp-content/uploads/2017/03/OPKK-Sazetak-prioriteta-i-ciljeva-1.pdf>

Under investment priority KK.05.1 (support investment to adapt to climate change, including ecosystem-based approaches) and specific call KK.05.1.1 (Improve monitoring, forecasting, and planning of climate change adaptation measures), the highest number of projects were in the city of Zagreb - 12 projects.

Under investment priority KK.05.2 (Promoting investments related to specific risks, ensuring resilience to disasters and systems development for disaster management) with specification KK.05.2.1 (Strengthening of disaster management systems), 12 projects were funded.



Table 7: Projects in relation to Priority 5

PROJECTS PROMOTING INVESTMENTS THAT ARE RELATED TO SPECIFIC RISK, ENSURING RESISTANCE TO DISASTERS AND SYSTEM DEVELOPMENT FOR DISASTER MANAGEMENT
Preparation of study documentation for flood risk management projects
Equipping and training of intervention units of the state administration for protection and rescue
On the way to reducing the risk of disasters ”- project term
Modernization of radio communication equipment of the civil protection system
Modernization of vehicles of fire brigades of the republic of Croatia
Improvement of non-construction flood risk management measures - vepar
Strengthening the capacity of hgss - sigurna.hr
Flood protection of the town of Ogulin
Multisensor aerial photography of the republic of Croatia for the purposes of disaster risk assessment
Early warning and crisis management system (sruuk)
Helicopter support to the civil protection system

Sources: Ministarstvo gospodarstva i održivog razvoja. https://opzo-opkk.hr/en/projekti_post/

European Social Fund

According to the report done by the managing authority for European Social Fund – Ministry of labour and pension system in December 2019, contracting and expenditure of the funds under the Operational Programme Effective Human Potential is also low as it is shown in the next table.

Table 8: Expenditure of funds by PA

PA	Fond	main EU allocation	Amount of ESIF grants in signed grant agreements	Share of contracted ESIF grants in allocation	NO of signed contracts	ESIF grants paid/reimbursed to beneficiaries	Share of ESIF grants paid/reimbursed to beneficiaries	Amount of funds EC certified	Share of certificated funds
PA8	ESF	650,419,911.00	590,093,108.00	90,7 %	136	244,462,387.00	37,6 %	244,109,195.00	37,5%
PA 9	ESF	385,882,354.00	345,017,304.00	89,4 %	982	190,618,247.00	49,4%	84,949,113.00	22%
PA 10	ESF	529,411,765.00	290,028,697.00	54,8 %	273	109,883,124.00	20,8%	98,052,670.00	18,5%
PA11	ESF	225,031,699.00	96,300,615.00	42,8%	176	30,580,691.00	13,6%	22,000,537.00	9,8%
Total		1,790,745,729.00	1,321,439,724.00		1567	575,544,449.00		449,111,515.00	

Source: European Structural and Investment Funds, 2019.

Operational Programme Effective Human Potential covers PA 8 – High employment and labour mobility, PA9 Social inclusion, PA10 Education and lifelong learning and PA11 Good governance.

As we can see the lowest amount of either signed grant agreements or share of ESIF grants reimbursed to beneficiaries is in the priority area Good governance. This area among other priorities should finance civil society and its involvement in shaping and delivering public policies which should in return increase the transparency of the process and trust in public administration. Based on the data from the report only EUR 20.277.294 was contracted under Investment priority 11.ii.1 Developing capacities of civil society organizations, especially NGOs and social partners, and enhancing civil and social dialogue for better governance. That is only 21,2% of the amount of ESIF grants in signed grant agreements under PA11. But the further problem is that only € 14.725.854 of grants which should be spent based on the signed agreements with the beneficiaries are spent by beneficiaries and only € 8.926.008 has been certified by EC.

We could conclude those discrepancies between the allocation, expenditure, and certificated funds are huge, especially considering that we are at the end of programming period and that at this point should be no new calls open. But we have also seen in one of the reports that not only there has been reallocation from priority areas that have been underspending, but new calls are planned for 2020. In the case that all the evaluation procedures end on time, there will be in best case scenario only year and a half maybe two years left for beneficiaries to implement their projects and spend the money. Operational Programme Effective Human Potential covers PA 8 – High employment and labour mobility, PA9 Social inclusion, PA10 Education and lifelong learning and PA11 Good governance.

As we can see the lowest amount of either signed grant agreements or share of ESIF grants reimbursed to beneficiaries is in the priority area Good governance.

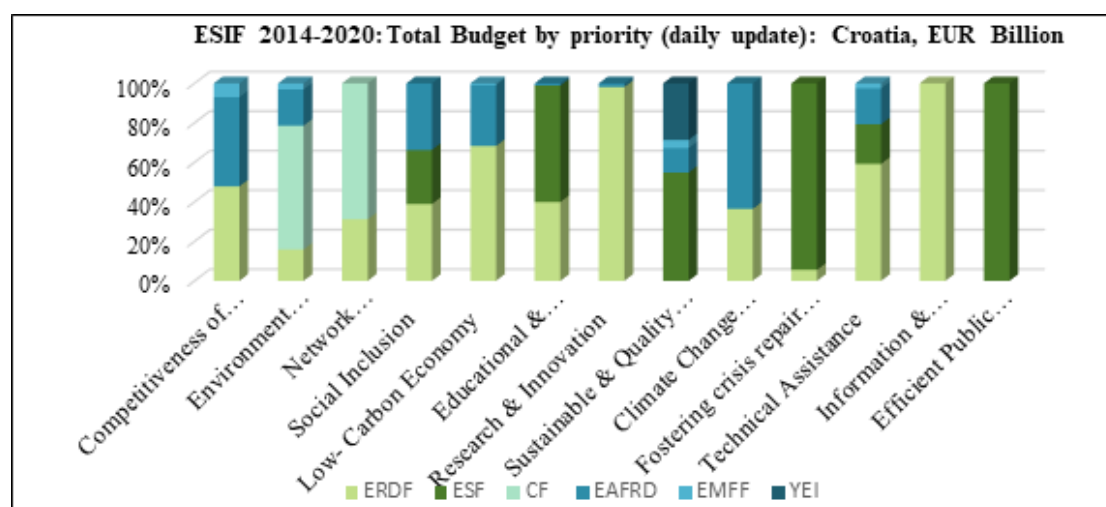
This area among other priorities should finance civil society and its involvement in shaping and delivering public policies which should in return increase the transparency of the process and trust in public administration. Based on the data from the report only EUR 20.277.294 was contracted under Investment priority 11.ii.1 Developing capacities of civil society organizations, especially NGOs and social partners, and enhancing civil and social dialogue for better governance. That is only 21,2% of the amount of ESIF grants in signed grant agreements under PA11. But the further problem is that only € 14.725.854 of grants which should be spent based on the signed agreements with the beneficiaries are spent by beneficiaries and only € 8.926.008 has been certified by EC.

We could conclude those discrepancies between the allocation, expenditure, and certificated funds are huge, especially considering that we are at the end of programming period and that at this point should be no new calls open. But we have also seen in one of the reports that not only there has been reallocation from priority areas that have been underspending, but new calls are planned for 2020. In the case that all the evaluation procedures end on time, there will be in best case scenario only year and a half maybe two years left for beneficiaries to implement their projects and spend the money.

Itemised overview of the 2022 update for ESI funds 2014. – 2020.

The following chapter will provide an updated analysis of two funds that were analysed in the period until 2019.

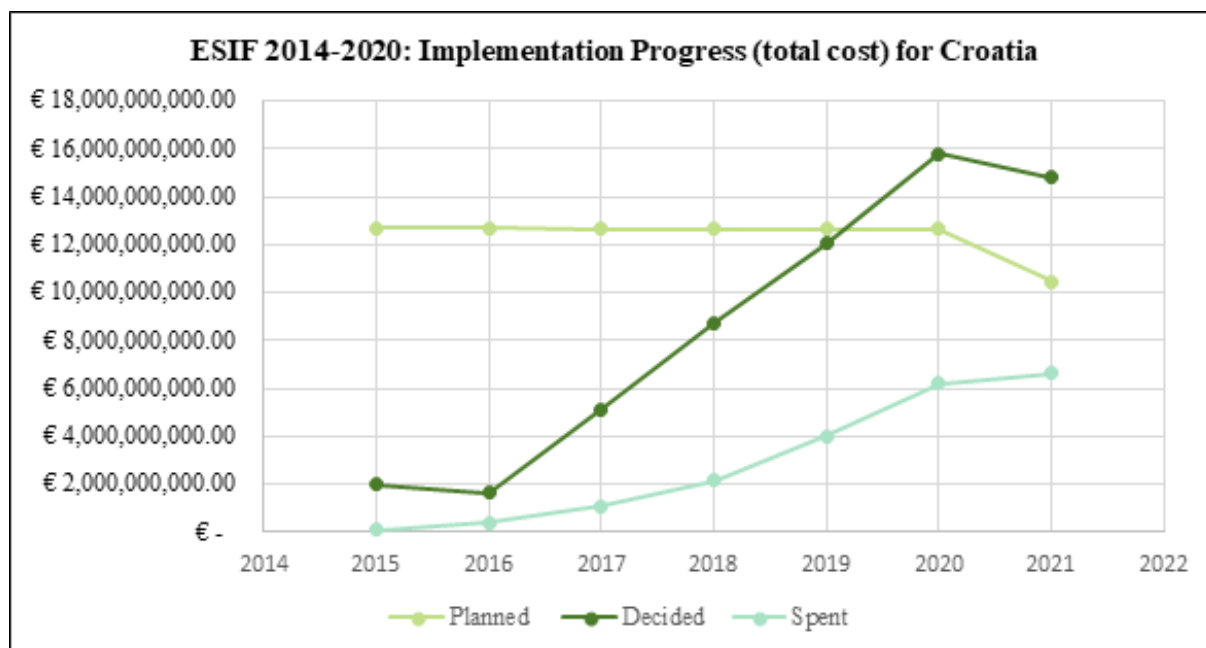
Figure 7: ESIF 2014-2020: Total Budget by priority (daily update): Croatia, EUR Billion (date- 26.05.2022).



Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/countries/HR>

Figure 7 shows the total budget in relation to the following priorities: Competitiveness of SMEs, Environment Protection & Resource Efficiency, Network Infrastructure, and Environment Protection & Resource Efficiency.

Figure 8: ESIF 2014-2020: Implementation Progress (total cost) for Croatia. Period covered (31.12.2021) Date (30.05.2022).

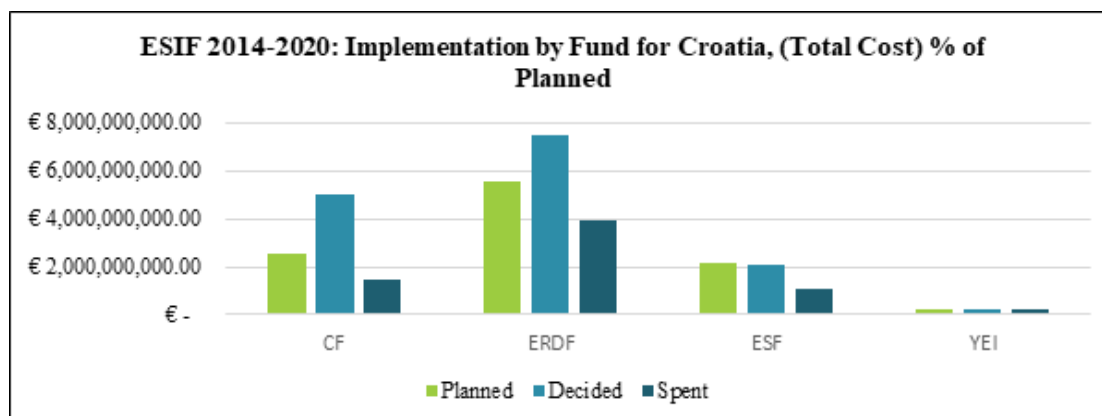


Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/countries/HR>

According to Figure 8, there is a discrepancy between planned funds (total budget of the programme) and funds that were allocated based on the open calls.

From 2016 onwards the number of contracts is on the rise. This is not surprising considering that several strategic documents that were ex ante conditionalities for calls under PA3 were adopted early in 2016 (for example Smart Specialisation Strategy). At the same time expenditure on contracted projects is not rising accordingly – which might indicate administrative bottlenecks in the implementation process.

Figure 9: ESIF 2014-2020: Implementation by Fund for Croatia, (Total Cost) % of planned for the period covered by 31.12.2021. Date (30.05.2022).



Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/countries/HR>

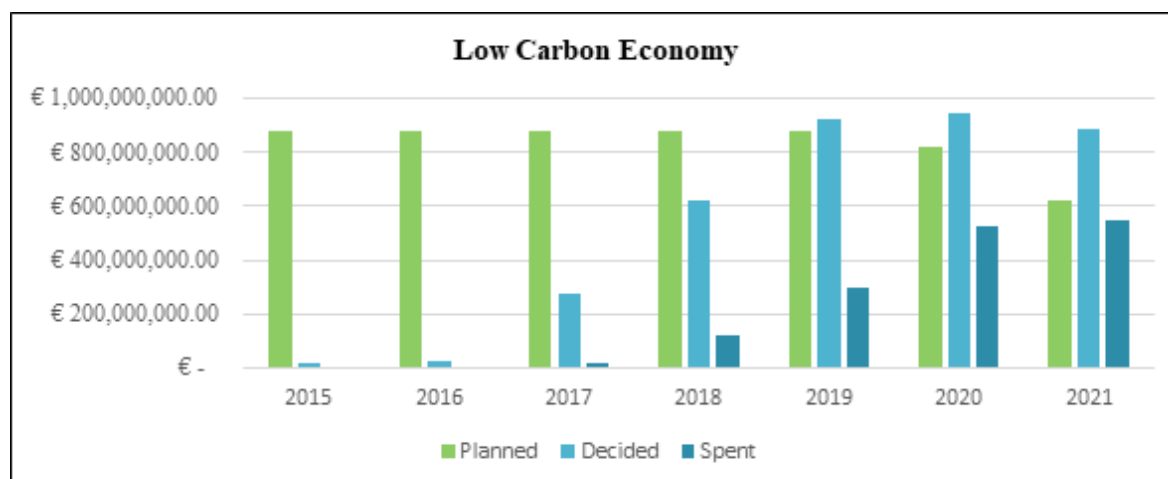
Investments contributing to the Low carbon Economy

Table 9: ESIF 2014-2020: Implementation by theme for Croatia – total cost of selection and spending as % of planned (scatter plot). Period covered (31.12.2021). Date (30.05.2022).

	Planned (€)	Contracted (€)	Spent (€)
2015	881,412,676.00	16,404,986.00	-
2016	881,412,676.00	24,672,894.00	4,966,443.00
2017	881,412,902.00	278,739,963.00	17,531,412.00
2018	875,244,844.00	623,173,309.00	119,157,003.00
2019	875,244,469.00	921,710,043.00	299,545,868.00
2020	821,790,658.00	946,252,484.00	526,501,592.00
2021	623,599,521.00	883,468,892.00	546,359,198.00

Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/countries/HR>

Figure 10: ESIF 2014-2020: Implementation by theme for Croatia – total cost of selection and spending as % of planned (scatter plot). Period covered (31.12.2021). Date (30.05.2022).



Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/countries/HR>

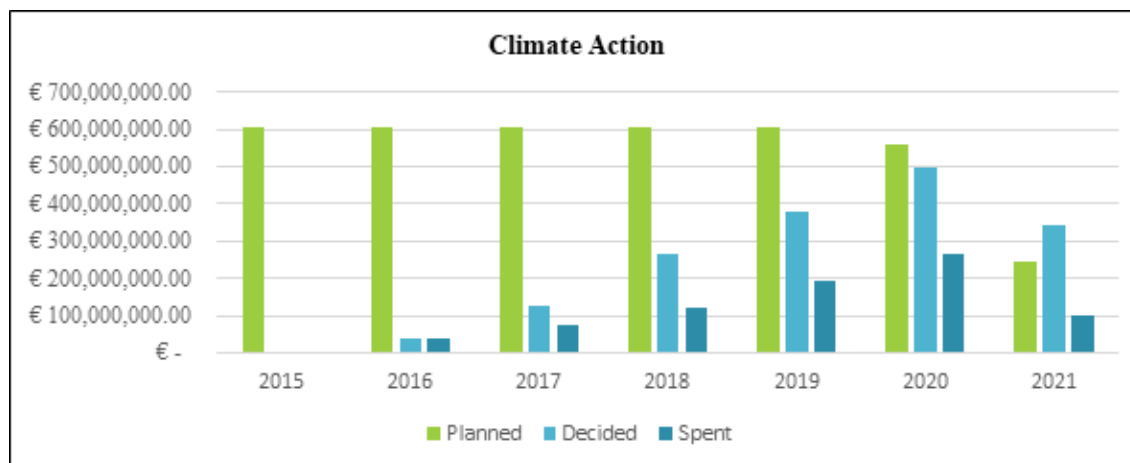
Investments contributing to the Climate Action

Table 10: ESIF 2014-2020: Implementation by theme for Croatia – total cost of selection and spending as % of planned (scatter plot). Period covered (31.12.2021). Date (30.05.2022).

	Climate Action		
	Planned €	Decided €	Spent €
2015	606,771,793.00	-	-
2016	606,788,465.00	37,394,842.00	37,524,909.00
2017	606,862,329.00	127,558,400.00	76,337,885.00
2018	606,835,599.00	267,808,616.00	121,654,793.00
2019	608,352,681.00	379,512,934.00	192,651,037.00
2020	558,399,444.00	497,576,269.00	266,641,587.00
2021	246,037,212.00	342,122,921.00	99,135,388.00

Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/countries/HR>

Figure 11: ESIF 2014-2020: Implementation by theme for Croatia – total cost of selection and spending as % of planned (scatter plot). Period covered (31.12.2021). Date (30.05.2022).



Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/countries/HR>

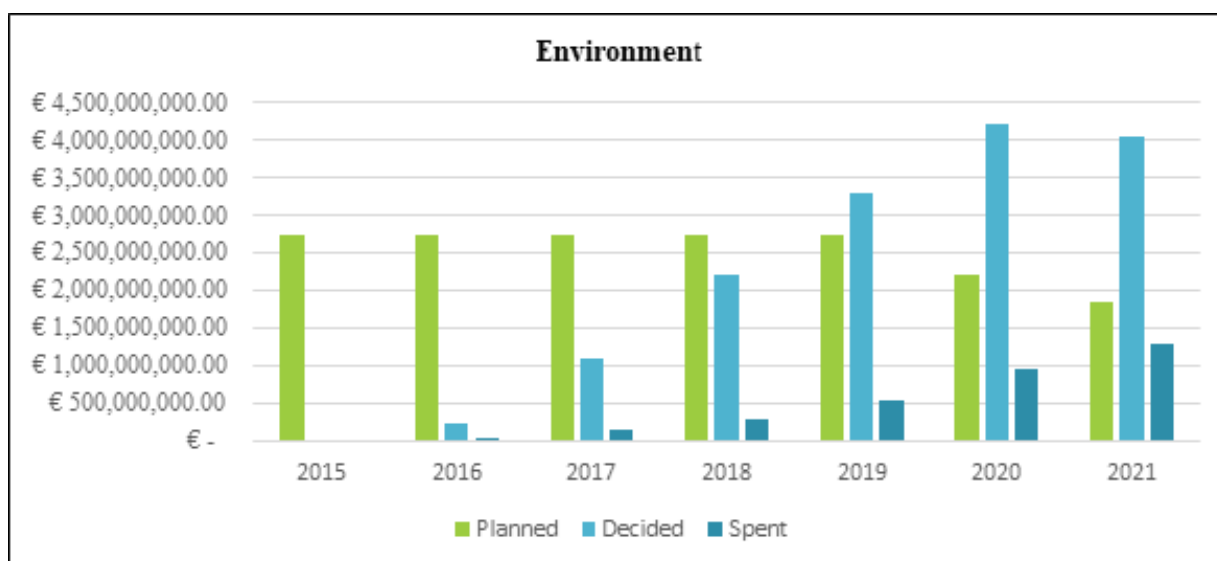
Investments contributing to the Environment

Table 11: ESIF 2014-2020: Implementation by theme for Croatia – total cost of selection and spending as % of planned (scatter plot). Period covered (31.12.21). Date (30.05.22).

	Planned €	Decided €	Spent €
2015	2,747,756,461.00	-	-
2016	2,747,773,134.00	233,340,357.00	45,942,150.00
2017	2,747,846,997.00	1,091,359,132.00	163,928,007.00
2018	2,738,531,999.00	2,208,254,236.00	298,316,330.00
2019	2,740,049,081.00	3,289,438,419.00	539,954,449.00
2020	2,226,419,723.00	4,226,838,212.00	952,297,211.00
2021	1,843,033,212.00	4,047,869,851.00	1,287,831,321.00

Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/countries/HR>

Figure 12: ESIF 2014-2020: Implementation by theme for Croatia – total cost of selection and spending as % of planned (scatter plot). Period covered (31.12.21). Date (30.05.22).

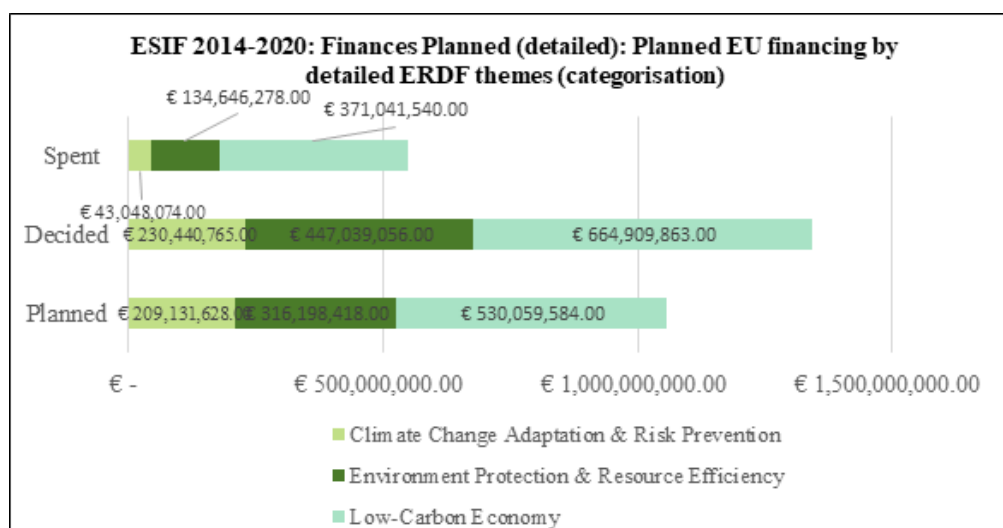


Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/countries/HR>

Table 12: ESIF 2014-2020: Total EU payments all ESI Funds – time series cumulated to the end of each year (daily update): Croatia. Date (26.05.22).

YEAR	INITIAL PREFINANCING €	ANNUAL PREFINANCING €	INTERIM PAYMENTS €	ESIF EU AVERAGE €
2015	€ 223,733,546.00	€ -	54,335,233.00	14,990,320,794.00
2016	€ 326,004,634.00	164,017,725.00	194,045,909.00	40,811,321,296.00
2017	€ 326,004,634.00	215,273,264.00	611,668,782.00	74,625,219,765.00
2018	€ 326,004,634.00	225,260,979.00	1,205,123,229.00	125,509,216,508.00
2019	€ 326,004,634.00	235,500,114.00	2,655,726,561.00	182,192,237,370.00
2020	€ 326,004,634.00	401,668,312.00	4,058,542,188.00	253,681,339,305.0
2021	€ 387,769,487.0	328,483,282.00	5,504,654,794.00	335,188,712,231.00
2022	€ 410,229,433.00	327,931,722.00	5,656,203,210.00	358,042,112,974.00

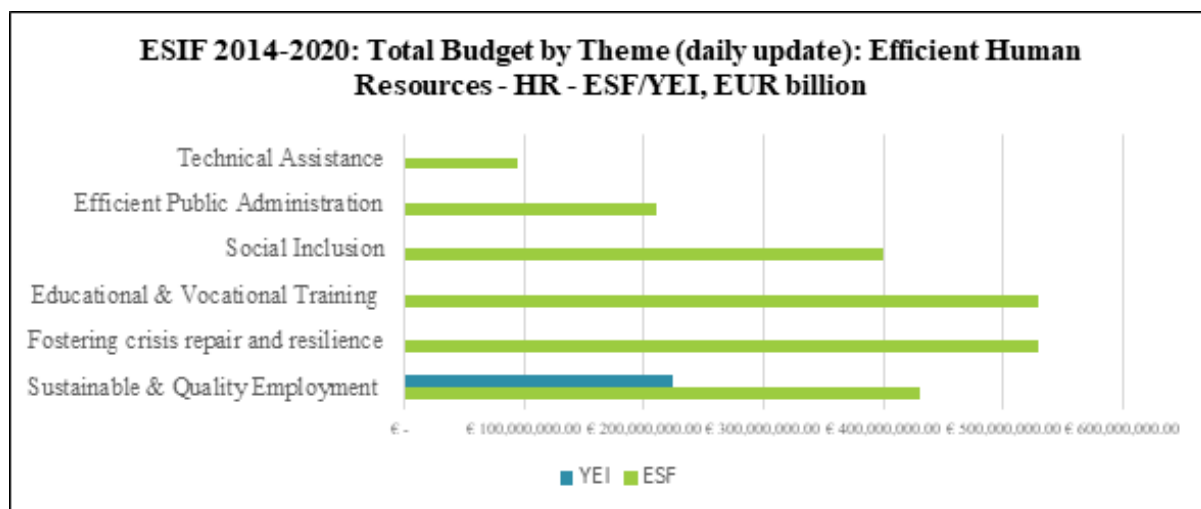
Table 12 shows cumulative EU payments to the end of each year (e.g. 2015 includes 2014+2015 payments) and by fund, with a split per type of payment.

Figure 13: ESIF 2014-2020: Finances Planned (detailed): Planned EU financing by detailed ERDF themes (categorization). Period covered (31.12.21). Date (11.05.22).

Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/funds/erdf>

Figure 13 shows the finances planned (detailed) in which it is analysed how much money was spent, decided, and planned in relation to climate change adaptation & risk prevention, environment protection & resource efficiency and low-carbon economy.

Figure 14: ESIF 2014-2020: Total Budget by Theme (daily update): Efficient Human Resources - HR - ESF/YEI, EUR billion. Date (31.05.22)



Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/programmes/2014HR05M9OP001>

Figure 14 shows the total budget by theme on efficient human resources, in which we can see that technical assistance has a lower budget compared to efficient public administration, social inclusion, educational and vocational training, fostering crisis repair and resilience, and sustainable and quality employment. On the other hand, we can see that the only indicator that has a YEI budget is sustainable and quality employment.

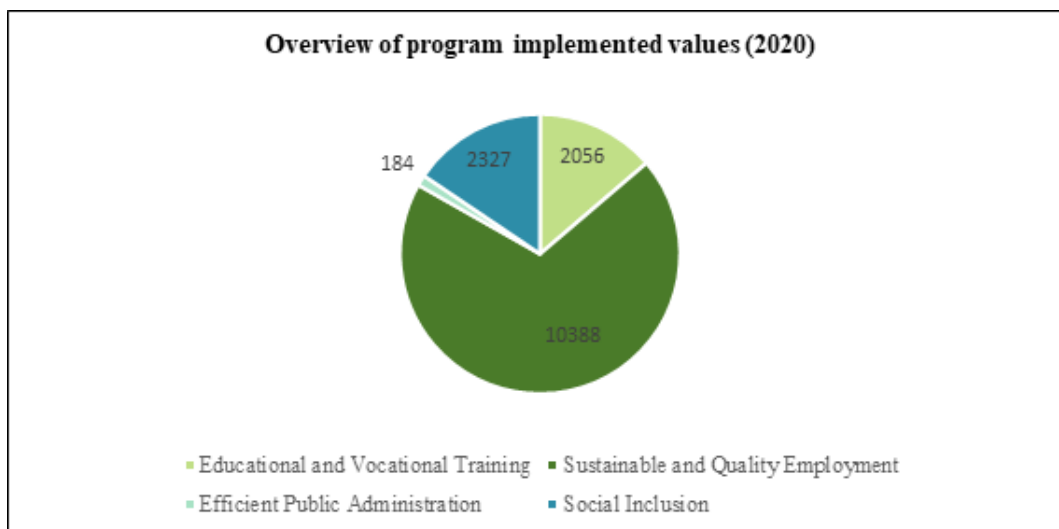
Table 13: ESIF 2014-2020: Total EU payments - time series cumulated to the end of each year (daily update): Efficient Human Resources - HR - ESF/YEI, EUR million. Date (31.05.22)

YEAR	INITIAL PREFINANCING €	ANNUAL PREFINANCING €	INTERIM PAYMENTS €	ESIF EU AVERAGE €
2015	49,095,749.00	-	-	14,990,320,794.00
2016	64,047,937.00	29,904,377.00	8,666,517.00	40,811,321,296.00
2017	64,047,937.00	39,249,495.00	9,179,103.00	74,625,219,765.00
2018	64,047,937.00	42,142,206.00	251,341,338.00	125,509,216,508.0
2019	64,047,937.00	44,057,760.00	380,543,059.00	182,192,237,370.0
2020	64,047,937.00	70,274,502.00	564,840,029.00	253,681,339,305.0
2021	122,347,937.00	54,547,465.00	572,885,060.00	335,188,712,231.0
2022	143,547,937.00	54,547,465.00	572,885,060.00	358,183,565,174.0

Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/funds/erdf>

Table 13 shows total EU payments for efficient human resources. In terms of initial prefinancing, there is a monetary increase in the total EU payments analysing the year 2015 until 2022. But about annual prefinancing, interim payments, and ESIF EU average, it can be seen that the period 2021 and 2022 present an equal trend, i.e. there was no increase or decrease.

Figure 15: Overview of the program implemented values (2020)



Source: European Commission, 2022. <https://cohesiondata.ec.europa.eu/programmes/2014HR05M9OP001>

The total overview of program implemented values is presented in the Figure 15. 184 programs are implemented in Efficient Public Administration, 10388 programs are implemented in Sustainable and Quality Employment, 2327 programs are implemented in Social Inclusion and 2056 are implemented in Educational and Vocational Training.



Table 14: Priorities of the operational program and allocation

Priority axis	ESIF allocation (EUR)
PA7	571,769,470.00
PA8	340,146,855.00
PA9	450,000,000.00
PA10	179,130,089.00
PA11	80,000,000.00
Total	1,621,046,414.00

Sources: European Structural and Investment Funds, 2022. <https://strukturnifondovi.hr/en/eu-fondovi/esi-fondovi-2014-2020/op-ucinkoviti-ljudski-potencijali-2014-2020/>

The new Operational Programme Effective Human Potential covers PA7 High employment and labour mobility, PA8 Social inclusion, PA9 Education and lifelong learning, PA10 Smart Administration and PA11 Technical Assistance.



Concluding remarks



Unspent funds remain in almost every priority area (PA) in Croatia. Based on these “savings” the Committee proposed to reallocate the unspent funds from original priority areas to areas where new calls might still be opened and to spend the money in the next three years. These “savings” consist partially of performance reserves accumulated through the years and partially from underspending of the main allocation. The most worrisome reallocation was the one from PA5 (Climate Change and Risk Mitigation to PA4 (Promotion of Energy Efficiency and Renewable Energy Sources) for the scheme for energy renovation of residential buildings and the scheme for energy renovation of public buildings, and to PA3 (Business competitiveness). The two main reasons for underspending under PA5 are probably the fact that the Ministry failed to open the calls in time and the fact that all funds allocated under this investment priority until January 2020 were awarded in the form of direct awards to beneficiaries.

This reallocation under PA5 is problematic, primarily because the goals set in the Partnership agreement will remain unfulfilled, resulting in the loss of investment under this PA and failure to fulfil the set indicators. According to the Partnership Agreement signed between the Republic of Croatia and the European Commission in 2014 one of the main development goals in the national context was to “reduce regional disparities and ensure quality living conditions, especially to contribute to climate change/energy targets and accession treaty obligations, but also to employment targets, poverty/social inclusion targets, and education targets”.

The main reason for inclusion of climate change in this was that in 2014 “Croatia [was] considered highly sensitive to climate change impacts, both in terms of natural ecosystems (hydrology, soil, biodiversity) and main economic activities (tourism, forestry, and agriculture), primarily in the coastal zones and forests”.

Croatia has through this funding allocations thus far been mostly concerned with the mitigation of climate change effects and far less with the adaptation to climate change. As the scientific community warns, Croatia currently has insufficient in-depth knowledge on the actual effects of climate change on the environment and economy as well as underdeveloped capacities for combating climate changes on all levels. The National Strategy and Action Plan for Adaptation to Climate Change scheduled for completion in 2016 was to provide a comprehensive approach for tackling these issues, but remain vague and unambitious.

PA 5 has two main specific objectives: 5a Improvement of climate change monitoring, forecasting and planning the adaptation measures and 5b Promoting investments to address specific risks, ensuring disaster resilience and developing disaster management systems. The fact that some of the actions envisaged under the PA5 have not been implemented by the end of 2019 leads to the question of the fulfilment of indicators set in OP. What is even more important than indicators that in danger of not being fulfilled by the end of 2023, is the low ambition of existing indicators and lack of indicators related to the results of applied research in climate change and specific indicators targeting goals set in the Partnership agreement in the form of developing capacities for combating climate changes on all levels. Climate resilient development, though more urgent than ever in this southern European country remains elusive in the national policy documents and central government’s budgeting commitments.

PA4 has a much higher absorption than PA5, but most of the available funds were allocated to the reconstruction of public buildings. The analysis presented above shows that all the funds available under PA4 and PA5 in this programming period were used predominantly to fund projects in the public sector, for the institutions predominantly reliant on the state budget and for projects that could have been funded from other (state) sources. Additionally, we have learned that under these two PAs citizens received no direct support. The support directed towards them was in the form of projects aiming at increasing energy efficiency of residential buildings.

The fact that some of the actions envisaged under the PA5 have not been implemented by the end of 2019 leads to the question of the fulfilment of indicators set in OP. What is even more important, but in some cases these received only 30% of money from ERDF and families living in multi-apartment dwellings were expected to cover the difference. This has in some cases forced them to back out from the projects, due to insufficient funds, whilst in others they had to turn to commercial banks for loans with (high) interest rates. They did thus not only fail to benefit long-term from these projects, but might in the current situation be worse off financially. Whilst they contribute to overall GHG emissions reduction and savings through reduced energy use, the question of equitable access to climate resilient development remains.

Public funds remain a transformative instrument for climate resilient development in Europe, and whilst Croatia as one of the poorer member states can't be expected to lead the necessary throughput reductions, it can direct the available public funds to equitable provision of high-efficiency services that can deliver the necessary reductions. Reduction in final throughput of energy and material has the potential to reduce total GHG emissions by 40-70% by 2050 globally. The greatest potential for Croatia lies in shift to predominantly plant-based diet and transformation of the building stock into low-energy and passive structures. Croatian funds allocation plans and execution don't seem to move the nation in this direction. A systemic social change that enables emissions reduction in line with 1.5°C goal of the Paris Agreement is within reach and must be grasped firmly in this decade. In Croatia so far, it remains an elusive goal if it is to be achieved through distribution of European funds.