

Coronavirus response in 2021: building back better

Update on Croatia (06 December 21)



Covid-19: Policy response

- **The authorities maintained the country's key job retention mechanism in 2021.** After devising a fiscal support package worth about 3.8 per cent of GDP in 2020, the authorities partially wound down assistance in 2021. The main scheme operational in both 2020 and 2021 was the job retention mechanism, which covered HRK 4,000 (€530) per retained worker in affected firms and sectors. In July 2021, the European Commission transferred €530 million from the REACT-EU package to support the scheme. Other measures include grants to firms in affected sectors, including a dedicated scheme to support the tourism sector.
- **The National Recovery and Resilience Facility plan (NRRP) was approved.** Croatia was among the front runners, as the European Commission approved the plan relatively early, with the first tranche of €818 million already disbursed in September 2021.

Macroeconomic indicators (per cent)

	2018	2019	2020	
GDP growth	2.9	3.5	-8.1	Short-term indicators EBRD GDP growth forecast (Nov. 2021) 2021: 8.0%; 2022: 4.2% Quarterly GDP growth: +2.7% q/q (sa), +15.8% y/y (Q3 2021) Economic sentiment: 111.3 (Nov. 2021) Industrial production (ex. construction): 2.6%, ca y/y (October 2021) Retail sales: 14.1% y/y, ca (Oct. 2021) Annual inflation: 3.9% (October 2021) Unemployment rate: 7.0% (Oct. 2021)
Annual inflation (average)	1.6	0.8	0.1	
Government balance/GDP	0.2	0.3	-7.4	
Current account balance/GDP	1.8	2.7	-0.8	
Net FDI/GDP	-1.6	-1.9	-1.9	
Public debt/GDP	73.3	71.1	87.3	
Unemployment rate (year end)	7.4	6.4	8.5	

EBRD Assessment of transition qualities (ATQs), 2021¹



Building back better: key ongoing initiatives

Competitive

- The NRRP has a strong focus on increasing competitiveness, mainly through financial instruments for internationalisation, innovation and human capital reforms.

Well-governed

- As part of the ERM II accession process, Croatia committed to implementing reforms in the business environment and public governance.
- The government adopted a proposed anti-corruption strategy for 2021 to 2030.
- The NRRP includes reforms in reducing red tape, liberalising services and improving the functioning of the public administration and the judiciary.

Green

- Full implementation of the premium model for renewables deployment is under way.
- The NRRP focuses on energy sector decarbonisation, improving water and waste management and greening transport. A separate component targets the energy-efficient renovation of buildings affected by the two recent earthquakes.

Inclusive

- Labour-market and social-services reforms are planned for vulnerable groups.

Integrated

- The NRRP outlines reforms and investments in the transport sector, particularly rail.

Digital

- As part of public administration reform, e-governance will be further advanced.

Key short-term priorities

- The reforms outlined in the NRRP plan need to be implemented in a timely manner.
- Improvements to the corporate governance of state-owned enterprises (SOEs) should continue.
- A more structured approach to reconstruction efforts in earthquake-affected areas should be developed.

To learn more about EBRD's support to Croatia visit: <https://www.ebrd.com/croatia.html>.

¹ For more details on ATQs, see EBRD (2021), *Transition Report 2021-22: System Upgrade: Delivering the Digital Dividend*, London.