



EUROPEAN COMMISSION
DIRECTORATE-GENERAL
ECONOMIC AND FINANCIAL AFFAIRS

The Director-General

Brussels, 27 October 2023
ECFIN/MV

Mr Stipe Župan
State Secretary
Ministry of Finance
Katančičeva 5
HR-10000 Zagreb

Dear Mr Župan,

Thank you for the submission of Croatia's Draft Budgetary Plan (DBP) for 2024, which we received on 27 October.

We are writing to ask for clarifications on the compliance of Croatia's DBP for 2024 with the Council Recommendation of 14 July 2023¹.

The Council recommended Croatia to wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. It also recommended Croatia to ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 5.1%. The recommendation also called on Croatia to preserve nationally financed public investment and ensure the effective absorption of grants under the Facility and of other Union funds, in particular to foster the green and digital transitions.

According to a preliminary analysis by my services, the DBP of Croatia results in a nominal increase in nationally financed net primary expenditure (henceforth, net expenditure) in 2024 of 10.3%, which exceeds the maximum recommended growth rate of 5.1% by a large margin. This means that net expenditure is planned to exceed the recommendation by 2.0% of GDP in 2024.

As our preliminary analysis points to a risk of net expenditure exceeding that recommended by the Council, we would like to invite you to provide further information on the drivers of net expenditure in 2024.

¹ Council Recommendation on the 2023 National Reform Programme of Croatia and delivering a Council opinion on the 2023 Stability Programme of Croatia, OJ C 312, 1.9.2023, p. 8.

We look forward to receiving your views by 3 November 2023, which would allow the Commission to take them into account in its further analysis.

Yours sincerely,

Electronically signed

Maarten VERWEY