



EUROPEAN COMMISSION

Brussels, 23.11.2021
C(2021) 8337 final

PUBLIC VERSION

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**Subject: State aid SA.64581 (2021/N) – Croatia
Regional aid map for Croatia (1 January 2022 – 31 December 2027)**

Excellency,

1. PROCEDURE

- (1) On 19 April 2021, the Commission adopted the Guidelines on Regional State Aid¹ that it will use to assess the compatibility of all notifiable regional aid awarded or intended to be awarded after 31 December 2021 (hereinafter "RAG"). Pursuant to paragraph 189 of the RAG, each Member State should notify to the Commission a single regional aid map applicable from 1 January 2022 to 31 December 2027. All approved regional aid maps will be published in the *Official Journal of the European Union* (summary information) and on the website of DG Competition² (full text) and will constitute an integral part of the RAG.
- (2) By electronic notification dated 26 August 2021, registered at the Commission on the same day (2021/090268), the Croatian authorities notified, following the procedure of Article 108(3) of the Treaty on the Functioning of the European Union (hereinafter "TFEU"), their proposal for the Croatian regional aid map applicable from 1 January 2022 to 31 December 2027.

¹ OJ C 153, 29.04.2021, p.1.

² <http://ec.europa.eu/competition/elojade/isef/index.cfm>

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- (3) On 27 September 2021, the Commission requested additional information (2021/6512406), which was provided by the Croatian authorities on 15 October (2021/7201797).

2. DESCRIPTION OF THE NOTIFIED REGIONAL AID MAP

- (4) The territory of Croatia consists of four NUTS 2 regions. According to Annex I to the RAG, three of those NUTS 2 regions are eligible for aid under Article 107(3)(a) TFEU (hereinafter ‘a’ areas) and one is eligible under Article 107(3)(c) TFEU (hereinafter ‘c’ area).

2.1. Proposed ‘a’ areas

- (5) In their notification, the Croatian authorities propose the NUTS 2 regions of HR02 Panonska Hrvatska, HR03 Jadranska Hrvatska and HR06 Sjeverna Hrvatska under the derogation of Article 107(3)(a) TFEU to be assisted as ‘a’ areas from 1 January 2022 to 31 December 2027.
- (6) The Croatian authorities propose to apply a maximum aid intensity for large enterprises amounting to 50% in HR02 Panonska Hrvatska and HR06 Sjeverna Hrvatska, and 40% in HR03 Jadranska Hrvatska for the entire period from 1 January 2022 to 31 December 2027.

2.2. Sparsely populated area

- (7) In their notification, the Croatian authorities also propose to designate the NUTS 3 region of HR032 Ličko-senjska županija, with 8.5 inhabitants per km² (based on Eurostat data on population density for 2018), as a sparsely populated area under paragraph 160 of the RAG.

2.3. Proposed ‘c’ area

- (8) In their notification, the Croatian authorities propose the NUTS 2 region of HR05 Grad Zagreb under the derogation of Article 107(3)(c) TFEU to be assisted as predefined ‘c’ area from 1 January 2022 to 31 December 2027. The NUTS 2 region of HR05 Grad Zagreb consists of only one NUTS 3 region, HR050 Grad Zagreb and is designated as an ‘a’ area on the Croatian regional aid map of 2017-2020 and therefore notified as predefined ‘c’ area for the period 2022-2027.
- (9) In application of paragraph 183 of the RAG, the Croatian authorities acknowledge a maximum aid intensity of 20% for large enterprises in the NUTS 2 region of HR05 Grad Zagreb for the period from 1 January 2022 to 31 December 2024 and 15%, in application of paragraph 182(2) of the RAG, for the period from 1 January 2025 to 31 December 2027.
- (10) However, in application of paragraph 184 of the RAG, the Croatian authorities propose to increase this maximum aid intensity since, at NUTS 3 level, HR050 Grad Zagreb is adjacent to the ‘a’ area of HR02 Panonska Hrvatska. On this basis, they propose to apply an aid intensity of 35% for the entire period from 1 January 2022 to 31 December 2027.

2.4. Maximum aid intensities for SMEs

- (11) In their notification, the Croatian authorities propose that the maximum aid intensities for large enterprises can be increased by 10 percentage points for medium-sized enterprises and by 20 percentage points for small enterprises for their initial investments with eligible costs up to EUR 50 million.

3. ASSESSMENT

3.1. The proposed ‘a’ areas and the proposed maximum aid intensities

- (12) According to paragraph 158 of the RAG, the NUTS 2 regions that have a gross domestic product (“GDP”) per capita below or equal to 75% of the EU-27 average fulfil the conditions of Article 107(3)(a) TFEU. The areas proposed by the Croatian authorities to be assisted as ‘a’ areas for the period 1 January 2022 to 31 December 2027 are the following NUTS 2 regions: HR02 Panonska Hrvatska, with a GDP per capita of 41.58% of the EU-27 average, HR03 Jadranska Hrvatska, with a GDP per capita of 60.33% of the EU-27 average and HR06 Sjeverna Hrvatska with a GDP per capita of 48.43% of the EU-27 average. These areas therefore fulfil the conditions of Article 107(3)(a) TFEU.
- (13) Paragraph 179 of the RAG provides that the maximum aid intensity for large enterprises in ‘a’ areas with a GDP per capita below or equal to 55% of the EU-27 average must not exceed 50%. In ‘a’ areas with a GDP per capita above 55% and below or equal to 65% of the EU-27 average, the aid intensity for large enterprises must not exceed 40%.
- (14) For the regions of HR02 Panonska Hrvatska and HR06 Sjeverna Hrvatska, the Croatian authorities propose a maximum aid intensity for large enterprises of 50%. For the region of HR03 Jadranska Hrvatska, the Croatian authorities propose a maximum aid intensity for large enterprises of 40%. Given the GDP per capita of each of these ‘a’ areas, respectively 41.58%, 48.43% and 60.33% of the EU-27 average, the proposed aid intensities are in line with the provisions of the RAG.
- (15) The Croatian authorities also propose to designate the NUTS 3 region of HR032 Ličko-senjska županija as sparsely populated area. Paragraph 160 of the RAG provides that some of the eligible ‘a’ areas set out in Annex I to the RAG also qualify as sparsely populated areas under paragraph 166(2). Given that Ličko-senjska županija has fewer than 12.5 inhabitants per km², it can be designated as sparsely populated area in line with paragraphs 160 and 166(2) of the RAG.

3.2. The proposed predefined ‘c’ area and the proposed maximum aid intensity

- (16) According to paragraph 164 of the RAG, the Commission considers that Member States must have sufficient ‘c’ coverage to be able to designate as ‘c’ areas the areas which had ‘a’ status in the regional aid map in 2017-2020 but that no longer qualify as an ‘a’ area. Annex I to the RAG acknowledges that the NUTS 2 region HR05 Grad Zagreb was an ‘a’ area in the period 2017-2020, and therefore fulfils the conditions of Article 107(3)(c) TFEU.

- (17) Paragraph 184 of the RAG provides that if a ‘c’ area is adjacent to an ‘a’ area, the aid intensities in the NUTS 3 regions or parts of NUTS 3 regions within that ‘c’ area may be increased as necessary so that the difference in aid intensity between the two areas does not exceed 15 percentage points. The NUTS 2 region HR05 Grad Zagreb only consists of the NUTS 3 region HR050 Grad Zagreb as the NUTS 2 region is not further subdivided. HR050 Grad Zagreb is adjacent to HR02 Panonska Hrvatska. The maximum aid intensity in the ‘a’ area of HR02 Panonska Hrvatska is 50% for the period from 1 January 2022 to 31 December 2027. The maximum aid intensity for large enterprises in Grad Zagreb can therefore be increased to 35%.

3.3. Increased aid intensities for SMEs

- (18) In accordance with paragraph 186 of the RAG, the maximum aid intensities for large enterprises may be increased by up to 20 percentage points for small enterprises or by up to 10 percentage points for medium-sized enterprises. However, the increased maximum aid intensities for SMEs will not apply to aid awarded for large investment projects in the meaning of paragraph 19(18) of the RAG.

3.4. Other commitments made by the Croatian authorities

- (19) The Commission takes note of the following commitments made by the Croatian authorities in the notification:
- (a) The Croatian authorities confirmed that all intentions to grant regional aid will be notified to the Commission in accordance with Article 108(3) of the TFEU, either as an aid scheme, or as an individual notification, unless a block exemption regulation applies.
 - (b) The Croatian authorities confirmed that all regional investment aid will respect the maximum aid intensities of the region concerned as defined in the regional aid map approved and published by the Commission
 - (c) The Croatian authorities confirmed that for large investment projects (as defined in paragraph 19(18) of the RAG) the aid ceilings of the region concerned, as defined in the regional aid map approved and published by the Commission, will be adjusted according to the formula in paragraph 19(3) of the RAG.

3.5. General conclusion

- (20) In view of the above, the Commission takes the view that the Croatian regional aid map notified for the period from 1 January 2022 to 31 December 2027 is in line with the RAG.

4. CONCLUSION

- (21) The Commission has accordingly decided:
- to approve the Croatian regional aid map set out in the Annex for the period from the 1 January 2022 till 31 December 2027, as it fulfils the

conditions laid down in the Guidelines on Regional State Aid, as adopted on 19 April 2021.

- The full text of this letter in the authentic language will be published on the following Internet site:
<http://ec.europa.eu/competition/elojade/isef/index.cfm>.

Yours faithfully,

For the Commission

Margrethe VESTAGER
Executive Vice-President

ANNEX to the decision on case SA.64581 (2021/N)

Guidelines on regional State aid

(OJ C 153, 29.04.2021, p.1.)

CROATIA - Regional aid map applicable from 01.01.2022 to 31.12.2027

Zone Code	Zone Name	Maximum aid intensities applicable to regional aid granted to large enterprises ³
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'a' areas

NUTS code	Name of NUTS region	Maximum aid intensity (large enterprises) 1.1.2022 – 31.12.2027
HR02	Panonska Hrvatska	
HR021	Bjelovarsko-bilogorska županija	50%
HR022	Virovitičko-podravaska županija	50%
HR023	Požeško-slavonska županija	50%
HR024	Brodsko-posavska županija	50%
HR025	Osječko-baranjska županija	50%
HR026	Vukovarsko-srijemska županija	50%
HR027	Karlovačka županija	50%
HR028	Sisačko-moslavačka županija	50%
HR03	Jadranska Hrvatska	
HR031	Primorsko-goranska županija	40%
HR032	Ličko-senjska županija (Sparsely Populated Area)	40%
HR033	Zadarska županija	40%
HR034	Šibensko-kninska županija	40%
HR035	Splitsko-dalmatinska županija	40%
HR036	Istarska županija	40%
HR037	Dubrovačko-neretvanska županija	40%
HR06	Sjeverna Hrvatska	
HR061	Međimurska županija	50%
HR062	Varaždinska županija	50%
HR063	Koprivničko-križevačka županija	50%
HR064	Krapinsko-zagorska županija	50%
HR065	Zagrebačka županija	50%

³ For investment projects with eligible costs not exceeding EUR 50 million this ceiling is increased by 10 percentage points for medium-sized enterprises and 20 percentage points for small enterprises as defined in the Commission Recommendation of 6 May 2003 concerning the definition of micro, small and medium-sized enterprises (OJ L 124, 20.5.2003, p. 36). For large investment projects, the maximum aid intensities for large enterprises also apply to medium-sized and small enterprises. For large investment projects, this maximum aid intensity is subject to adjustment in accordance with paragraph 19(3) of the RAG.

Predefined 'c' areas

NUTS code	Name of NUTS region	Maximum aid intensity (large enterprises)
		1.1.2022 – 31.12.2027
HR05	Grad Zagreb	35%