

RURAL DEVELOPMENT PROGRAMME OF THE REPUBLIC OF CROATIA – DETERMINANTS AND CHALLENGES

PROGRAM RURALNOG RAZVOJA REPUBLIKE HRVATSKE- ODREDNICE I IZAZOVI

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Abstract: Rural Development Programme of the Republic of Croatia for the period of 2014. to 2020. is a programme instrument established with the aim of encouraging the development of the rural area of the Republic of Croatia. It contains a number of different measures that should stimulate the development of the various spheres of socio-economic life in rural areas. But what is planned and conceived, in the field, in real life meets with numerous obstacles and difficult circumstances. In this paper the indicators of the successful achievement of this Programme will be explored and analyzed, with special emphasis on measures planned to stimulate development of small and young farmers. In conclusion, there will be given some recommendations on how to achieve better results for this target group.

Key words: Rural Development Programme, rural development, EU funds

Sažetak: Program ruralnog razvoja RH 2014.-2020. je programski instrument koji je ustanovljen sa ciljem poticanja razvoja ruralnog prostora Republike Hrvatske. Sadrži niz različitih mjera, koje bi trebale potaći razvoj različitih sfera socio-ekonomskog života u ruralnom prostoru. No ono što je planirano i zamišljeno, se na terenu, u realnom životu susreće sa brojnim zaprekama i otežanim okolnostima. U ovom radu će biti istraženi i analizirani pokazatelji uspješnosti ostvarenosti ovog Programa, s posebnim osvrtom na mjere za poticanje tzv. malih i mladih poljoprivrednika. Zaključno, biti će dane određene preporuke kako postići bolje rezultate u natjecajima za ovu ciljanu grupu.

Ključne riječi: Program ruralnog razvoja, ruralni razvoj, poljoprivreda, EU fondovi



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1. Introduction

About Rural Development Programme of the Republic of Croatia for 2014-2020

Rural development, in particular, has given rise to various schools of thought and of development practice over the past two decades. [6] Rural development is characterised by multiple goals, and there is no single index or indicator which can adequately capture the multifaceted nature of rural development. [7] The accessibility problems experienced by many people living in rural areas have been a key concern of rural development programmes. [3] Nevertheless, despite the rural development approach, the praxis tells us, that most countries have seen a reduction in rural living standards, and a resultant increase in extreme poverty. [2] Croatia's Rural Development Programme for 2014-2020 approved by European Commission was formally adopted on 26 May 2015, outlining Croatia's priorities for using € 2.3 billion of public money that is available for the period 2014-2020 (€ 2 billion from the EU budget and € 0.3 billion of national funding). The main objective of the RDP is to restructure and modernise the farm and food sectors. It is expected that nearly 2 000 holdings will receive investment support, more than 5000 farmers will receive start up aid for the development of small farms and around 1000 young farmers will get support to launch their businesses. The programme also puts emphasis on the restoration, preservation and enhancement of biodiversity. There will be support for the conversion to, and maintenance of, organic farming on nearly 60000 ha. Agri-environment-climate measures will be implemented on a further 40 500 ha. More than one tenth of the funds will be earmarked for energy production from renewable resources. Around 42000 people will be trained to increase the knowledge and skills of those working in farming and forestry. Croatia will also implement the European Innovation Partnership. The programme aims to create more than 2000 non-agricultural jobs through a process of diversification and development of small enterprises. Lastly, an estimated 30 % of the rural population will benefit from improved infrastructure. [1]

The Rural Development Program 2014-2020 is often perceived as a program exclusively for agriculture, which is not exactly because its overall objective is to increase the quality of life in the rural area so that other needs of the rural population can be financed, such as the construction of roads, social and fire brigades, cemeteries, kindergartens, demining, damage compensation caused by elemental disasters, encouraging the development of expert knowledge and cooperation between farmers and many other activities. Although many other activities are funded, the Agriculture Sector is the one to which this Program should bring the greatest benefits and enable its development.

In order to look at the effects of rural development measures and adequately use the funds, it is necessary to know the structure of the agricultural holdings in the Republic of Croatia, which are the direct beneficiaries of the program measures for the most part. The most important criteria to be considered are the number of agricultural holdings, their organizational form, the number of members, and their educational, age and sex structure. More importantly, it refers to the size of the property that is being handled by the individual economy and the animals it owns, since the basic criterion in almost all bids is the economic size of the agricultural economy

This Program is of the huge importance for the region of Continental Croatia, for its municipalities and cities, and ultimately for its inhabitants. Nevertheless, support for young and small farmers or support to their farms, is a demographic, natality, socio-economic, economic, development, and even existential issue.

2. Major findings

Related to the significant importance of these Operations, we will provide you our review and our propositions related to the criteria in the recently opened Call for proposal submeasure 6.1. "Support for start-ups of young farmers", operation 6.1.1. "Support to young farmers" [5] and the sub-measure 6.3. "Support to the development of small agricultural economies", operations 6.3.1. "Support to the Development of Small Agricultural economies", as well as the relevant Rules on implementation [4]

The feedback and comments are based on the thoughts and attitudes of the users on the field, ie on conversations with about thirty Family agriculture economy (FAE) holders who visited the Regional Development Agency of Požega-slavonska county with a specific interest in applying for a measure from Rural Development Program. Because of visibility, comments are sorted by Operations.

2.1 Overview of Operation 6.1.1. Supporting for start-ups of young farmers

Application requirements:

1. A beneficiary must not be registered as the owner of an agricultural holding for more than 18 months prior to the submission of a project proposal.
2. The eligible candidate is a young farmer who is defined as a person over the age of 18 and under the age of 41 on the date of submission of a project proposal, which possesses the appropriate professional knowledge and skills and is for the first time set up as a holder of Family agriculture economy. *Comment:* Taking into account the intention of the Operation to include as many young people as possible it is important

to notice how this proposition of the Operation is putting in unequal position every other young person under 41 years who have been owners of Family agriculture economy for more than 18 months. There is also an issue, is it correct to eliminate a young farmer, who is the holder of the FAE, for example, 3 years, has formal education in the field of agriculture but also a practical knowledge of the management of the economy for 3 years. It is more certain that the person who already runs the economy and works on the market will have more benefit from the subsidy than a person who is only taking over the economy. Also, this condition directs all those young farmers who do not meet the 18-month requirement to apply their project proposal under Measure 4, within which the competition is extremely large, especially considering the size of the subjects applying for that measure. This Operation 6.1.1. it should be a "springboard" for young farmers, empower them and prepare them for application on Measure 4. One of the goals of this measure is the change of the age structure of the FAE holders, which is positive goal, but such rules are being overridden by those farmers who have recognized this problem and have already taken the step that is being pursued by this operation (taken over the FEA) and as such they can not compete this call for proposal. Based on our own records, we can state that out of the potential 8 users, 7 of them did not meet the 18-month requirement, although all 7 cases included holders under the age of 40 and met other criteria (economic size and employment 5 years after project realization) or expressed in percentage - 87% of those who meet the other criteria, this criterion does not meet.

Proposal: The mentioned application requirement of 18 months should be introduced as one of the criteria for scoring, ie. to exclude it from the elimination criteria or to implement additional points for the one who are taking over the existing Family agriculture economy.

3. The agricultural business for which the user is seeking support is of an economic size expressed in the overall economic performance of the agricultural holding from € 8,000 to € 49,999 at the time of applying for the support. This will not take into account the ARKOD / JRDo modifications that occurred after December 21st 2016

Comment: Having in mind the fact that it is necessary to prevent the so-called the artificial creation of conditions, we consider that some other dimensions related to agricultural land are not taken into account here, and they are not solely economic nature. Let's take the example that the father is the owner of the FAE and wants to transfer the ownership of FAE to his two sons (meaning to create 2 FAEs), this criterion has disabled this. This example has to be mentioned, as it is very common in practice, where father don't want to leave whole FAE to inheritance to one, and not to another child. Furthermore, there are cases where the father wants to keep part of the

F AE and continue to engage in farming in his F AE and only part of the land to be transferred to the children. It is also disabled. Furthermore, part of the F AEs expire land lease agreement at the end of the year and become F AEs which are eligible for application for this contest, but this criterion also puts them in the position of impossibility of application from December 21st. There are many similar examples in the field.

Proposal: To introduce this criterion as one of the scoring criteria, ie to exclude from the elimination criteria and introduce additional points for the one who takes over the existing family farm in its entirety without any change since December 21st 2016

4. The beneficiary shall remain the holder of a F AE and shall be registered in the Registry of taxpayers as a taxpayer on the basis of income tax or profit tax and payer of social contributions (pension and health insurance) on the basis of agriculture in accordance with national legislation at least five years after the final payments from this measure.

Comment: We consider this criterion extremely important, as it is a guarantor or a guarantee that F AE is preparing and making a project proposal with seriousness and readiness. This criterion reduces the probability and cost-effectiveness of creating artificial conditions because the user will be obliged to pay contributions and taxes and be a shareholder of economic life in their area for at least 5 years.

Proposal: It is good to keep this criterion, but keep in mind that its long-term commitment and the user's obligation is a guarantee and space for these other criteria to be largely reduced from the eliminatory meaning to the scoring approach.

Conditions that are not eliminating, but are carrying extra points:

1. The Beneficiary was continuously unemployed under 3 years (5 points)

The Beneficiary was continuously unemployed for 3 years and over (10 points) before submitting the Support Request.

Under the term unemployed, for the purposes of the tender for Operation 6.1.1., are persons who are not employed and who, as such, are registered as unemployed by the Croatian Employment Service (CES) at the time of application for support.

Comment: In some cases, unemployed persons have not been registered with the employment agency for various reasons, so it is questionable whether they are not achieving points by this criterion.

Proposal: In addition to the CES registration, as an option to accept the Declaration of Unemployment, which the applicant would have given under the responsibility and certified by a notary public, which would take into account those who were (and still is) unemployed, were not registered at CES.

2. Activities from a business plan are carried out in areas with natural limitations and other special limitations (10 points).

Comment: In the Požeško-slavonska county, these areas belong to: Brestovac, Čaglin, Lipik and Pakrac, as "b) area with significant natural limitations - ZPO". According to this criterion, this area belongs to 40% of local self-government units from the Požega-slavonska county, which is to small percentage in comparison to the other counties, which have almost 80% of their local self-government units in this area. According to this criterion, 10 points are also awarded to some cities, and some poorly developed municipalities do not. *Proposal:* Redefine this criterion, ie take it into account with other indicators, such as the development index, which is more comprehensive and better illustrates the actual situation on the ground. So far, two calls for project proposals have been published for this type of operation. At the first call for funds, 282 young farmers were awarded funds all over Croatia.

County	Number of realized projects
Požeško-slavonska	15
Brodsko-posavska	10
Virovitičko-podravska	13
Vukovarsko-srijemska	36
Osječko-baranjska	7
Total Slavonija i Baranja	81
Total Croatia	282
Part Slavonija i Baranja	28,72%

Table 1. Number of realized projects from Operation 6.1.1 by counties; Source: Author interpretation according, Paying Agency for Agriculture, Fisheries and Rural Development (PAAFRD)

The second competition ended on February 24, 2017, the decision on the temporary allocation of funds was issued on December 29th 2017, and the final decisions, which have still not been issued today. By changing the contest, funds were raised for HRK 56,000,000.00, with the initially planned HRK 75,000,000.00 to HRK 131,000,000.00, so that this grant was secured for 349 projects. From the provisional list it is not possible to conclude from which counties are users.

2.2 Overview of Operation 6.3.1. Support to the Development of Small Agricultural economies,

Conditions that are not eliminating, but carry extra points:

1. Distance / isolation of the area (activities are carried out in an area located on an island or mountain area). (15 points, out of a maximum of 55)

Comment: According to this criterion, this area belongs to only 1 local self-government unit from the Požega-slavonska county.

Proposal: Redefine this criterion, ie take it into account with other indicators, such as the development index, which is more comprehensive and better illustrates the actual situation on the ground. This approach to this criterion is especially important because it carries 15 out of 55 possible points.

2. The Beneficiary was continuously unemployed for less than 3 years (10 points) prior to the submission of the Request for Support The Beneficiary was continuously unemployed for 3 years and over before submitting the Support Request. (15 points)

Comment: A certain number of unemployed persons are not registered with the Employment Service.

Proposal: In addition to the CES registration, as an option to accept the Declaration of Unemployment, which the applicant would have given under the responsibility and certified by a notary public, which would take into account those who were (and still) in the unemployment situation, were not registered at CES.

Considering the accentuated importance of these Operations, or the entire Rural Development Program 2014-2020. for Continental Croatia, and taking into account the above mentioned situation among the stakeholders, some of presented comments and suggestions should be taken into consideration and as well be applied to the rest of the implementation of the Rural Development Program 2014-2020.

So far, two tenders have been announced for this type of operation. In the first competition that was announced from May 12th 2015 until July 31st 2015 the funds were received by 996 holdings, with the fact that all funds were not used, ie for a positive decision it was enough to achieve a minimum number of points (20/55).

County	Number of realized projects
Požeško-slavonska	45
Brodsko-posavska	23
Virovitičko-podravska	41
Vukovarsko-srijemska	37
Osječko-baranjska	108
Total Slavonija i Baranja	254
Total Croatia	996
Part Slavonija i Baranja	25,50%

Table 2. Number of realized projects from the operation 6.3.1 by counties, 1st call for proposals; Source: Author interpretation according PAAFRD

The second call for proposals was announced on January 27th 2017 and lasted until March 27th 2017. Provisional decisions are published on October 31st 2017 and final decisions February 20th 2018. This tender is funded by 1,355 projects. From the final rank of available list it is not possible to determine which counties are individual users.

3. Conclusion

When preparing projects from the Rural Development Program, the most difficult thing is that a significant part of the information is "given" in the contest itself, while the rulebook defines the basic elements.

The best example of such practice is the scoring criteria, which are published only after the announcement of the competition, while it was preceded by the rulebook. The Ministry responded to this objection with a verbal explanation stating that this model is a defense because the procedure for modification of the tender is much simpler in relation to the amendment of the Rulebook and that this significantly accelerates the procedure itself. In practice, this way makes it difficult to prepare for bidding, for which the best example is the calculation of economic size that users would be able to customize by selecting the cultures they sow in their economies.

The length of the procedure from signing up to the final decision takes too long, which can significantly affect the potential users. The best example is young farmers in the context of the operation 6.1. where they can lose the ability to apply and 4.1.1. where they can lose the intensity of 20% co-financing intensifying the status of young farmers.

In the context of the procedure, it is important to reduce the number of documents that users have to access, and they can be traced within the system by better coordination of all services, such as the Tax Administration Certificate on Debt Status, Property Lists and more. There are visible moves in this area, so you no longer have to submit a Certificate from the Croatian Employment Service.

Criteria that are most often difficult to meet are smaller farms, especially in terms of new employment and construction of large-scale facilities, so there is a significant number of economies which in practice do not have an adequate bid, for "lesser measures" are too large (6.3), and in these "larger" The measures (4.1 and 4.2) are not competitive.

Požeško-slavonska county has all the prerequisites for good agricultural engagement, but significant shifts are needed throughout the sector, especially within the criteria of

the Rural Development Program, where there are evident examples of successful examples in our county, but these projects relate to lesser measures, while in the use of measures that have significant amounts are lagging behind for others, or very hard to use these funds.

4. References

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