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Rural Development (Government focal point(s):)

- Integrating rural development strategies into Poverty Reduction Strategies (PRSPs) or other economic/development strategies.
- Causes of rural-urban migration, and policies to reverse this trend
- Main driving forces for economic growth and social development in rural areas (e.g. agriculture, small and medium enterprise development, employment and other non-agricultural sector)
- Improved access to basic services and infrastructure in rural areas (e.g. adequate shelter, education, employment opportunities, health, sanitation).
- Access to land and property.
- Improved access for producers to local markets (for example, farm to market roads).
- Improved access to reliable and affordable energy services and to modern biomass technologies and fuelwood sources; commercialization of biomass operations in rural areas.
- Enhancement in sustainable tourism development.
- Environmental consequences of rural development efforts.
- Capacity building for small and medium-sized enterprises.
- Empowerment of local rural communities, especially those living in poverty and their organizations.
- Waste management systems in the rural areas – waste prevention and minimization, reuse and recycling, and environmentally sound disposal facilities.
- Economic incentives to promote adaptation of lost cost technologies pertaining to the areas of rural development.

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1. Introduction

The Republic of Croatia has a surface of 87.609 km² consisting of 56.542 km² (64,5%) of continental land area and 31.067 km² (35,5%) of territorial sea area. With a total population of 4.437.460 (Census 2001), Croatia has an average population density of 78 inhabitants / km².

The Republic of Croatia is divided into 21 counties (Zupanija), including the City of Zagreb having a special status, which consists of 556 administrative divisions, i.e. small local self-government units (127 towns and 429 municipalities) with a total of 6.751 communities (31 December 2005).

According to OECD criteria (threshold of 150 inhabitants/km²), in 2001, 91,6% of the total area was classified as rural and 8,4% as urban. As regards the population, out of the total 4,437.460 inhabitants, 47,6% lived in rural and 52,4% in urban areas. Population density in Croatia is very heterogeneous. On average, it amounts 78 inhabitants/km², ranging between 34 inhabitants/km² in rural up to 325 inhabitants/ km² in urban areas.

In 2001, 17,1% of the rural population were up to 14 years of age, 64,0% were counted as active economic persons (with women aged between 15 - 59 years and men between 15 - 64 years) and 18,9% as senior population (with women aged above 60 years and men above 65 years). The ageing index for the rural areas increased in that period from 0,79 (1991) to 0,96 (2001). An analysis of the age structure of the population living in rural areas reveals negative trends for the economic and social development process.

Out of 21 counties, including the City of Zagreb, eight (38%) show immigration or population regeneration trends, whereas the rest of the counties (62%) are characterised by overall emigration and depopulation trends.

An analysis of data on in-and-out migration based on the population census data of 2001 in rural areas shows different trend pattern in rural compared to urban regions. A lower percentage of persons have changed the place of residence in rural regions (between 46-49%) compared to 51% in urban regions. In rural regions there were a much higher percentage of those who migrated to the place of their current residence from towns/municipalities which were located near the current place of residence, compared to a respective coefficient calculated for urban regions. The percentage of those who migrated within the same county, was three times higher in rural than in urban regions (22% and 7% respectively), i.e. the migration took place mostly from rural areas to urban centres. The percentage of migration from one to another county was in rural regions much lower than in urban regions, i.e. 26% in predominantly rural and 61% in urban areas; the share of immigrants from abroad in total migration in rural areas (approx. 22%) was lower compared to urban areas (32%).

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Strong negative growth rates of rural population is a trend which has diverse origins: a low share of women in reproductive age living in rural areas, inadequate living conditions for young families, change of living pattern (preferences for having less children) or a higher share of economic active, younger people searching for a job career in urban centres. Although in some EU countries negative growth rates of population coincide with positive trends in economy both in urban and rural regions, in Croatia the situation is different and characterised by strong differences regarding opportunities for economic and social development among the regions. Overall, there is quite a striking difference between economic growth rates and growth rates of population in rural and urban regions and/or between less prospective and more prospective rural regions. The strong negative growth rates of population living in extreme rural regions is a result of relative and/or absolute deterioration of living conditions for young families and an increased trend towards out-migration to urban centres or more prospective rural/tourist regions.

In the frame of the self-governing tasks at county, town and municipality level, administrative departments and services are to a different degree responsible for development issues, as well as local development agencies, entrepreneurial centres (county and local centres providing access to credit, information, vocational training and entrepreneurship enhancement support to the SME sector), technology centres and other development institutions. Such institutions have to a greater or a lesser degree developed partnership and cooperation structures with central government bodies.

Rural households in Croatia are generally characterised by poorer access to basic infrastructure endowment (population/roads, road density, water supply per capita, waste water from public sewage system, telephone connection) and having poorer housing quality (electricity, water supply system, sewage disposal system, central heating, kitchen, toilet and bathroom facilities in the house) than households in urban regions in Croatia slowing down the economic and social development process and as well posing environmental risks.

The most significant differences concern the connection to central heating systems, sewage system, water pipelines and road network density. Also energy supply in many rural areas is unstable and affected by numerous disruptions. As regards the heating system, it has to be taken into account that due to warm climate conditions in counties in the southern of Croatia, rural households are not connected to the central system using wood during colder periods.

Although if households are connected to the sewage systems, the waste water in municipalities is not treated and this creates environmental problems. In 2003, only 21% of the sewage water in municipalities was cleaned, of which only 12% was subject to complete cleaning process (physical, chemical and biological cleaning).

Rural tourism plays an important role for the economic, social and cultural development of the rural areas. It is closely related to agricultural production, regional development, natural environment, and rural way of life showing traditional lifestyle, ambience, cultural and historical traditions. The diverse Croatian countryside offers a rich potential for the further development of rural tourism if ecological sound investments in the tourism infrastructure and on private level as well as destination marketing are intensified. Rural tourism in Croatia is mainly practised in form of farm tourism, hunting tourism, fishing, gastronomic tourism, wine tourism and nature tourism. By definition it does not comprise the mass tourism sector at the Adriatic coast, yet the millions of domestic and foreign tourists at the Mediterranean Sea represent potential clients for rural tourism.

The increase of the energy usage of biomasses is defined in the strategic activities of the National Forest Policy and Strategy. One priority is to use the organic waste from agriculture and forestry as a heating source to improve the living conditions of the rural population and to improve the environmental situation. In 2001, only 29,3% (according to OECD criterion), respectively 18,1% (according to EU criterion), of the rural buildings were connected to the central heating system. Investment in heating plants which use bio mass will improve this situation in public institutions such as kindergartens, schools, ambulance, etc.

Agricultural land covers a considerable part of Croatia's territory and agriculture is by far the biggest single influence on Croatian nature and the countryside. Agricultural activities affect both the quantity and quality of nature and the environment. Croatian agriculture has a substantial environmental impact on soil, water, and air, as well as on species, habitats and landscape diversity.

Taking into consideration described situation, the Republic of Croatia has set development objectives and has introduced different measures aiming at improvement of related rural development issues, described in following chapters.

2. National strategies and rural development integration

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National development strategy outlines three global development objectives pursued to:

- Achieve accelerated growth in real GDP and employment, as well as higher living standards compared with more prosperous regions of Europe;
- Obtain higher competitiveness of the national economy compared with more developed regions of Europe;
- Reduce regional disparities within the country by creating favourable conditions for social-economic development in the most backward regions.

The overall national objectives and the fundamental principles outlined above constitute the framework for the national objectives concerning sustainable agriculture, forestry, fisheries and rural development.

The Ministry of Agriculture, Forestry and Water Management (MAFWM) has translated the overall development vision in the National Agricultural and Fishery Strategy of the Republic of Croatia (OG No. 89/2002) into long-term development sectoral strategy goals:

- Improved competitiveness and efficiency of primary agricultural, forestry and fishery production;
- Improved competitiveness and efficiency of processing and marketing of agricultural, forestry and fishery products;
- Improved quality and hygiene standards, as well as environmental and animal welfare standards;
- Additional employment opportunities and income for farmers and all people living in rural areas leading to improved living standards and working conditions;
- Achieving sustainable rural development through optimised and balanced economic development, environmental preservation and social cohesion.

In order to achieve set objectives in the area of agriculture and rural development, Republic of Croatia implements national support schemes and EU pre-accession funds: SAPARD and IPA – Rural Development component (IPA – RD).

3. National rural development measures

The majority of the national agricultural policy is implemented through two Acts – the Agriculture Act and the Act on the State Aid in Agriculture, Fisheries and Forestry. MAFWM is the body responsible for their implementation.

The Act on State Aid in Agriculture, Fisheries and Forestry (OG, 87/02, 117/03, 82/04, 12/05, 85/06, 141/06) provides for four different state aid schemes intended for different target groups or aid beneficiaries. The schemes are:

1. the production subsidy scheme (direct payments)
2. the income support scheme,
3. the capital investment scheme and
4. the rural development scheme.

The said models have the following key goals of the agricultural and rural development policies:

- restructuring of the agricultural aid towards the work-intensive production and a further strengthening of the role of livestock farming, wine-growing and fruit-growing;
- better and more diversified promotion of income aid as the main type of support to numerous non-commercial farms;
- more dynamic strengthening of the share of aid to rural development investments and programmes within the overall aid system, which shall influence a more transparent and efficient aid, especially to the commercially most important farms, as well as the sustainable development of the entire agricultural area;
- a strict compliance with budget limitations, the adopted international obligations (in particular, those within the WTO system) and a further gradual harmonisation with the CAP.

The objective of the rural development scheme is the maintenance and development of rural areas and particular traditional features of the Croatian agriculture. This scheme comprises three programmes: (1) development of

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rural areas, (2) preservation of autochthon and protected breeds, and (3) marketing preparation of agricultural products and foodstuffs.

The fundamental objective of the Programme for development of rural areas is sustainable development of rural areas by ensuring adequate working and life conditions and the preservation of natural and cultural heritage.

Measures for the development of rural areas encompass aid for:

- investments into farms
- processing of agricultural products,
- establishment of machinery rings,
- young farmers,
- education, retraining and training,
- environmental protection measures in agricultural and forestry areas,
- forestry,
- renewal of fire affected forests and agricultural areas,
- land improvement measures,
- reconstruction and development of the countryside,
- preservation of cultural property, rural customs and manifestations,
- various agricultural and other activities aimed at realising additional or alternative sources of income,
- rural and hunting tourism and traditional crafts,
- improvement of rural infrastructure connected with the development of agriculture,
- promotion of wine roads and other tourist routes,
- promotion of quality autochthonous products
- development of services in rural areas.

Implementation of the Programme is based on the pooling of financial resources from the state budget and user resources, county resources and other sources of funding. The objective is for this issue to be approached according to a “bottom-up” principle or that local self-government units become actively involved in the decision making process for decisions important for the development of this region.

4. EU pre-accession funds

Two main objectives are set for implementation of EU pre-accession support schemes through pre-accession funds SAPARD and IPA - RD:

- The implementation of the *Acquis Communautaire* concerning the Common Agricultural Policy (CAP) and related policies;
- Finding sustainable solutions for problems in specific priority fields of the agricultural sector and Croatia’s rural areas.

The SAPARD and IPA - RD measures will complement the implementation of the National Agricultural and Fishery Strategy. They will focus at supporting the development of commercial agricultural holdings and competitive food-processing enterprises through improved market and technological infrastructure and strategic investment policies aimed at improving the access to national and international markets by reaching EU standards. Equally, the assistance will contribute to a sustainable and social coherent rural development process consistent with international environmental practices by developing the rural economy, enhancing income and providing and securing employment opportunities in the rural areas to counterbalance disparities between regions and compared to urban areas, as well as to develop and rehabilitate basic rural infrastructure, also in war effected areas.

The Croatian Plan for Agriculture and Rural Development 2005 – 2006 (SAPARD Plan) was approved by the European Commission in February 8, 2006.

Priorities and corresponding measures are presented in the following table:

Priority	Measure
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1. Development of the rural economy	Investment in agricultural holding
2. Improving of the market access	Investment in processing and marketing of agricultural and fishery products.
3. Development of rural infrastructure	Investment in rural infrastructure.

Also, for IPA – RD programme, one specific objective per priority area has been defined and will be made operational through corresponding measures, presented in following table:

Priority	Specific Objective	Corresponding Measure
1. Improving market efficiency and implementation of Community standards	Strengthening and improvement of the agricultural production and market capacity	Investments in agricultural holdings to restructure and to upgrade to Community standards Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards
2. Preparatory actions for implementation of the Agri-environmental measures and local rural development strategies	Strengthening and improvement of the capacity for implementation of obligatory pilot project in Agri – environment and Leader based approach	Actions to improve the environment and the countryside Preparation and implementation of local rural development strategies
3. Development of the rural economy	Creating better living conditions in rural areas by improving rural infrastructures and promoting business activities.	Improvement and development of rural infrastructure Diversification and development of rural economic activities
Supportive measure: Technical assistance, information and publicity campaigns		

SAPARD programme implementation have started in 2006, when first call for applications was published, while IPA – RD programme is in preparation phase and implementation will start not before 2008.