

IMPLEMENTATION OF LEADER MEASURES OF RURAL DEVELOPMENT IN CROATIA

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Abstract

This paper presents experiences of LAGs in Croatia through the details of implementation of LEADER program in rural development.

IPARD - Instrument for Pre-Accession Assistance in Rural Development - Operational programme for agriculture and rural development within European financial perspective 2007 - 2013, defines Croatian rural policy for the stipulated period until acceptance of the new rural development program 2014 - 2020. The implementation of IPARD started in 2008, which brought Croatia the liability of implementing LEADER program. However, it should be noted that the implementation of LEADER is based on "bottom-up approach" in local communities with active individuals and associations as initiators of development initiatives, which should result in founding of LAGs - Local Action Groups for the area of at least 2 municipalities, and LEADER program is intended for municipalities and smaller towns, up to 25,000 citizens. Management structure of Local Action Group has to be at least 50% votes of the civilian sector, at least 30% of votes of women and at least 1 vote of a person under 25 years of age. LAG can cover the area of 5,000 - 150,000 citizens.

In the beginning of LEADER Measure 202 implementation, started in 2013, LAGs face to severe financial and other problems, as pre-financing, payment of VAT, etc. These issues were removed by negotiating of the representatives of the LEADER Network Croatia (association of Croatian LAGs), which have increasingly strong role in the implementation of rural development in Croatia.

In the beginning of 2015, there are expected new tenders from the Rural Development Program 2014 - 2020, with significantly larger funds for the rural development than in the IPARD period. In this new period, Croatian LAGs, covering more than 80% of land area,

will be a strong partner to the government in achieving long-term strategic objectives for rural development, and a subject of new research interests.

Key words: Rural development, LEADER measures, LAG, Croatia, LEADER Network Croatia.

1. Introduction

At July 1st 2014, Croatia became a full member of the European Union. Candidate status acquired in June 2014, and in October 2005, was open negotiations procedure on accession which was finalized in June 2011.

During pre-accession period, Croatia used multiple programs: Instrument for Pre-Accession Assistance (IPA), Community Assistance for Reconstruction, Development and Stabilisation (CARDS), The Programme of Community aid to the countries of Central and Eastern Europe (Phare), Instrument for Structural Policies for Pre-Accession (ISPA), Special Accession Programme for Agriculture and Rural Development (SAPARD) and The Technical Assistance and Information Exchange (TAIEX) services and Community programs. In early 2007, Croatia started with implementation of a new integrated Instrument for Pre-Accession assistance - IPA. Croatia is the beneficiary of all five IPA components; the value of contracted funds is 1,022.4 million euros [1].

Thanks to the accession process, Croatia has received a strategic framework for the implementation of measures for sustainable rural development that is fully integrated into the IPARD for the period from 2007 to 2013. IPARD program for Croatia received a positive opinion from the Committee for Rural Development in Brussels 19.12.2007 and it was formally accepted on 25.02.2008 by the European Commission [2].

To implement this programme, Croatia secured funds from the - IPA 2007-2013. That fund represent a significant financial assistance for co-development programs. IPARD program for 2007 - 2010 was defined by the amount of 179 million euros of EU funds, and for the period 2011th to 2013th amounting to an additional 372 million euros. According Decision of the Croatian Government (Official Gazette 34/08), IPARD program is administered by the Rural Development - Managing Authority for SAPARD/IPARD and implemented through the jurisdiction of the Paying Agency for Agriculture, Fisheries and Rural Development [2]. Accepting IPARD programme, Croatia defined rural policy for the period from 2007th to 2013th, and thus Croatia was given the possibility to apply the LEADER approach / program [3].

Rural development policy is an increasingly important component of the Common Agricultural Policy (CAP). It promotes sustainable development in Europe's rural areas addressing economic, social and environmental concerns. Over half of the EU's population lives in rural areas, which cover 90% of the EU's territory (EU-25). LEADER is an innovative approach within EU rural development policy. On the 20th September 2005., the Council approved a new regulation for rural development support for the programming period (2007 - 2013). This gives greater emphasis to the LEADER-style approach. During the programming period, each rural development program must have a LEADER component for the implementation of bottom-up local development strategies [4].

1.1 The establishment of LAGs and LEADER Network Croatia

Croatia is a country with a predominantly rural characteristics. According to OECD criteria, rural area covers 91.6% of the land area, rural settlements make up 88.7% of all villages, the rural population represents 47.6% of the total population in Croatia, (Table 1) [5].

The LEADER implementation process in Croatia officially started in October 2008 through the TAIEX's assistance to the Ministry of Agriculture and Ministry of Regional Development under the auspices of the European Commission (EC). During the six months,

workshops were held in Zagreb for representatives of county governments, agricultural institutions, universities and civil stakeholders. In the framework of TAIEX activities in 2009 were conducted three pilot projects that resulted in the organization of the first three LAGs in Croatia. During this period, there were several LEADER conferences for broader public, but only in major cities in Croatia - Split, Zagreb and Osijek. After that the Ministry did not finance the implementation of LEADER until July 2013.

The importance of the LEADER approach for the development of local communities and the overall rural development in Croatia, has been recognized by experts who deal with issues of local democracy and rural development. It is important to mention organizations that are, each in their field, started with establishing of LAGs such as: UNDP Croatia, Regional Development and Education Center "Primus Fortissimus", Centre for Civil Initiatives, Faculty of Agriculture in Osijek, Croatian Institute for Local Government, Institute for Development and International Relations and NGO "Odras". Pending the establishment of cooperation between the representatives of these organizations came in early in 2012, and quickly developed in a networking initiative for all Croatian LAGs. This initiative resulted in the creation of LEADER Network Croatia, which today strongly connects 32 LAGs and public and civic organizations to support their development, such as universities, research institutes and national development NGOs. After the founding, at 12th of April 2012. LEADER Network Croatia stepped up the animation activities for the establishment of LAGs, which accelerated the establishment of new LAGs. Until the establishment of the network, in the period 2009 - 2012 only 19 LAGs were founded, and after the establishment of network, to November 2014, 46 LAGs were founded. In Croatia, the LAGs are registered as non-profit and non-governmental civil society organizations.

All these activities were happening outside funding from the IPARD program. Funds were provided through small grants from national and UNDP resources and/or foundations, and funds of local governments. After LMH founding, communication with the authorities responsible for the implementation of the LEADER

Table 1. Rural and urban areas, population and settlements according OECD criteria

Classification	OECD criteria - 150 inhabitants/km ²					
	km ²	%	Settlements, number	%	Population, number	%
Rural areas	51.872	91.6	6.001	88.7	2.110.988	47.6
Urban areas	4.731	8.4	763	11.3	2.326.472	52.4
Total	56.603	100	6.751	100	4.437.460	100

Measure 202 strengthened, and informative and educational activities for the empowerment of LAGs has been stepped up. Today in Croatia there are 65 registered LAGs, and 43 LAG has signed contracts with MA/Paying Agency (during the implementation, 2 of the approved LAGs terminated the contract). Of the 41 funded LAGs (Figure 1), 31 of them (75%) are members of the LMH. Influence of approved LAGs is increasing every day, as evident from the measurable indicators that are the subject of the research described in this paper.

The role of the LEADER Network Croatia grow daily. The specificity of this network are activities and services of importance to the implementation of integrated rural development at national level, same as providing daily technical assistance to LAGs members and non-members, in particular through the negotiation processes that achieve benefits for the development of all LAGs including their local stakeholders. Thus, for example, by of two separate direct interventions of the LMH, the Ministry of Finance allow exemption from VAT for all beneficiaries of the IPARD Measure 301 (intended for local governments exclusively for the construction of unclassified roads and drainage systems) and Measure 202, which was used by LAGs. The third intervention was related to the creation of unique interim financing models that accelerate the use of funds from IPARD Measure 202. The contracted funds were from the Europe + programme for interim financing activities of the LAGs. Funds are allocated to LAGs through interest-free loan from the National Foundation for Civil Society Development.

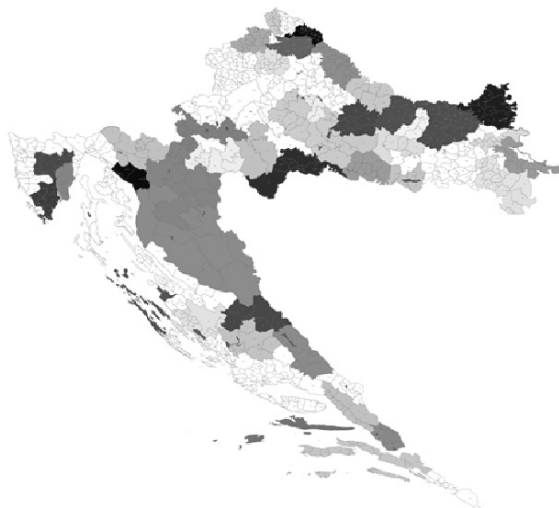


Figure 1. Approved LAGs in Croatian IPARD Programme 2007-2013, November 2014.
(Source: Ministry of Agriculture of the Republic of Croatia)

2. Materials and Methods

This paper research the performance of the support funds withdrawal by the LAGs through IPARD Measure

202, in order to assess the impact of Local Action Groups (LAGs) and LEDAER Network Croatia (LMH) on implementation of the Europe 2020 and IPARD programme priorities. For a better understanding of the the LEADER approach implementation in Croatia, this paper described the process of the emergence of LAGs same as the emergence and impact effects of the LEADER Network Croatia which activities contributed to accelerating these processes. To prove the assumptions that LAGs and LMH contribute significantly to rural development, research was conducted in all funded/approved LAGs through IPARD Measure 202. The survey was consisted of a questionnaire with 65 questions pertaining to the organization itself, membership and basic information about the area, permanent and temporary personnel, the implementation of the IPARD Measure 202 and interim financing. Survey was delivered by e-mail to 40 approved LAGs and response was 100%.

Assessment was implemented on:

- the impact on the development of a 'local area' through specific measure indicators of spatial coverage;
- the impact of the multi-sectorial approach through the share of civil, business and the public sector members in the total number of members of the LAGs;
- impact on employment through new jobs indicators;
- impact on other IPARD measures through the value of implemented projects;
- impact on the development of human resources through indicators of animation, education and training;
- the impact of the MA / Paying Agency through the indicators of quarterly requested and disbursed funds and
- indicator of the interim financing impact on contracted funds spending.

The authors used the program and reporting documents, scientific and expert literature in the field of development policies, results of the survey conducted with LAGs, and the experience and numerous notes of this paper through animations and educational workshops for the establishment and strengthening of LAGs. The authors used the descriptive statistical method based on the average processing and summation of data collected through survey.

3. Results and Discussion

To obtain more detailed insight into the spending of the IPARD program under Measure 202, structured questionnaire was sent to the addresses of 40 approved and financed LAGs. Evaluation of LAGs suitable for IPARD funding was based on the quality of local partnership, territory and population density, their economic situation and quality of Local Development Strategy. LAGs were approved through two tenders, first issued in March and the second in September 2013. The first

contracts were signed in July 2013. Planned allocated funds was in the amount of 900,000 kunas' for each LAG, or 450,000 to 450,000 for the first and second year of implementation, from the date of signing the contract with the Paying Agency. Since the lack of detailed report by the body responsible for implementation of IPARD Measure 202, it was necessary to develop a research platform for monitoring the efficiency of LAGs, regarding real effects of the Measure 202. The platform was developed through a partnership agreement on cooperation in research between funded LAGs and the research team assembled by LMH and Faculty of Agriculture in Osijek. This team was established with the mission of introducing scientific approach in monitoring the development of LAGs and assessment of their impact on the wider community in order to define new development of recommendations and guidelines, as well as achieving better negotiating position in favor of advocating the interests of Croatian LAGs.

Systematic scientific research and monitoring is extremely important because it can certainly contribute to the empowerment of LAGs that ultimately result in maximum effects for the development of Croatian rural areas, primarily for the development of micro and small rural holdings. Specifically in Croatia it is evident very high number of small rural holdings with annual income between 4,000 and 25,000 euros, or 218,878 euros or 94% in total. Those small rural holdings used 53% of agricultural land, generate 46% of the standard output, and possess 45% of livestock units of cattle (Table 2). However, it is calculated that in rural areas there are about 200,000 micro rural holdings with an income of less than 4,000 euros a year who are not registered in EUROSTAT farms. Those rural holdings, under the conditions of economic crisis, are in deprivation and poverty because of the high unemployment rate of its members. These are the causes of depopulation of rural areas and losing interest in engaging in agriculture, which is evident from the structure of age of agricultural holdings leaders. In fact, only 10% of the leaders are younger than 40 years, until the age of 60 are 50% of them [6].

The available resources of small rural holdings are modest in scope, inadequate structures, and as such are not sufficiently attractive for investments. Exploration of key socio-economic indicators of rural economies in

terms of the possibility to improve their economic performance to diversify the rural economy, pointed out that rural economies low evaluate the significance of the workforce as a resource and does not recognize the additional skills and abilities of its members. Available land for farms less makes a guarantee for their survival and nutrition, because only a small number of those rural holdings have a capital [7].

Approved LAGs spend IPARD funds contracted for the financial perspective 2007 - 2013; 40 LAGs received on disposal of 116,405.25 EUR (900,000 HRK) to fund its activities with 100% refund for approved expenses. LAGs have an obligation to inform the competent authorities of the MA/PAAFRD on funds spent and apply for disbursement after each quarter.

Based on data collected through the survey, after additional checks and processing data, the assessment was implemented through standard indicators to measure the impact of LAGs to meet the priorities of the IPARD program, and the development priorities of the Europe 2020 strategy, in parallel. IPARD priorities are:

- Improving market efficiency and implementation of Community standards.
- Preparatory actions for implementation of the agri-environmental measures and local rural development strategies.
- Development of rural economy.

Europa 2020 priorities are:

- Smart growth: developing an economy based on knowledge and innovation.
- Sustainable growth: promoting a more resource efficient, greener and more competitive economy.
- Inclusive growth: fostering a high-employment economy delivering social and territorial cohesion.

Assesed indicators:

- The impact of LAGs on the development of "local area" through specific indicators of spatial coverage of the measure, and impact on the development of local democracy ("bottom up" approach) (Table 3).
- The impact on the multi-sectoral approach through the participation of members of civil, business and the public sector in the total number of LAGs members (Table 4).

Table 2. Characteristics of rural households in Croatia

Class	Number of rural households	%	ha of the used agricultural land	%	Total standard output (SO)	%	Number of livestock units	%
Up to 25.000 eur	218,878	94	692,714	53	963,844,100	46	452,179	45
> from 25.000	14,398	6	623,297	47	1,150,820,639	54	552,999	55
Total	233,276	100	1,316,011	100	2,114,664,740	100	1,005,178	100

- The impact on employment over the indicators of new jobs creation (Table 5).
- The impact on other IPARD measures over the value of completed projects (Table 6).
- The impact on the development of human resources through indicators of animation, education and training (Table 7).
- Monitoring the dynamics and intensity of requested and disbursed funds on a quarterly basis (Table 8).
- The impact of interim financing from "Europa +" programme (9).

Table 3 presents data defining Croatian territory covered by the 40 approved LAGs. It is obvious that the LAG areas covered 63.8% of the total number of local selfgovernments, 59.6% of the number of settlements, 68.6% of the whole Croatian territory (from 56,594 km²). However, the population does not follow the high stakes which leads to a lower density of population in LAG areas, and it is 44 inhabitants/km² while the national average is 78.4. All this alludes to a very demanding mission of LAGs in terms of empowering the development potential and democratic processes in local communities, especially those less developed with intensive depopulation trends (Table 3).

Table 3. Indicators of a "local area" / "bottom up"

Indicator	All approved LAGs/40	In relation to the overall Republic of Croatia
The number of the local selfgovernments in LAGs	355	63.8%
The number of settlements in the LAGs	4030	59.6%
Total area coverage by LAGs	38.810,97 km ²	68.6%
Polulation number in LAGs/Census 2011	1,415,259	33%
Population density in LAGs, inhabitants / km ² / Census 2011	44	Far below national average of 78.4%

The implementation of LEADER is based on "bottom-up approach" in local communities with active individuals and associations as initiators of development initiatives, which should result in founding of LAGs - Local Action Groups for the area of at least 3 municipalities working together. LEADER program is intended for municipalities and small towns, up to 25,000 citizens. Management structure of local action group has to be at least 50% votes of the civilian sector, at least 30% of votes of women and at least 1 vote of a person under 25 years of age. LAG can cover the area of 10,000 - 150,000 citizens. Indicator of „multisectoral approach" clearly points to the good positioning of the

civil sector. The civil sector is leading in the number of members in the LAGs in front of economic sector representatives, and together hold 80.4% of all membership in LAGs. The low proportion of public sector speaks to the fact that the management LAG political influence is certainly lower than elsewhere in society (Table 4).

Table 4. Indicator of „multisectoral approach"

Indicator	All approved LAGs/40	
	No.	%
Members of the public sector in LAGs	550	19.6
Members of the economic sector in LAGs	1091	38.8
Members of the civil sector in LAGs	1167	41.6
Total	2808	100

The analysis of indicators of employment shows that the implementation of Measure 202 show an increase in the number of employees in the LAGs to 75 people out of 94 total employees. This new employment makes high 82.4% of the total number of employees in the LAGs and speaks to the fact that this employment probably would not have happened without the support from the Measure 202. It should be noted that this is mainly the employment of managers and their assistants in LAGs distributed throughout the entire Croatian territory. They were the ones responsible for launching numerous activities and help with withdrawal of funds of the European Union for the development of Croatian rural areas. LAGs has refunded net salary per employee, the average net salary per employee is approx. 591,02 EUR (4491.75 HRK) and gross salary approx. 1,031,83 EUR (7841,95 HRK). The difference between net and gross earnings for contributions from salaries and wages paid by LAGs must be covered by their own funds and it is non-refundable (Table 5).

From the date of approval for disbursement, LAGs were given a duty to check the consistency of investment projects applying for the IPARD measures with the Local Development Strategy of the LAGs. For compatible projects were issued letters of support which increased earning points when evaluating projects. Through these activities, LAGs were given an insight into the value of cofinanced investment projects in agriculture, diversification and public infrastructure from the IPARD program (Table 6).

Animation, education and training indicators show intense of LAGs activity. In the year after contracting/ approval by responsible body, LAGs organized 632 training workshops (average 15.8 per LAG) and 516 information sessions (average of 12.9 per LAG). The data in Table 7 show great interest the members of the LAGs and broader local population for various activities.

Table 5. Employment in LAGs

Indicator	All approved LAGs/40
Total number of employees in the LAGs (November 2014.)	94
Total number of full time employees in the LAGs	24 (25.5% from total number of employees)
Total number of temporary employees in the LAGs (contracted implementation time for Measure 202)	70 (76.9% from total number of employees)
Total number of employees in the LAGs before contracting / approval of MA/Paying Agency	19 (20.2% from total number of employees)
Total number of employees in the LAGs after contracting / approval of MA/Paying Agency – direct consequence of the implementation of the IPARD Measure 202	57 (62.6% from total number of employees)
Total number of new employees (new jobs creation) in LAGs - direct consequence of interim financing from „Europa +“ programme	18 (19.7% from total number of employees)
Total number of new employees (new jobs creation) in LAGs - direct consequence of IPARD Measure 202 and interim financing from „Europa +“ programme	75 (82.4% from total number of employees)
Gross salary (40 LAGs, average)	1,031.83 EUR (7,841.95 HRK)
Net salary (40 LAGs, average) - 100% disbursement from IPARD Measure 202	591.02 EUR (4,491.75 HRK)

Table 6. Impact on other IPARD measures implementation

Indicator/IPARD programme Measures	The total project value	Planned IPARD cofinancing	Disbursed from IPARD (till November 2014)	Number of jobs created
M101	39,704,183 EUR (301,751,791.27 HRK)	21,452,239 EUR (163,037,019.72 HRK)	3,979,541 EUR (30,244,516.48 HRK)	36
M103	11,675,000 EUR (88,730,000.00 HRK)	5,500,882 EUR (41,806,705.96 HRK)	259,674 EUR (1,974,209.56 HRK)	8
M301	-	-	-	-
M302	1,563,131 EUR (11,879,796.93 HRK)	446,770 EUR (3,395,452.21 HRK)	-	-
Total	52,942,314 EUR (402,361,588.20 HRK)	27,399,891 EUR (208,239,177.89 HRK)	4,239,215 EUR (32,218,726.04 HRK)	44

Table 7. Animation, education and training indicators

Indicator:	All approved LAGs/40
Number of trainings for members of the LAGs, organized by LAGs	632
The number of participants in trainings organized by LAGs	2,394
Number of informational and promotional activities organized by LAGs	516
Number of participant sin informational and promotional activities organized by LAGs	52,649
A number of studies for areas covered and payed by LAGs	15

In addition, LAGs were the initiators of local fairs and new events which were given the opportunity to small producers for the marketing of their products.

Analysis of the dynamics of disbursement of eligible expenses per quarter show beginners disorientation of approved LAGs. After the first year of implementation

of the IPARD Measure 202 LAGs have asked for a disbursement of 9.372.327,57 (1.233.201 EUR). Given that they are not yet processed all the requirements in the fourth quarter, there is no accurate record of the eligible costs, or funds that are returned to LAGs. However, it is known that the 40 LAGs could achieve a total of 18 million kuna, and that the achievement of the first year, about 52.46% (according grant disbursement requests). If we take into account that the LAGs disbursement realized upon completion and paid activities, this result can be considered successful. What are the differences between the successful and the weakest LAGs is visible in Figure 2.

LAGs, in the very beginning of the implementation, did not have the funds available for interim financing. Some have functioned only at the level of small membership fee, while others borrowed needed funds from the banks with high interest rate. After contracting funds for interim financing from the „Europe +“ programme that are available for LAGs as interest-free loan through the National Foundation for Civil Society Development (NFCSD), expenditure of funds for activities carried out remarkably increased. The value of assets that the National Foundation paid to LAGs was 497,368 EUR (3,780,000.00 HRK), which is 51.9% of the total amount disbursed from PAAFRD (Table 8, Table 9).

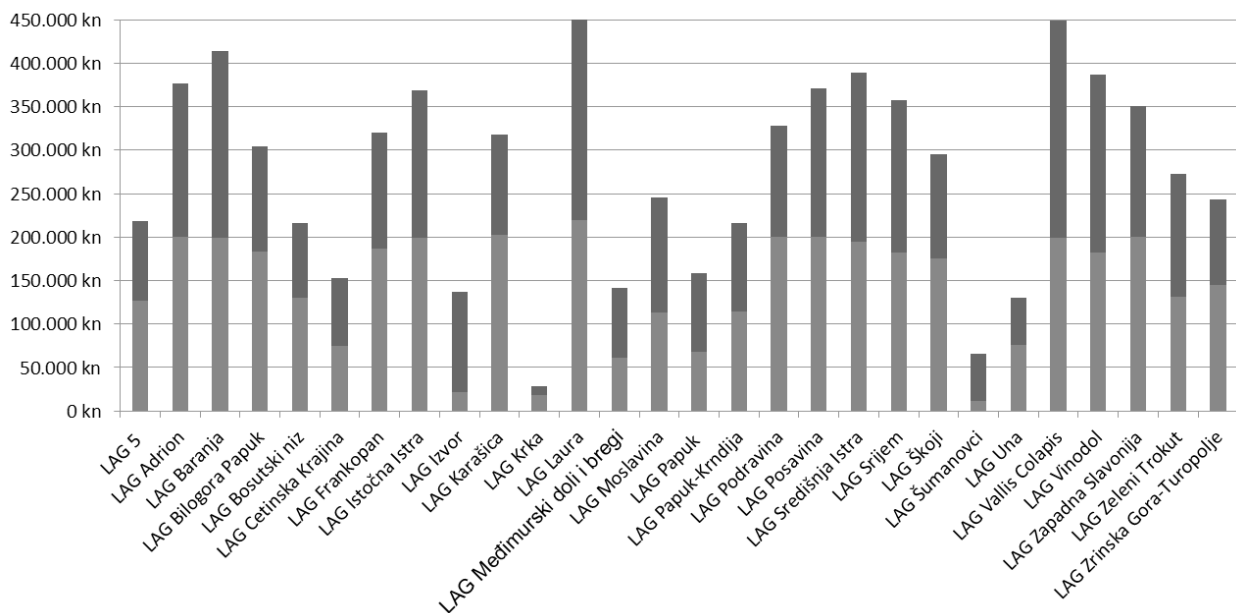


Figure 2. The value of the funds disbursed by the LAGs after the first year of implementation

Table 8. Indicators for monitoring the pace and intensity of requested and funds disbursed by quarter

Indicator/ Quarter of Measure 202 implementation	Requested amount	Disbursed amount	Deductible expenses/ %	Average time from sending the request to the date of disbursement
I quarter (3 months)	124,974 EUR (949,809.05 HRK)	121,301 EUR 937.855,41 HRK	3,673 EUR (11.953,64 HRK) (1,3%)	31 day
II quarter	268,207 EUR (2,038,370.63 HRK)	237,770 EUR (1.838.346,10 HRK)	30,437 EUR (200.024,53 HRK) (9,8%)	32 day
III quarter	283,489 EUR (2,154,514.12 HRK)	253,604 EUR (1.960.769,56 HRK)	29,885 EUR (193.744,56 HRK) (8,9%)	35 days
IV quarter	556,531 EUR (4,229,633.77 HRK)	<i>In evaluation process</i>		
Total	1,233,201 EUR (9,372,327.57 HRK)	-	-	-

Table 9. Influence of the „Europa +“ interim financing programme

Indicator:	All approved LAGs/40
Number of LAGs which requested interim financing from the programme	29 (72.5% of all approved LAGs)
Number of LAGs which did not request interim financing	11 (27% of all approved LAGs)
The total amount requested for interim financing	1,119,906 Eur (8.511.285.74 HRK)
The total amount approved for interim financing	497,368 Eur (3,780,000.00 HRK), (44% of the funds requested) / 51.9% of the total amount disbursed from PAAFRD
Total number of new employees in LAGs – direct consequence of interim financing from “Europa +” programme	18 (19.7% from total number of employees)
Average time of request approval	30 days
Average time of disbursement of approved funds	10 days

4. Conclusions

- Croatia is an extremely rural country with 91.6% of the rural areas. The specificity of the Croatian agriculture is the number of small rural holdings which give up farming because of extreme competitiveness. The biggest problems lies in the lack of connection and lack of support organizations in rural areas.

- Croatia as a EU member state implements the LEADER approach for the activation of local rural communities, including the creation of Local Action Groups (LAGs). A large number of the total of 65 Croatian LAGs was created by spontaneous mobilization of civil activists and the development of the LEADER Network Croatia as support non-governmental association.

- In the first year of implementation of the IPARD Measure 202, 43 LAGs was selected/approved and financed. Two of them terminated the contract with Paying Agency. The research of withdrawals success and the impact on the rural community was assessed through standard indicators of IPARD Measure 202. Impact of LAGs to meet the priorities of the IPARD program same as priorities of Europe 202 Strategy indicators show a significant impact of LAGs to organize development assumptions in large numbers of local selfgovernments and rural settlements, as well as a large influence on the inter-connectivity between public, civil and economic sectors.

- LAGs are disseminating informations' on the implementation of the new rural development measures and helping the broader community to prepare for the withdrawal of these generous support package. Their support role is particularly important in depopulated and underdeveloped rural areas in providing infomations, connections and capacity building of local development stakeholders. Also, they are important as organizations which provide employment opportunity for local educated youth.

- This study presents evaluation of the results achieved by LAGs in first year of IPARD Measure 202 implementation.

Continuous monitoring of the dynamics of development of LAGs will continue to be monitored/assessed within the regular activities of the LEADER Network Croatia.

- Today, Croatian LAGs as rural organizations, are the best of all other organizations organized at the national level, and in the same time, has developed mechanisms for the implementation of sustainable development model for small rural holdings. Will it come to this point, it is political will and advocacy power of LMH to lobby their increasing share of funds for the LEADER program from the current 3% to at least 5% of the total EAFRD funds earmarked for Croatia.

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