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# INTERREG ITALY-CROATIA PROGRAMME 2021-2027 PROJECT SFERA

## D.1.1.2 Report of Entrepreneurship Measures in Rural Areas

(Version 1.0 – 30<sup>th</sup> May 2024)

# SFERA

Strategic Framework for Entrepreneurship in Rural Areas

## D.1.1.2 Report of Entrepreneurship Measures in Rural Areas

### Document information

|                     |  |
|---------------------|--|
| Project             | SFERA - Strategic Framework for Entrepreneurship in Rural Areas  |
| Partnership         | National Confederation of Craft and Small and Medium Enterprises - LP<br>Local action group Lika – PP2 |
| Responsible partner | CNA Bari and LAG LIKA  |
| Length              | 55   |
| Version             | 1  |





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*Table of contents*

INTRODUCTION ..... 6

1.0 OVERVIEW ON RURAL AREAS AND ENTREPRENEURSHIP IN APULIA..... 9

    1.1 Characteristics of rural areas and the role of entrepreneurship in their development 9

    1.2 Specific challenges faced by rural entrepreneurs ..... 9

2.0 OVERVIEW ON RURAL AREAS AND ENTREPRENEURSHIP IN LIKA ..... 10

    2.1 Characteristics of rural areas and the role of entrepreneurship in their development ..... 12

    2.2 Specific challenges faced by rural entrepreneurs ..... 14

3.0 MEASURES TO SUPPORT RURAL ENTREPRENEURSHIP IN APULIA..... 16

    3.1 Government programmes and policies to support entrepreneurship in rural areas .. 16

    3.2 Fiscal, financial and training incentives ..... 16

    3.3 Access to resources and infrastructure ..... 17

4.0 MEASURES TO SUPPORT RURAL ENTREPRENEURSHIP IN LIKA ..... 18

    4.1 Government programmes and policies to support entrepreneurship in rural areas .. 19

    4.2 Fiscal, financial and training incentives ..... 26

    4.3 Access to resources and infrastructure ..... 28

5.0 ANALYSIS OF THE IMPACT OF SUPPORT MEASURES IN APULIA..... 31

    5.1 Evaluation of the effectiveness of implemented measures ..... 31

    5.2 Indicators of success (job creation, economic growth, local development, etc.)..... 31

    5.3 Case studies and testimonies of entrepreneurs benefiting from support measures .. 32

6.0 ANALYSIS OF THE IMPACT OF SUPPORT MEASURES IN LIKA ..... 33

    6.1 Evaluation of the effectiveness of implemented measures ..... 33

    6.2 Indicators of success (job creation, economic growth, local development, etc.)..... 33

    6.3 Case studies and testimonies of entrepreneurs benefiting from support measures .. 35

7.0 TRENDS IN TENDERS AND CALLS FOR TENDERS IN RURAL AREAS IN APULIA ..... 36



|   |    |
|---|----|
| 7.1 Analysis of trends in the number of tenders and notices published .....                                   | 36 |
| 7.2 Type and size of tenders (services, supplies, public works, etc.).....                                    | 36 |
| 7.3 Geographical Distribution of Tenders and Invitations to Tender .....                                      | 37 |
| 8.0 TRENDS IN TENDERS AND CALLS FOR TENDERS IN RURAL AREAS IN LIKA.....                                       | 39 |
| 8.1 Analysis of trends in the number of tenders and notices published .....                                   | 40 |
| 8.2 Type and size of tenders (services, supplies, public works, etc.).....                                    | 40 |
| 8.3 Geographical Distribution of Tenders and Invitations to Tender .....                                      | 42 |
| 9.0 ANALYSIS OF THE IMPACT OF TENDERS ON RURAL ENTERPRISES IN APULIA .....                                    | 43 |
| 9.1 Participation of rural enterprises in tenders .....   | 43 |
| 9.2 Successful contracting and business development .....   | 43 |
| 9.3 Challenges and opportunities related to participation in tenders.....                                     | 44 |
| 10.0 ANALYSIS OF THE IMPACT OF TENDERS ON RURAL ENTERPRISES IN LIKA.....                                      | 45 |
| 10.1 Participation of rural enterprises in tenders .....  | 46 |
| 10.2 Successful contracting and business development.....   | 47 |
| 10.3 Challenges and opportunities related to participation in tenders .....                                   | 48 |
| 11.0 CONCLUSIONS .....  | 50 |
| 11.1 Summary of the main findings from the analysis of support measures and tenders<br>in Apulia .....        | 50 |
| 11.2 Summary of the main findings from the analysis of support measures and tenders<br>in Lika.....           | 51 |
| 11.3 Implications for future policies and development strategies for rural<br>entrepreneurship in Apulia..... | 51 |
| 11.4 Implications for future policies and development strategies for rural<br>entrepreneurship in Lika .....  | 52 |
| REFERENCES AND SOURCES .....  | 54 |



## INTRODUCTION

Entrepreneurship in rural areas is a key element in the economic and social development of these areas. Indeed, rural enterprises play a key role in creating jobs, generating income, exploiting local resources and promoting innovation.

Rural areas are characterized by low population density, an economy often linked to agriculture and non-agricultural activities, and a limited presence of infrastructure and services. In this context, entrepreneurship is crucial for several reasons:

- Economic diversification: Rural businesses help diversify the local economy, reducing dependence on traditional sectors such as agriculture and creating new job opportunities.
- Enhancement of local resources: Rural enterprises can enhance the value of local resources, such as typical products, handicrafts and cultural heritage, promoting the sustainable development of the area.
- Innovation and services: Rural businesses can introduce innovation and new services in rural areas, improving the quality of life of residents and the attractiveness of the area.

Rural entrepreneurs face specific challenges compared to their colleagues in urban areas, including:

- Access to credit: Access to credit for rural businesses can be difficult due to a shortage of specialised financial institutions and adequate collateral.



- Lack of infrastructure and services: Rural areas often suffer from a lack of adequate infrastructure, such as roads, broadband and internet connections, which can hinder business development.
- Low population density: Low population density in rural areas can limit the market for the products and services of local businesses.
- Brain drain: Young people often tend to migrate from rural areas to cities in search of better job and education opportunities, depleting the human capital available to local businesses.

To counter the aforementioned challenges and promote the development of rural entrepreneurship, governments and local authorities have implemented various support measures, including:

- Government programmes and policies: Specific programmes and policies have been established for rural entrepreneurship, offering a range of dedicated incentives and services.
- Fiscal, financial and training incentives: Rural enterprises can benefit from fiscal incentives, financial facilities and training programmes to improve their skills and capacity for innovation.
- Access to resources and infrastructure: Programmes have been implemented to improve rural businesses' access to resources such as land, water and energy, as well as to infrastructure such as roads, broadband and internet connections.

The effectiveness of rural business support measures has been the subject of various analyses and studies. In general, these measures have been found to have a positive impact on the development of rural businesses, contributing to:



- Creating new jobs: Rural enterprises that benefited from support measures created a significant number of new jobs.
- Increasing economic growth: Rural enterprises that benefited from support measures experienced higher economic growth than enterprises that did not benefit from such measures.
- Promote local development: Rural businesses that have benefited from support measures have contributed to local development, improving the quality of life of residents and the attractiveness of the area.

In recent years, there has been a growth in the number of tenders and calls for tenders published in rural areas. This trend is due to several factors, including:

- Increased focus on local development: Governments and local authorities are devoting more attention to local development, investing in infrastructure and services in rural areas.



## 1.0 OVERVIEW ON RURAL AREAS AND ENTREPRENEURSHIP IN APULIA<sup>1</sup>

### 1.1 Characteristics of rural areas and the role of entrepreneurship in their development

The landscape of rural areas and rural entrepreneurship has several significant facets. Rural areas form the fabric of society and the economy, characterised by an extraordinary diversity of landscapes, culture and heritage. Rural entrepreneurship plays a crucial role in their development, contributing to competitiveness, resilience and enhancing the link between product and territory.

### 1.2 Specific challenges faced by rural entrepreneurs

However, rural entrepreneurs face specific challenges, such as depopulation, the need to ensure remuneration for producers, the sustainable management of natural resources and the need to foster young people.

Moreover, environmental sustainability is a key aspect for the social and economic development of rural areas, promoting the harmonious coexistence of different territorial vocations and generating new opportunities, especially for young farmers.

These elements paint a complex picture in which rural entrepreneurship plays a key role, addressing challenges and contributing to the sustainable development of rural areas.

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<sup>1</sup> Rivista rurale dell'UE, No. 32, July 2021, [https://ec.europa.eu/enrd/sites/default/files/enrd\\_publications/kfaj21002itn\\_002.pdf](https://ec.europa.eu/enrd/sites/default/files/enrd_publications/kfaj21002itn_002.pdf).



## 2.0 OVERVIEW ON RURAL AREAS AND ENTREPRENEURSHIP IN LIKA

According to the Organisation for Economic Co-operation and Development (OECD), at the local level (LAU 1/2 – municipalities, cities in the Republic of Croatia), areas are classified as rural or urban based on a threshold of 150 inhabitants/km<sup>2</sup>. At the regional level (NUTS 3 – counties in the Republic of Croatia), the OECD defines three groups of areas, depending on the share of the population in the region that lives in rural local areas:

- predominantly rural regions (more than 50% of the region's population lives in local rural areas);
- significantly rural regions (15-50% of the region's population lives in local rural areas);
- predominantly urban regions (less than 15% of the region's population lives in local rural areas).

In the Republic of Croatia, 14 counties are classified as predominantly rural areas. A total of 1,994,420 inhabitants, or 46.55% of the population of the Republic of Croatia, live in these 14 predominantly rural counties. In addition, Lika-Senj County is the largest Croatian county, which covers 5,350.00 km<sup>2</sup> of land and 596.63 km<sup>2</sup> of sea surface, and the land covers 9.46% of the state territory. It covers most of the hinterland of Lika and includes part of the Velebit mountain, its Senj Karlobag coast, and the northwestern part of the island of Pag. In the total area of the Republic of Croatia, the Lika-Senj County has a very significant position, since it is located on the border between mainland and coastal Croatia, and its position represents the geographic center of the Republic of Croatia. The Lika-Senj County covers the area of four cities and eight municipalities. The cities are Gospić, Novalja, Otočac, and Senj and the municipalities of Brinje, Donji Lapac, Karlobag, Lovinac, Perušić, Plitvička Jezera, Udbina and



Vrhovine. The center of Lika-Senj County is the town of Gospić. Despite its relatively large area, the county of Lika-Senj is the county with the smallest number of inhabitants and therefore the least populated, and is in the last 21st place compared to the other counties and the City of Zagreb. Compared to the average population the density of the Republic of Croatia of 68.71 people/km<sup>2</sup> and Adriatic Croatia of 52.89 people/km<sup>2</sup>, the population density of the Lika-Senj County is 8 times lower than the national one, amounting to only 8.01 people/km<sup>2</sup>. According to the census from the Croatian Bureau of Statistics (CBS) on the number of inhabitants (year 2021), in the last ten years, Lika-Senj County lost 8,034 inhabitants or 15.78%, or an average of 800 inhabitants per year, while Adriatic Croatia lost 108,507 inhabitants or 7.64%, which is an average of 10,500 inhabitants per year. The largest number of inhabitants, 29,470 (68.7%) live in cities, the largest of which is Gospić with 11,464 inhabitants (26.71%), while 13,423 (31.30%) inhabitants live in municipalities. By comparing data from the CBS (Census 2011 and Census 2021), it can be seen that in all local self-government units, except for the city of Novalja, a decrease in the number of inhabitants was recorded. Thus, the rate of depopulation in the period from 2011 to 2021 in the municipality of Donji Lapac amounts to a worrying 32.84%, Vrhovine 49.40%, Udbina 28.18%, Perušid 24.68%, Brinje 61.01%, Plitvička Jezera 15.61%, Lovinac 4.97% and Karlobag 14.18%. The town of Senj recorded a depopulation of 16.77% or 1204 inhabitants, Otočac 14.48% or 1417 inhabitants and Gospić 10.06% or 1281 inhabitants.



## 2.1 Characteristics of rural areas and the role of entrepreneurship in their development

A rural area was considered to be everything that is not urban. In the last decade, rural areas have been considered to be areas with a dominant extensive method of land use, small settlements dominated by the natural landscape, and areas where the lifestyle is based on co-existence with nature. Simplified, all adjectives and motifs that are not found in urban areas are associated with rural, such as countryside, green, large garden, domestic animals, family, silence, peace, tranquility, and escape from reality.

Rural areas are a key component of the European and Croatian way of life. 137 million people live in them, which makes up almost 30% of the population and more than 80% of the territory of the EU, taking into account all the municipalities in Europe with a small number of inhabitants or a low population density. Known and appreciated for food production, natural resource management, protection of natural landscapes, and recreation and tourism. Many of our traditions, festivals, and culture originated in rural areas of Europe. However, social and economic changes in recent decades, including globalization and urbanization, are changing the role and nature of rural areas, which are also facing a shrinking and aging population. Many are concerned about the weakening of rural infrastructure and service provision, including access to health care, social services and education, and postal and banking services. Others express concern about reduced employment opportunities and a possible drop in income in rural areas or limited transport and digital connectivity.

Until now, the Ministry of Agriculture, the Ministry of Economy, and the Ministry of Finance have played a primary role in the creation of the rural development policy through various measures, which were supposed to ensure that the rural development policy directly contributes to the increase in economic activity, competitiveness, economic development, as



well as the long-term increase in the living standards of the rural population. The beneficiaries of the rural development policy are all population groups, that is, it benefits the entire society.

However, a latent problem for rural areas, when it comes to the existing system of granting grants in rural areas, is the danger of creating a dependent position. In other words, what we see as an opportunity can also be seen as a danger, which should be an additional motive for the diversification of the rural economy through the development of non-agricultural activities in rural areas. Therefore, rural development should focus on starting nonagricultural activities in the form of rural entrepreneurship. This is to a certain extent abandoning the existing, traditional model of agricultural development, in which, in addition to food production, the rural population also engages in other activities that are related to agriculture and/or rely on agriculture.

The program of diversification of the rural economy should be aimed at (1) the development of alternative models of agricultural production, (2) the development of rural tourism, (3) the strengthening of activities for the protection of natural resources and the environment, (4) preservation of cultural heritage and authentic rural ambiance, (5) establishment of small businesses primarily in the field of processing of primary agricultural products. In this way, the incomes of rural households become more stable than in the case when they are engaged exclusively in agriculture. Therefore, entrepreneurship in rural areas takes an increasingly important place as an independent form of performing activities in rural areas or as a kind of upgrade to primary agricultural production.



## 2.2 Specific challenges faced by rural entrepreneurs

Many entrepreneurs face a series of obstacles and challenges on the way to business success. The largest number of respondents in the conducted research points out the following:

- **Financing and access to capital**

Young entrepreneurs often do not have enough funds to finance their initial project on their own. Banks and financial institutions are often cautious when approving loans, which hinders the potential growth of young companies.

- **Complex administration**

Numerous bureaucratic procedures, complex regulations and frequently changing laws.

- **Lack of mentoring and support**

Although various organizations offer support, there is a lack of systematic mentoring by experienced entrepreneurs who could pass on their knowledge and experience with young people.

- **Small market and market competition**

In a small market, entrepreneurs often struggle with a lot of competition within their niche, which can hinder their ability to stand out.

- **Lack of entrepreneurship education**

Although the situation is improving, many young people do not receive enough entrepreneurship education during formal schooling, which can leave them unprepared for the real challenges of running a business.

- **Tax policy**



The changing tax policy and relatively high taxes can make doing business difficult, especially for small and start-up companies that are just starting their journey.

- **Fear of failure**

Failure in business can be seen as an embarrassment, instead of an opportunity to learn and grow. This stigma can make it difficult for young people to take risks and try new ideas.



## 3.0 MEASURES TO SUPPORT RURAL ENTREPRENEURSHIP IN APULIA<sup>2</sup>

### 3.1 Government programmes and policies to support entrepreneurship in rural areas

Here is a summary of the main support measures for rural entrepreneurship in Italy and the EU:

The EU's Common Agricultural Policy (CAP) 2023-2027 provides for several measures specifically aimed at young farmers, such as support for setting up through business plans and investment support.

EU countries can include in their CAP strategic plans rural development measures such as the establishment of young farmers and the start-up of new rural businesses, providing immediate start-up support.

### 3.2 Fiscal, financial and training incentives

The 2023 budget law in Italy introduced tax and social security support measures for the agricultural sector, such as the extension of the tax credit for fuel purchase.

The Lazio Region has earmarked EUR 500,000 to provide non-repayable grants of up to EUR 5,000 to small farms that have experienced a cost increase of more than 30 per cent in 2022 compared to 2019.

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<sup>2</sup> Le agevolazioni in agricoltura 2023, <https://www.fiscoetasse.com/approfondimenti/15261-le-agevolazioni-in-agricoltura-2023.html>.



### 3.3 Access to resources and infrastructure

The EU LEADER approach brings together various local actors to draw up development strategies and manage projects that bring economic, cultural, social and environmental benefits to rural areas.

At least 5% of Rural Development Programme (RDP) funding must be allocated to actions based on the LEADER approach.

In addition, the CAP 2023-2027 aims to promote employment, growth and local development in rural areas to create better living and working conditions and prevent the exodus of young people.



## 4.0 MEASURES TO SUPPORT RURAL ENTREPRENEURSHIP IN LIKA

Grants for agriculture and rural development have been awarded since 2014 based on the Rural Development Program. The program was intended for the period from 2014 to 2020, but the implementation continued for another two years of the transition period, until the end of 2022. With the beginning of 2023, a new program period will begin, which will last until 2027, in which a new strategic document will be applied - the Strategic Plan of the Common Agricultural Policy. The rural development program initially defined 19 measures, to increase the competitiveness of Croatian agriculture, forestry and processing industry, as well as improve living and working conditions in rural areas. Due to extraordinary circumstances in the transitional period, Measure 21 - Extraordinary temporary support to farmers and micro, small, and medium enterprises particularly affected by the crisis caused by the disease COVID-19 was also implemented. Also, Measure 22 was implemented for extraordinary assistance due to the effects of the Russian invasion of Ukraine. The Program's allocation of EUR 2.4 billion was increased in the transition period by EUR 901 million from the multi-year financial framework (European Agricultural Fund for Rural Development - EAFRD) and the European Recovery Plan and the total allocation amounts to EUR 3.2 billion.

The strategic plan of the common agricultural policy, approved by the European Commission, with a new 3.8 billion euros, is the basis for the use of European agricultural funds (European Agriculture Guarantee Fund - EAGF and EAFRD) and the application of the Law of the Civile 21 Procedure tools and instruments (direct payments, rural development, sectoral interventions) in the next five-year period. It represents a key document for the disposal of



funds from European agricultural funds. For rural entrepreneurship, the following measures encourage the diversification of economic activities:

**Measure 6. TO 6.2.1. Support for investment in starting nonagricultural activities**

**Intervention 75.02. – Diversification of the income of agricultural holdings to non-agricultural activities**

**Measure 6. TOP 6.4.1. Development of non-agricultural activities in rural areas**

**Intervention 73.14. Support for the development of non-agricultural activities on farms**

**4.1 Government programmes and policies to support entrepreneurship in rural areas**

The strategic plan of the Joint Agricultural Policy of the Republic of Croatia 2023 - 2027 (SP ZPP) will contribute to the acceleration of the process of structural transformation of the Croatian agricultural and food sector into a modern activity that produces high-quality food at competitive prices, which, along with the sustainable management of natural resources, creates new jobs and contributes to improving the quality of life and work in rural areas.

Modernization, digitization, and innovative solutions will play a big role in this, both in production and in all segments of life. SP ZPP is a national document that ensures support from European agricultural funds, and which is harmonized with the Agriculture Strategy until 2030, i.e. the National Development Strategy of the Republic of Croatia until 2030.

The implementation of SP CAP will ensure a contribution to the goals of the European Green Deal, including the Biodiversity Strategy and the From Field to Table strategy. As part of the SP ZPP programming process, the prepared SWOT analyzes identified and prioritized needs in accordance with the ZPP's specific goals. In addition to the above, the needs reflect the



goals of strategies at the national level, both specific goals related to agriculture and rural development, as well as national development goals and goals related to environmental and nature protection and climate change. The needs are also in line with the recommendations of the European Commission, delivered within the framework of the structured dialogue process, and which also resulted from detailed analyzes prepared as part of the development of the Agriculture Strategy of the Republic of Croatia until 2030.

The prioritization of needs was carried out in three phases, which included stakeholder consultations and interdisciplinary expert discussions. In the first phase, public consultations were carried out with the presentation and consequent refinement of the SWOT analysis and the presentation of the proposal of needs with the aim of reaching a consensus on them, as well as defining potential criteria for their prioritization. Financial support for the implementation of individual projects is regularly provided annually by the Ministry of the Economy, the Croatian Tourist Board, the Ministry of Regional Development, the Lika LAG, the Lika-Senj County, as well as cities and municipalities in the Lika area, in accordance with budgetary possibilities.

Ministry of Economy and Sustainable Development from 2014 to 2020 in accordance with the Law on Small Business Promotion (Official Gazette 29/02, 63/07, 53/12, 56/13, 121/16) and the Law on State Aid (Official Gazette 47/14, 69/17) and taking into account the Treaty on the European Union and the Treaty on the Functioning of the European Union (2016) and the Partnership Agreement between the Republic of Croatia and the European Commission for the use of EU structural and investment funds for growth and jobs in 2014 – 2020, adopted by the European Commission on October 30, 2014, approved grants to small and medium-sized enterprises based on multi-year support programs. The programs were



generally implemented up to four years from the announcement of the call for the use of the funds provided by the program or until they are used and are available through the website of the Ministry of Economy.

Since 2017, the Croatian Tourist Board has been implementing annual programs for awarding de minimis grants for the development of the tourism sector. On the basis of the aforementioned support programs, HTZ awards grants to entrepreneurs for co-financing the costs foreseen by the Program, and in accordance with Commission Regulation (EU) 407/13 of December 18, 2013 on the application of Articles 107 and 108 of the Treaty on the Functioning of the European Union to de minimis support. In the implementation of the Program, public calls are announced annually for the approval of grants for the following purposes:

- encouraging tourism initiatives and products in touristic undeveloped areas,
- approval of grants for various events in tourism,
- approval of support for programs of destination management companies.

Through published public calls, the Croatian Tourist Board allocates funds intended for programs of development and market introduction of complex tourist products for the market of special interests with the aim of activating less used tourist resources and creating new motives for tourist arrivals throughout Croatia, enriching the tourist offer, developing innovative products that make it possible to extend the tourist season and reduce seasonality and increase tourist traffic, especially in the period before and after the season and on the continent, create a recognizable image of Croatia as a tourism destination of special interests and market valorization of complex tourist products as a reason for tourists to come to a particular destination in Croatia. Programs for which support is approved annually are selected in accordance with elaborated criteria, determined points and ranking results, and the



conditions for receiving support according to the mentioned programs are published on the HTZ website: <https://www.htz.hr/hr-HR/projekti-i-potpore/potpore-hrvatske-turisticke-zajednice>.

Both the Ministry of Regional Development and European Union Funds grants support to the development of entrepreneurship through various programs, based on the Law on the Institutional Framework for the Use of EU Funds in the Republic of Croatia (Official Gazette 116/21) and the Agreement on the Functioning of the European Union (2016) and the Partnership Agreement between the Republic of Croatia of Croatia and the European Commission for the financial period 2021-2027, adopted by the European Commission on December 2, 2022.

This is the case in the implementation of several programs adopted for a multi-year period, which are implemented on the basis of annual public calls for entrepreneurs, which are available through the Ministry's website [www.razvoj.gov.hr](http://www.razvoj.gov.hr).

The granting of non-reimbursable grants to local and regional self-government units includes grants from counties, cities, and municipalities. Thus, the Lika-Senj County approves support for the development of small and medium-sized businesses based on multi-year programs to encourage the development of entrepreneurship, which are adopted on the basis of the Act on the Encouragement of the Development of Small Businesses (Official Gazette 29/02, 63/07, 53/12, 56/13, 121/16 ) The Program for encouraging the development of small businesses in the Lika-Senj County from 2022 to 2025 is being implemented ("County Gazette" number 19/2022). Cities (Gospić, Senj, Novalja, Otočac) and municipalities (Brinje, Donji Lapac, Lovinac, Perušić, Karlobag, Plitvička jezera, Vrhovine, Udbina) in the Lika-Senj County also adopt support programs for the development of small businesses and



implement them by budgetary possibilities. Thus, in the City of Gospić, the "Program of support in agriculture and rural development of the City of Gospić for the period 2023-2027 is being implemented (Official Gazette of the City of Gospić no. 4/2023).

The conditions for using grants from cities and municipalities are available on their websites. It should be noted that some cities and municipalities in the area of Lika-Senj County implemented programs to support the survival of small businesses during the epidemic of the COVID-19 virus. Thus, the City of Gospić granted grants based on the Decision on the allocation of non-refundable financial resources intended to mitigate the consequences caused by the coronavirus epidemic (COVID-19) and granted grants to entrepreneurs who were affected by the work ban (more on: <https://arhiva.gospic.hr/sluzbeni-vjesnik-grad-gospica/sluzbeni-vjesnik-grad-gospica-broj-4-2020/odluka-o-dodjeli-bespovratnih-financijskih-sredstava-namijenjenih-ublazavanju-posljedica-izazvanih-epidemijom-koronavirusa-covid-19>). A similar decision was made and implemented by the Perušić Municipality ([https://lickosenjska.hr/images/stories/Glasnik\\_2020/37-2020.pdf](https://lickosenjska.hr/images/stories/Glasnik_2020/37-2020.pdf)), Općina Karlobag (Županijski glasnik broj 15/2020, 38B/20), Udbina ("Županijski glasnik" broj 12/20).

The main goals of such support programs are:

- improving the competitiveness of the agriculture and forestry sector;
- improving the environment and nature;
- improving the quality of life in rural areas and encouraging the diversification of the rural economy.

Incentives for entrepreneurship in rural areas are mainly aimed at stimulating the development of the tourism industry, increasing the competitiveness of destinations, and supporting



small and medium-sized entrepreneurs in the tourism sector. They are available at several levels: local, regional, and national (Official Gazette 63/22).

Considering their nature, they can be divided into: "financial incentives, fiscal or tax incentives, regulatory incentives, and incentives for services such as consulting and education. Financial incentives for entrepreneurship are often key to stimulating economic development and supporting small and medium-sized entrepreneurs. Financial instruments for financial incentives include loans from the European Investment Fund (ESIF) and loans for growth and development from the ESIF. ESIF Micro and Small loans from the European Fund for Regional Development enable the financing of tourism investments through favorable loans. ESIF micro and small investment loans have 4 purposes: establishment of trades and companies, modernization and expansion of already existing business, self-employment, retention of existing and increasing the number of new jobs.

Micro and small loans for rural development are intended for: "investment in physical property, development of agricultural holdings and businesses (sub-measure investment in non-agricultural activities) and investments in the development of forest areas and improvement of forest sustainability". HAMAG-BICRO grants these loans with amounts of up to 50,000 euros and low interest rates of 0.1 to 1.5 per year. Also, lines for rural development covering tourist activities are being introduced.

In addition, the Ministry of Regional Development and HBOR cooperate with commercial banks to provide investment loans for tourism. These long-term loans are approved through selected banks with fixed interest rates of 4% with the possibility of reduction and a fixed interest rate of 2% with the possibility of reduction according to criteria.



HBOR offers a special credit line for young entrepreneurs, women, and beginners with the possibility of repaying the loan up to 14 years with a grace period of up to 5 years (HBOR). It can thus be concluded that the offer of credit lines enables favorable financing of tourist investments, especially in rural areas. The micro loan for rural development is intended for micro and small economic entities, while the other two, in addition to micro and small, are also intended for medium economic entities. In addition, they also differ in amount, Micro loans are in the amount of 1,000 to 25,000 euros, and small loans are in the amount of 25,000 to 50,000 euros. According to their purpose, they are Micro and Small loans for rural development for fixed assets and up to 30% for working capital, while the Micro loan for working capital for rural development is intended only for working capital, and in addition has the highest interest rate of 0.5%, for unlike the other two which have 0.1% and 0.25%.

All three loans are a possible source of finance for entrepreneurs in rural areas with very low and therefore favorable interest rates. Grants from EU funds are aimed at encouraging tourism in underdeveloped areas, with a focus on improving cultural heritage, increasing attractiveness, and sustainable management of natural heritage.

The funds support the restoration and promotion of cultural and natural resources and encourage tourist arrivals, overnight stays, and visits to key destinations. European grants for rural tourism, through "Rural Development Measures" from the Rural Development Program (EAFRD) are available through public calls from the ministries of agriculture, tourism, and economy. These programs encourage investments in non-agricultural activities, tourism, traditional crafts, and the processing sector. The goal is to encourage the development of tourism through improving the offer of family farms and strengthening competitiveness.



Also, the operational program "Competitiveness and Cohesion" has goals focused on tourism, encouraging the development of small and medium-sized entrepreneurs. Projects from underdeveloped areas receive additional points, and support includes software improvement, internationalization of business and innovation stimulation. There are also national sources, such as the Ministry of Tourism and the Croatian Tourist Board, offering grants from the State Budget of the Republic of Croatia. These programs encourage the development of cycle tourism in rural areas, the strengthening of tourism through events, and support for projects that increase the competitiveness of hospitality facilities, develop new tourist products, and promote sustainable development. Project financing can go up to 60%, including various measures to improve tourism at the local level (Maravić, 2018). Financial means greatly help existing entrepreneurs and encourage others to get involved in entrepreneurship and ease the struggle with costs.

#### 4.2 Fiscal, financial and training incentives

**1. Reduced tax rate** - refers to certain investments or if considered about tax rates in neighboring countries.

**2. Tax holidays (holidays)** - the possibility of non-payment of income tax in the initial period of business and payment of income tax at a reduced rate for a certain period of time.

**3. Benefits based on investment** - refer to: accelerated depreciation, investment deduction or reduced basis and investment tax credits. In Croatia, the profit tax rate for aid beneficiaries is reduced by 50% of the rate prescribed for investments (Official Gazette 63/22):

1. a. of at least EUR 50,000.00 in a period of up to 5 years, with the condition of opening at least 3 jobs



- b. from 150,000.00 to 1,000,000.00 euros for up to 10 years, with the condition of opening 5 jobs for investments in centers for information and communication systems and software,
- c. from 50,000.00 to 1,000,000.00 euros in a period of up to 10 years with the condition of opening 10 jobs.

In addition, the profit tax rate can be reduced by 75% with subsidies for a period of up to 26 years, if it concerns investments from 1,000,000.00 to 3,000,000.00 euros with the condition of creating 10 jobs. The highest possible reduced tax rate is 100% of the prescribed one for investments of more than 3,000,000.00 euros in a period of up to ten years and with the condition of opening 15 jobs related to the investment (Official Gazette 63/22). Other than the reduced tax rate, the mentioned tax incentives are not currently applied in the Republic of Croatia. Tax holidays for areas of special state care, mountain areas and free zones were the most common tax incentives before Croatia entered into the European Union. It follows from this that the state authorities are trying to reduce the gap between developed and underdeveloped regions of the country with targeted tax incentives, i.e. they want to expand the activity of entrepreneurs to smaller and less developed areas, i.e. to assisted areas (e.g. areas that suffered from aggression against Croatia and areas that declared due to economic, demographic and structural characteristics or difficulties). However, the situation may be such that the profit tax funds paid to areas of special state status serve to fill local budgets, and not to develop entrepreneurial activities.

In Croatia, there are programs and education for entrepreneurs. One of the examples is the operational program "Effective Human Resources", which addresses the problem of a lack of qualified workforce in tourism, providing opportunities for education and retraining. Entrepreneurs can collaborate with educational institutions to create customized 20 education



programs, and by participating in the programs they receive free promotion and support. Projects from this program are fully co-financed. Education provides help, supports entrepreneurs, and improves their competencies for independent business development, and there should be as much such education as possible.

#### 4.3 Access to resources and infrastructure

Rich natural and anthropogenic resources represent an exceptional potential in the rural development of the Lika-Senj County. Natural tourism resources most often have recreational properties, i.e. they influence human recovery, rest and refreshment, but they also satisfy our cultural needs.

Natural tourist resources are divided into 5 groups: climatic, geomorphological, hydrographic, biogeographic and landscape. Anthropogenic (social) tourism resources are "all phenomena, objects, processes and events that create a need for movement in humans in order to satisfy their social and cultural needs. Like natural, anthropogenic tourism resources are divided into 5 groups: cultural-historical, ethno-social, artistic, event and ambient. The region's natural wealth is reflected in Croatia's largest mountain, Velebit. The entire area of Velebit is a protected area with two national parks, many speleological sites, and rich flora and fauna. The greatest hydrographic significance, and at the same time one of the most valued tourist areas in Croatia, are the Plitvice Lakes, which are visited annually by over 1,500,000 tourists due to their extremely beautiful landscape value. In addition, the rivers Gacka and Lika are hydrographically important in terms of hunting, fishing, and other tourist activities.



Of the anthropogenic tourism resources, the most important is the old historical town of Senj, various manifestations on the Adriatic coast, and the county's rich gastronomy. These potentials give a strong impetus to the development of tourism in the Lika-Senj County and emphasize the county as an independent and recognizable tourist region with the aim of increasing the average stay of guests. The Lika-Senj County is a geographic crossroads between the three leading polarization hotspots in the country - Zagreb, Rijeka and Split, but also some others, such as Zadar and Karlovac. The area of Lika-Senj County is crossed by various categories of roads for the movement of road motor vehicles with a total length of about 123.29 km of highways, 13.35 km of expressways and about 7 km of connecting roads. Railroads of state importance pass through the county:

- Railway line Ogulin-Gospić-Knin (which was reconstructed and modernized);
- Una railway Sunja-Bihać-Knin.

There are three airports in the county: Udbina and Otočac airports, which are used for sports and tourism purposes, while Željava airport is exclusively for military purposes.

We highlight the proximity of Zadar airport - 100 km, Zagreb - 200 km and Krk - 170 km, and the proximity of the international seaport Rijeka - 200 km and Zadar - 100 km.

The County also has two ferry ports (Prizna-Žigljen for the island of Pag and Stinica-Mišnjak for the island of Rab). It also shares a 100.16 km long state border with Bosnia and Herzegovina in the east of the territory. Part of the territorial sea also belongs to Lika-Senj County, which not only increases its area, but also its meaning, and with 2.29 km<sup>2</sup> of the island's area, it makes up 0.07% of the area of all Croatian islands.

During 2020, the construction of a gas distribution network in the area of Lika-Senj County was contracted. This creates new opportunities for increasing the energy efficiency of



production, expanding economic activities and developing new opportunities, and increasing competitiveness. For the areas of the cities of Gospić and Otočac, preparations are underway for the construction of a gas distribution system - investor: the concessionaire company EVN Croatia Plin d.o.o. Completion of the construction of the medium-pressure distribution gas network with a length of approx. 23 km is expected by the end of 2023. The supply of the areas of the cities of Gospić and Otočac will be carried out via container metering and reduction stations MRS Gospić and MRS Otočac (each with two lines of 4,000 m<sup>3</sup>/h, one line with an outlet pressure of 3-6 bar and another line with an outlet pressure of 3- 17 bar). For the area of the cities of Gospić and Otočac and the municipality of Plitvička Jezera, the Broadband Internet Infrastructure Development Project is being implemented, which will provide all users with Internet access with speeds of at least 10 Mbit/s. For the area of other cities and municipalities - the broadband Internet development project is being prepared for implementation.

Data from the Report on the State of Lika-Senj County in 2013 (more recent data have not been published) show that summary data in the County related to drainage indicate that at that time, only slightly more than one-quarter of the population was connected to the public drainage system, and that the length of the drainage pipeline was almost ten times smaller than the length of the water supply pipeline.

As for the purification devices, we see that they are in operation in the City of Novalja, the City of Otočac and Senj, while in other places the devices are not built or are not in operation, which is particularly important for the County as an area of a sensitive karst ecosystem. It can be assumed that the situation has improved in the last ten years, that the length of the drainage pipeline is significantly longer (primarily in the town of Gospić).



## 5.0 ANALYSIS OF THE IMPACT OF SUPPORT MEASURES IN APULIA<sup>3</sup>

### 5.1 Evaluation of the effectiveness of implemented measures

The evaluation of the impact of support measures is an analysis that focuses on assessing the effectiveness of implemented measures to determine their success and impact on the areas that received them.

### 5.2 Indicators of success (job creation, economic growth, local development, etc.)

This evaluation can be conducted using specific success indicators, such as job creation, economic growth and local development. Here are some examples of how these support measures can be evaluated:

- **Job creation:** Job creation is an important indicator for measuring the effectiveness of support measures. For example, the ISTAT report of 2021 found that 19% of non-agricultural private sector employees used the Wage Guarantee Fund (CIG) in 2021, down from 46.2% in 2020, but about five times the pre-crisis figure (2019)
- **Economic growth:** Economic growth is another indicator that can be used to assess the impact of support measures. For example, the Bank of Italy's 2021 report found that the initiatives launched by the government favoured growth in financing not only for smaller companies, structurally dependent on bank loans, but also for medium-sized and mid-cap companies (is the term for companies listed on a stock market characterised by medium capitalization).

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<sup>3</sup> ISTAT, Mercato del lavoro, redditi e misure di sostegno: un'analisi integrata, 2021, <https://www.istat.it/it/archivio/281755>.



- **Local development:** Local development is an indicator that can be used to assess the impact of support measures on local areas. For example, the Region of Tuscany's 2011 report assessed the impact of two measures to support mainly SMEs implemented in Tuscany between 2002 and 2004, noting that these measures contributed to local development through aid for pre-competitive development and industrial and pre-competitive research.

### 5.3 Case studies and testimonies of entrepreneurs benefiting from support measures

Case studies and testimonies of entrepreneurs beneficiaries of the support measures: Case studies and testimonies of entrepreneurs beneficiaries of the support measures can be used to understand the impact of the measures on the enterprises and the people who received them. For example, the ICE Agency's 2021 report presented an integrated approach to the impact assessment of support measures provided by ICE, including testimonies of beneficiary entrepreneurs. In summary, the evaluation of the impact of support measures is an analysis that focuses on assessing the effectiveness of the measures implemented to determine their success and impact on the areas that received them. This evaluation can be conducted using specific success indicators, such as job creation, economic growth and local development, as well as through the analysis of case studies and testimonies of entrepreneurs who are beneficiaries of support measures.



## 6.0 ANALYSIS OF THE IMPACT OF SUPPORT MEASURES IN LIKA

### 6.1 Evaluation of the effectiveness of implemented measures

According to available data and discussions with the county department for the economy of Lika-Senj County, it can be concluded that the measures were implemented by the law and legal procedures. According to entrepreneurs who applied and had all the necessary documentation. The evaluation of the effectiveness of the implemented measures increases the efficiency in the cultivation, production, or upgrading of each entrepreneur, it depends on the measure. Success indicators (job creation, economic growth, local development, etc.); necessary tools, new jobs were created in certain locations or there was a restructuring within OPGs.

### 6.2 Indicators of success (job creation, economic growth, local development, etc.)

This evaluation can be conducted using specific success indicators, such as job creation, economic growth, and local development. Here are some examples of how these support measures can be evaluated:

- **Job creation:** Job creation is an important indicator for measuring the effectiveness of support measures. For example, the local action group Lika is from the Local Development Strategy of LAG LIKA for the period 2014-2020. announced: 2022 LAG Competition for the implementation of Measure 6.1.1. "Support to young farmers". LAG LIKA implemented the Local Development Strategy for the period 2014-2020. and transitional period 2021-2022. announced and successfully conducted four LAG Competitions for Measure 6.1.1. "Support to young farmers", Measure 6.3.1. "Support for the development of small farms", and Measure 6.4.1. "Development of non-



agricultural activities in rural areas" for the financing or co-financing of projects that with their activities contribute to the goals of LRS, i.e. increasing the competitiveness of agricultural production and processing while respecting the principles of sustainable, smart and inclusive growth, effective use of natural and cultural resources for economic recovery and the creation of new jobs places and reducing rural depopulation and increasing the quality of life.

- **Economic growth:** Economic growth is another indicator that can be used to assess the impact of support measures. According to data from the National Bureau of Statistics for August 2023, the prices of goods and services for personal consumption, measured by the consumer price index, in August 2023 compared to July 2022 were on average 0.1% higher. Compared to August 2022, i.e. on an annual basis, they are on average higher by 12.3%, while on an annual average, they are higher by 7.8%. Observed according to the main groups of the ECOICOP classification (European classification of personal consumption according to purpose), at the annual level, the largest increase in consumer prices on average was achieved in the group's Food and non-alcoholic beverages, by 19.2%, Restaurants, and hotels, by 17.6%, Furniture, home equipment and regular household maintenance, by 15.3%, Transportation, by 14.1%, Housing, water, electricity, gas and other fuels, by 10.5%, Recreation, and culture, by 9.4 %, Various goods and services, by 8.1%, and Clothing and footwear, by 6.4%.
- **Local development:** Local development is an indicator that can be used to assess the impact of support measures on local areas. According to the latest available data, the gross domestic product (GDP) per inhabitant of the Lika-Senj County was EUR 10,725.00 in 2019 (Table 33), which is 7% more than the GDP per inhabitant in 2018.



At the level of the Republic of Croatia, GDP per inhabitant in 2019 compared to 2018 increased by 4.5%. The GDP per inhabitant in Lika-Senj County is 78.5% of the GDP per inhabitant of the Republic of Croatia, i.e. it is 21.5% lower than the average of the Republic of Croatia. The share of Lika-Senj County's GDP in the gross domestic product of the Republic of Croatia in 2019 was 0.86%.

### 6.3 Case studies and testimonies of entrepreneurs benefiting from support measures

To comprehend the effects of the measures on the businesses and the individuals who received them, case studies and the testimony of entrepreneurs who benefited from the support measures might be used.



## 7.0 TRENDS IN TENDERS AND CALLS FOR TENDERS IN RURAL AREAS IN APULIA<sup>4</sup>

### 7.1 Analysis of trends in the number of tenders and notices published

Here is an analysis of trends in tenders and calls for tenders in rural areas:

#### Number of tenders and calls for tenders published

The European Commission's Directorate-General for Agriculture and Rural Development regularly publishes calls for tenders to purchase services such as studies, training, technical assistance, consultancy, conferences and publicity. These calls for tenders are available on eTendering.

### 7.2 Type and size of tenders (services, supplies, public works, etc.)

Public tenders can be issued by local authorities, public law bodies, governments, the EU, international organisations and companies operating in special sectors

They can concern public works, services or supplies.

According to an analysis by Astrid<sup>5</sup>, in recent years there has been an upward trend in the average size of tenders and the complexity of the works to be carried out. However, the use of temporary consortia of companies (RTI) also facilitates participation for SMEs.

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<sup>4</sup> European Commission, Gare d'appalto - agricoltura e sviluppo rurale, [https://commission.europa.eu/funding-tenders/find-calls-tender/tender-opportunities-department/tender-opportunities-agriculture-and-rural-development\\_it](https://commission.europa.eu/funding-tenders/find-calls-tender/tender-opportunities-department/tender-opportunities-agriculture-and-rural-development_it)

<sup>5</sup> Analisi di Astrid [https://www.astrid-online.it/static/upload/protected/De-C/De-Caro\\_Astrid--bozza-contributo\\_19\\_03\\_10.pdf](https://www.astrid-online.it/static/upload/protected/De-C/De-Caro_Astrid--bozza-contributo_19_03_10.pdf)



### 7.3 Geographical Distribution of Tenders and Invitations to Tender

Calls for tenders and public contracts related to agriculture and rural development are published at European level by the Commission

At national and regional level, local authorities and public bodies tender for rural development projects that are also financed with EU funds.

In summary, the European Commission and national and local authorities regularly publish calls for tender for rural development projects, with a trend towards an increase in the average size of contracts. Tenders typically cover services, supplies and public works in rural areas across Europe.

Currently we can find these calls for tenders:

- **Bandi FESR - Fondo europeo di sviluppo regionale e Bandi FSE - Fondo Sociale Europeo<sup>6</sup>:** The Region's Programme is defined in close coherence with the main European and national strategies that identify the ecological and digital transition as the two main pillars of the economic and social development of the territories, strengthening their cohesion. It also follows a strategic and unified vision of the programming of European, national and regional funds, which has taken the Green Deal and Agenda 2030 as its priorities
- **Bandi PSR FEASR - Programma di Sviluppo Rurale<sup>7</sup>:** The 2014-2020 Rural Development Programming represents a great opportunity to rethink sustainable and lasting development policies for Apulia's agriculture and rural areas.

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<sup>6</sup>Bandi FSE: <https://por.regione.puglia.it/bandi-e-avvisi>

<sup>7</sup>Bandi PSR FEASR: <https://psr.regione.puglia.it/>





- **Gal Daunia Rurale 2020<sup>8</sup>**: The Gal operates under Measure 19 of the 2014-2020 Rural Development Plan of the Apulia Region and is financed by the European Fund for Agriculture and Rural Development (EAFRD).

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<sup>8</sup> Gal Daunia Rurale 2020: <https://www.galdauniarurale2020.it/>



## 8.0 TRENDS IN TENDERS AND CALLS FOR TENDERS IN RURAL AREAS IN LIKA

Tenders and tendering in rural areas are according to the EU directive and national rural development policies described in chapter 4.0. of this document. There were not enough tenders focused on brand management, marketing, communications, and digital campaigns. Rural development until the year 2023 is financed from the Rural Development Program of the Republic of Croatia 2014-2020. The year and data on published tenders (number of published tenders, available funds, beneficiaries, etc.) are available via the website <https://rural-nirazvoj.hr/natjecaji/>.

In summary, it is evident that the original Rural Development Program 2014 - 2020 has been fully contracted and paid for and is in the transitional period of 2021-2022. increased by the allocation in the amount of EUR 902.56 million, which means that Croatia has EUR 3.285 billion available from the Rural Development Program.

By May 31, 2023, tenders worth EUR 3.8 billion (115.5% of the total allocation) were announced. An amount of EUR 3.05 billion was agreed, which represents 93% of the available funds from the Rural Development Program of the Republic of Croatia. By the end of May, the Agency for Payments in Agriculture, Fisheries and Rural Development paid out 2.62 billion euros, which is 80% of the available funds, with the possibility of payment until December 31, 2025. The above results put Croatia in the top half of the ranking of EU countries in terms of the use of funds from the European Agricultural Fund for Rural Development.



Annual reports on the implementation of the Rural Development Program of the Republic of Croatia are available at the link <https://nrm.hr/prr-2014-2020/godisnja-izvjesca-o-provedbi/>.

### 8.1 Analysis of trends in the number of tenders and notices published

As for tenders that had state or county support, they were aimed at public works (clearing agricultural land) or at the central event that brings together rural development stakeholders - Autumn in Lika. Demographic structure and knowledge, as well as the absence of an educational center for applicants that would enable more efficient support for applications to public tenders, were absent and this is one of the key reasons for the impossibility of submitting a large number of applications. The published tenders that provide grants for the development of rural areas stemmed from the Rural Development Program of the Republic of Croatia, and today they stem from the Strategic Plan of the Common Agricultural Policy 2023-2027. According to the data published on the website [www.ruralnirazvoj.hr/natjecaji/](http://www.ruralnirazvoj.hr/natjecaji/), it is evident that within the framework of the implementation of SP ZPP during 2023-2024. A total of 20 tenders have been held in the years up to the date of this document.

### 8.2 Type and size of tenders (services, supplies, public works, etc.)

The Lika-Senj County Development Agency LIRA is mainly focused on development projects of the county and local self-government units - which is its task defined by Article 25 of the Act on Regional Development of the Republic of Croatia (Official Gazette 147/14, 123/17, 118/18). Better use of funds available through various tenders is limited by the lack of people educated to successfully submit applications to various tenders. This problem is especially



emphasized in rural areas where the availability of educated young people motivated to participate in community development using available EU funds is very limited.

The indicative plan for the publication of tenders within the SP ZPP in 2024 is available at the link <https://ruralnirazvoj.hr/indikativni-plan-objave-natjecaja-u-2024/>. It is evident from the above that the largest funds in 2024 are planned to be distributed on the basis of tenders within measure 74.01. Support for public irrigation systems expected in the quarter of 2024, it ensures the distribution of EUR 72 million for public irrigation systems.

This is followed by tenders within the framework of the implementation of measure 73.11 Subsidies for investments in the processing of agricultural products with a total value of EUR 50 million and a tender within the framework of the implementation of measure 75.01 Establishment of young farmers worth EUR 25.5 million.

In 2024, a total of 24 tenders were announced as part of the SP ZPP implementation. During the year 2024, the following tenders were (or are still open):

- Tender for the implementation of intervention 78.02 Support for the provision of advisory services.
- The main course for the implementation of intervention 77.03 Support for EIP operational groups.
- Competition for the implementation of intervention 70.05 Support for conservation, sustainable use and development of genetic resources in agriculture.
- Public tender for applications for support from the wine sector for intervention 58.1b.01 INWINE – Investments
- Competition for the implementation of the intervention 73.12. Support to small farmers
- Tender for implementation of intervention 76.01 Insurance of agricultural production



- Tender for implementation of intervention 58.1.a.01 RESTRVINEY – Restructuring and conversion of vineyards
- Competition for the implementation of the intervention 58.1. PROMOWINE – promotion in third countries
- Competition for the implementation of intervention 58.1 INFOR (58.1.H) – information measures related to wines of the Union implemented in member states which promote Union quality systems that include designations of origin and designations of geographical origin
- Competition for the implementation of the intervention 78.01. support for knowledge transfer
- Submission of the Application for the approval of the operational program and the Application for the approval of the operational fund and the amount of support (the first year of implementation of the operational program in 2025).

### 8.3 Geographical Distribution of Tenders and Invitations to Tender

Geographical distribution of tenders and notices are sometimes exclusively distributed through digital channels and platforms. There is a lack of personal information by groups in the rural area, which in itself requires people who have knowledge, as well as workshops that would continuously provide opportunities and provide support and knowledge in accordance with changes.



## 9.0 ANALYSIS OF THE IMPACT OF TENDERS ON RURAL ENTERPRISES IN APULIA<sup>9</sup>

### 9.1 Participation of rural enterprises in tenders

To analyse the impact of tendering procedures on rural businesses, it is crucial to consider several aspects:

Participation of rural enterprises in tendering procedures: the involvement of rural enterprises in tendering procedures can vary depending on factors such as access to information, resources and competitiveness within the market.

Considering these additional factors is crucial to fully understanding the challenges rural enterprises face when it comes to bidding for tenders. Policies and programmes aimed at addressing these challenges can contribute to increasing the participation of rural enterprises in tenders, thereby fostering their growth and development in the rural context.

### 9.2 Successful contracting and business development

Success in tendering and business development: the success of rural enterprises in winning tenders can influence their growth and sustainability. Factors such as prices, quality of services and compliance with tender requirements play a crucial role in securing contracts. Not only that, but also thanks to:

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<sup>9</sup> Mediappalti, L'ANAC aggiorna le proprie Linee guida in materia di appalti di servizi postali, December 10, 2020, <https://www.mediappalti.it/lanac-aggiorna-le-proprie-linee-guida-in-materia-di-appalti-di-servizi-postali/>.



- Experience and proven track record: Rural enterprises with a proven track record in similar projects and a solid reputation for quality work are more likely to succeed in tenders.
- Efficiency and price competitiveness: Rural enterprises must be able to offer competitive prices while maintaining profit margins adequate for sustainability.
- Ability to innovate and adapt: The ability to innovate and adapt to changing market needs is crucial for success in tenders, as it allows rural businesses to stand out from the competition and offer new and creative solutions.

### 9.3 Challenges and opportunities related to participation in tenders

Challenges and opportunities associated with participation in tenders: rural businesses face challenges such as limited resources, competition from larger companies and compliance with specific tender criteria. However, participation in tenders can also offer opportunities for growth, diversification and access to new markets.

Analyzing the impact of tendering on rural enterprises involves understanding their participation rates, success factors in contracting and the overall implications of engaging in tendering for their development and sustainability.



## 10.0 ANALYSIS OF THE IMPACT OF TENDERS ON RURAL ENTERPRISES IN LIKA

Given that grants have been available since 2018, only short-term effects can be assessed. The results show that the aid has no effect on the survival rate of companies up to three years after receiving the aid. Also, we did not record the effect of grants in any of the output indicators (assets, sales, added value, profit). However, the treatment recorded a positive significant effect on employment throughout the analyzed period and the effect appears to increase in magnitude from the year of receiving the grant onwards.

The effects on the average salary are only weakly significant in the short term, in the first year after receiving the support. This can be explained by the fact that the number of employees increases from year to year after receiving support, so the effect on the average salary is noticeable only at the beginning of receiving support. We did not record any effect on capital inputs, while intermediate inputs show weak growth effects in the first two years after receiving the support. Grants did not bring benefits in total factor productivity or labor productivity. Finally, the debt analysis reveals that the treated companies managed to reduce their debt ratio in the second year after receiving the grant, but this effect disappeared in the medium term.

The development priorities of the county contain the elaboration of goals, and they must logically follow from the goals. They should specify and determine all components of the goals. The priorities must be measurable, achievable, clearly formulated, determined by the deadline, mutually compatible (they must not overlap), comprehensive, socially and environmentally acceptable, in accordance with the priorities of the statistical regions established in



the Regional Development Strategy of the Republic of Croatia, as well as with the goals in other relevant strategic county and state strategies.

In the information system established to monitor the implementation of development strategies, a standard for the formation of goals and priorities should be organized, which includes the name of the goal or priority, their hierarchical connection and alignment, as well as connection and alignment with the goals in other strategic documents and programs, the period of their implementation, indicative financial resources and indicators for monitoring their achievement.

### 10.1 Participation of rural enterprises in tenders

Support was available to rural entrepreneurs to the greatest extent within the framework of the implementation of the Rural Development Program, which has been implemented since 2014 through 19 measures that include 40 sub-measures and about 100 different types of operations.

From the start of implementation until October 2022, a total of 148 tenders were announced, of which 139 have been closed, and applications for 9 are still open. From that number, operation type 4.1.1. - Restructuring, modernization and increasing the competitiveness of agricultural holdings, which is the subject of this analysis, 17 tenders were announced. The first tender was announced in February 2015, and included investment opportunities in all sectors of primary agriculture. It was followed by the announcement of mainly sectoral tenders, in order to more fairly distribute the total allocations depending on the needs of each sector. This analysis includes the first three tenders announced: the first tender for agricultural holdings from all sectors of agricultural production, the second tender which referred to the pig



and poultry sectors (separate allocation) and the fruit and vegetable sector (separate allocation), the third tender which is again intended sectors of pig farming, poultry farming, fruit growing and vegetable growing, but this time the allocation is additionally divided depending on the economic size of the user (EVPG) expressed through standard output (SO).

Data on the number of applicants for tenders by cities and municipalities and counties are not available, as well as data on the number of applicants for tenders by Ministries. The Decision on the approval of non-reimbursed grants to entrepreneurs for investing in basic assets and carrying out activities in the area of Lika-Senj County in 2022 is available.

([https://licko-senjska.hr/images/uploads/2919/odluka\\_1.pdf](https://licko-senjska.hr/images/uploads/2919/odluka_1.pdf)) from which it is evident that grants in the total value of HRK 374,974.00 were awarded to a number of 47 entrepreneurs.

An overview of the small value grants awarded by all grant providers in 2024 is available at the link <https://mfin.gov.hr/UserDocsImages//dokumenti/koncesije-dp/RegistarDP//DM%202024%20Pregled%20dodijeljenih%20potpora%20male%20vrijednosti%202024-09-09.xlsx>

## 10.2 Successful contracting and business development

The results of numerous studies point to the fact that the analyzed non-reimbursable grants had no effect on the company's survival rate, nor on the company's output (assets, sales, added value, profit), nor on capital inputs. However, the grants received had a positive effect on employment in the short and medium term after receiving the grant, with the effect being stronger in the last analyzed years. The effects on the average salary are only weakly significant in the short term, in the first year after receiving the support. Intermediate inputs show weak growth effects in the first two years after receiving support. Debt analysis reveals that



treated companies managed to reduce their debt ratio in the second year after receiving the grant, but this effect disappeared in the medium term. Our results are in line with the results of most other studies that examine the impact of investment support or grants from rural development programs on business. Therefore, the prevailing opinion is that it is necessary to insist on the use of counterfactual analysis as part of the evaluation process of publicly funded development programs in order to obtain an accurate assessment of the impact of the program itself, and not just an overall assessment of the process of its implementation. The application of methodologically sophisticated evaluation techniques requires professional and technical skills, so the introduction and strengthening of capacities for this type of analysis in Croatia is necessary through the cooperation of various stakeholders.

### 10.3 Challenges and opportunities related to participation in tenders

The European Union plays a key role in encouraging the development of rural areas. EU funds are one of the key instruments for achieving these goals. However, despite the efforts, the financing of EU projects faces several challenges that can make it difficult to implement and achieve the goals:

#### 1. Bureaucracy and complex regulations

One of the most common challenges is excessive bureaucracy and complex regulatory frameworks. The diversity of regulations and procedures can slow down the processes of project approval and implementation, leading to lengthy administrative procedures. This can make it difficult to use funds promptly and reduce the effectiveness of implementation.



## 2. Lack of financial sustainability:

Some projects face challenges of long-term financial sustainability after the end of EU funding. The lack of clear plans for the maintenance of the project after the end of the financial support can lead to problems in further functioning and preservation of the achieved results.

## 3. Complexity of public procurement:

Public procurement often represents a key challenge in the implementation of EU projects. Public procurement procedures can be complicated, with many steps and requirements. This can result in significant delays in the implementation of the project, and at the same time opens up space for potential irregularities or corrupt practices.

## 4. Lack of coordination between different levels of government:

Coordination between the European level, national governments, and local authorities can be a challenge. Lack of alignment and a common approach can lead to fragmentation and underutilization of resources.

## 5. Risk of non-compliance with objectives:

Sometimes projects financed by EU funds face the risk of not achieving the desired objectives. This can be the result of a lack of clear strategies, poor project management, or unforeseen changes in the environment.

Although EU projects represent a key instrument for stimulating development, they face a series of challenges that require careful planning, flexibility, and cooperation of all stakeholders. Reducing bureaucracy, improving transparency, and strengthening cooperation between all levels of government are key steps in solving the issue of financing EU projects.



## 11.0 CONCLUSIONS

### 11.1 Summary of the main findings from the analysis of support measures and tenders in Apulia

The analysis of support measures and tenders in the public sector highlights several key issues that influence rural entrepreneurship and sustainable development. This summary presents significant findings from the analysis, with a focus on implications for future policies and development strategies.

Businesses involved in construction sites and tenders have a responsibility to adopt mitigation and compensation measures to minimise the environmental impact of their activities. These measures, which may include planting trees, reducing greenhouse gas emissions and efficient waste management, are key to promoting sustainability and environmental protection.

The guidelines for the procurement of postal services, such as those issued by the Authority for Markets and Consumer Guarantees (AGCM), provide criteria for evaluation and subdivision into lots to promote competition and quality of service. The division into smaller lots, for example, can facilitate access to tenders by small and medium-sized enterprises, including those operating in the rural sector.

Regulatory impact analysis is a key tool for improving the quality of regulation and simplifying the regulatory framework. As demonstrated by the experimentation conducted in Tuscany, impact analysis makes it possible to assess the effectiveness and efficiency of regulations, identifying possible obstacles to entrepreneurship and making the necessary changes.



The guidelines for the use of Minimum Environmental Criteria (CAM) and the drafting of model specifications provide guidance to contracting authorities on the environmental and social standards to be observed in tenders. These guidelines, for example, highlight the importance of assessing compliance with social criteria during the selection of bidders, promoting fair and inclusive working practices.

### 11.2 Summary of the main findings from the analysis of support measures and tenders in Lika

We can conclude in summary that more work needs to be done on education through gatherings, and different distribution channels, that the structure of the competition should be communicated more and more efficiently, and, in addition to official documentation, greater support should be provided in the application process.

### 11.3 Implications for future policies and development strategies for rural entrepreneurship in Apulia

The analysis of the above issues highlights several implications for future policies and development strategies for rural entrepreneurship:

- Integration of environmental and social support measures in tenders: Tenders should include specific measures to promote sustainability and social responsibility of rural enterprises. This may include obligations to use environmentally friendly materials, to adopt fair labour practices and to respect human rights.
- Implementation of clear and transparent guidelines: Tendering guidelines should be clear, transparent and easily accessible to rural enterprises. This will help ensure a



level playing field and facilitate participation in tenders by all enterprises, regardless of their size or experience.

- Continue to use regulatory impact analysis: Regulatory impact analysis should be used continuously to streamline regulations and simplify processes. This will help reduce bureaucratic burdens for rural businesses and foster a more entrepreneur-friendly regulatory environment.
- Promote equitable participation and sustainability: Future policies should take into account environmental and social needs by promoting equitable participation and sustainability in tendering. This will contribute to a more inclusive market environment and generate a positive impact on society and the environment.

In conclusion, the analysis of support measures and tendering offers valuable insights into the development of policies and strategies to promote sustainable rural entrepreneurship. The integration of environmental and social measures into tenders, the implementation of clear and transparent guidelines, the continued use of regulatory impact analysis and the promotion of equitable participation and sustainability are key elements for a more sustainable future for rural entrepreneurship.

#### 11.4 Implications for future policies and development strategies for rural entrepreneurship in Lika

Key guidelines for future policies and strategies, and with the goal of more effective entrepreneurship in rural areas depend on the demographics in the rural area of Lika-Senj County, strengthening entrepreneurship through basic concepts and opportunities should start already in high school. More effective preparations through education for a better



understanding of the position of personal assistants would give a better effect in understanding, analysis of the needs of entrepreneurs according to the rural structure, potential and possibilities, and would give an effective approach to the preparation of tenders, and therefore to implementation. The synergy of the Ministry of Demography, the Ministry of Economy, the Ministry of Environmental Protection, the Ministry of Tourism and the preparation and coordination of strategies according to the needs of entrepreneurs in the rural area of Lika-Senj County would be very necessary. In this way, the right direction would be defined since general tenders are not connected to the possibility of creating new ideas.



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