



EUROPEAN COMMISSION  
DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT

The Director-General

Brussels, 31 March 2022

**Subject: Observations on the proposal by the Republic of Croatia for a CAP Strategic Plan 2023-2027 - CCI: 2023HR06AFSP001**

Your Excellency,

I hereby acknowledge receipt of the proposal for the 2023-2027 CAP Strategic Plan of the Republic of Croatia, submitted via SFC2021 on 31 December 2021.

An assessment by the Commission services of the proposed CAP Strategic Plan has identified a number of issues that require further clarification and adaptation. The enclosed annex sets out the relevant observations, which are communicated pursuant to Article 118(3) of Regulation (EU) 2021/2115.

I invite the Republic of Croatia to submit a revised proposal of the CAP Strategic Plan for approval, taking into account these observations.

In accordance with Article 121 of Regulation (EU) 2021/2115, the time limit of 6 months for the Commission decision to approve your CAP Strategic Plan does not include the period starting on the day following the sending of these observations and ending on the date on which the Republic of Croatia responds to the Commission and provides a revised proposal.

The Commission is committed to a continued structured dialogue with national authorities in the further approval process of your CAP Strategic Plan. The Commission is open to receiving your written reaction on the key elements of the observations within 3 weeks and intends to publish them subsequently alongside our observations on all the CAP Strategic Plans received in time, unless you would object to publication of your reaction. I invite your services in charge to engage in bilateral exchanges as soon as possible in order to discuss the observations set out in the Annex.

Yours faithfully,

Wolfgang BURTSCHER

Enclosure: List of observations pursuant to Article 118(3) of Regulation (EU) 2021/2115

Her Excellency Ambassador Irena Andrassy  
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## ANNEX

### Observations on the CAP Strategic Plan submitted by Croatia

The Russian invasion of Ukraine and the ongoing generalised commodity price surge bring to the forefront in the strongest possible way the integral link between climate action and food security. This link is recognised in the Paris Agreement and has been incorporated in the new legislation for a Common Agricultural Policy (Regulation (EU) 2021/2115) and the Farm to Fork Strategy (COM/2020/381 final) with a view to ensuring sufficient supply of affordable food for citizens under all circumstances while transitioning towards sustainable food systems.

In this context, and in the context of the climate and biodiversity crises, Member States should review their CAP Strategic Plans to exploit all opportunities:

- to strengthen the EU’s agricultural sector resilience;
- to reduce their dependence on synthetic fertilisers and scale up the production of renewable energy without undermining food production; and
- to transform their production capacity in line with more sustainable production methods.

This entails, among other actions, support for carbon farming, support for agro-ecological practices, boosting sustainable biogas production<sup>1</sup> and its use, improving energy efficiency, extending the use of precision agriculture, fostering protein crop production, and spreading through the transfer of knowledge the widest possible application of best practices. The Commission assessed the Strategic Plans of Member States with these considerations of the sector’s economic, environmental and social viability in mind.

The following observations are made pursuant to Article 118(3) of Regulation (EU) 2021/2115. Croatia is asked to provide the Commission with any necessary additional information and to revise the content of the CAP Strategic Plan taking into account the observations provided below.

<h2>The key issues</h2>
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### Observations with regard to the strategic focus of the CAP strategic plan

1. The Commission welcomes the submission by Croatia of its CAP strategic plan (from here on – the Plan), the consideration given to its recommendations of 18

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<sup>1</sup> Sustainable biogas production means the production of biogas that respects the sustainability and greenhouse gas emissions saving criteria laid down in Article 29 of Directive (EU) 2018/2001 (Renewable Energy Directive).

December 2020 (SWD/2020/384), and the exchanges in the framework of the structured dialogue leading up to its submission. The Commission takes note of the public consultations conducted in preparing the Plan and invites Croatia to strengthen the partnership principle during the implementation phase.

2. The Commission welcomes certain strategic decisions, e.g. the increase in the budget for some interventions such as knowledge and innovation as compared to the previous programming period or animal welfare that takes into consideration the new trends and consumer demands related to the protection of livestock. These are positive steps in order to advance towards a more knowledge-based agricultural model as well as adapting to the new societal demands.
3. However, the Commission considers that the Plan requires a stronger strategic focus that would allow a more effective and efficient use of the resources: first of all, the Plan lacks clarity and coherence of the strategic elements underpinning the choice and design of the proposed interventions; at the same time, the Commission considers that stronger efforts are needed regarding a fairer distribution and more efficient targeting of direct payment and that the Plan lacks sufficient ambition for the environmental and climate-related objectives; the Croatian Plan also requires higher ambition in terms of digitalisation and deployment of fast broadband in rural areas.
4. The Commission recalls the importance of the targets set for result indicators as a key tool to assess the ambition of the Plan and monitor its progress. The Commission requests Croatia to revise the proposed target values, by improving their accuracy and taking into account all the relevant interventions, and by defining an adequate ambition level in line with the identified needs.

**Observations with regard to the fostering of a smart, competitive, resilient and diversified agricultural sector that ensures long-term food security**

5. The Plan contributes only partially to this general objective and the Commission has doubts as to the expected effectiveness of the proposed intervention strategy with regard to resilience, competitiveness and the position of farmers in the value chain.
6. On the basis of the information provided in the Plan and considering the important needs identified, the Commission considers that the ambition as regards the fairer and more efficient and effective targeting of distribution of direct payments could be further improved, in particular as regards the targeting by improving the design chosen for the redistributive payment. Croatia is therefore invited to reassess its redistribution strategy and to complement explanations received so far, in particular by a quantitative analysis of the combined effects of all proposed income support tools on redistribution. This will allow the Commission to fully assess whether the aim of fairer distribution and more efficient and effective targeting of direct payments is addressed in a sufficient manner by the Plan.
7. According to the Strategic statement the income of Croatian farmers lays significantly below the average of the entire economy. Croatia is invited to provide more information on how it is addressing numerous challenges at national level (e.g. farmers' access to land and capital, better conditions for land transfer between generations) to ensure efficiency of the Plan interventions aimed at less

dependence on food imports, higher income of Croatian farmers and the young farm managers in particular.

8. Croatia aims at strengthening the position of primary producers in the value chain and shifting towards products with higher value added. However, there are no sectoral interventions in other sectors than the mandatory ones, i.e. fruits & vegetables (F&V), apiculture and wine. Croatia is invited to consider if this approach is coherent with the identified needs to increase productivity and effectiveness.
9. In light of the Russian war on Ukraine, the Commission urges Croatia to consider interventions that will help reduce dependence on fossil fuels and other externally sourced inputs to preserve the production capacity and viability of farms.

**Observations with regard to the support for and strengthening of environmental protection, including biodiversity, and climate action and to contribute to achieving the environmental and climate-related objectives of the Union, including its commitments under the Paris Agreement**

10. The Plan contributes only partially to this general objective and the Commission has doubts as to the expected effectiveness of the proposed intervention strategy.
11. Croatia is requested to undertake a number of key changes to strengthen its contribution to environmental and climate-related objectives using qualitative and quantitative elements such as financial allocation and indicators. These changes relate to observations concerning conditionality, eco-schemes and rural development (RD) interventions, which will have to be addressed in order to deliver on increased ambition with regard to environmental and climate-related objectives as required by Article 105 of the SPR. At the same time, Croatia is invited to ensure coherence with key pieces of EU environmental and climate legislation (Directive 2000/60/EC (Water Framework Directive (WFD)), Directive 2009/147/EC (Birds Directive), Directive 92/43/EEC (Habitats Directive), Directive 91/676/EEC (Nitrates Directive), Directive (EU) 2016/2284 (NEC Directive) and Directive 2008/50/EC (Ambient Air Quality Directive) listed in Annex XIII of Regulation (EU) 2021/2115 (Strategic Plan Regulation - SPR).
12. The Plan does make a link between the need to decrease agricultural emissions and enhance land-based carbon sequestration and the contribution to the climate targets and objectives under the current Effort Sharing and LULUCF Regulations. However, the Plan should be amended to provide sufficient justification as regards this ambition, instead of staying mainly at the minimum levels of the previous period.
13. In this context, Croatia is strongly encouraged to take into account the future national targets of the Effort Sharing Regulation and the LULUCF Regulation (which are currently under consideration by the co-legislators) in view of the legal requirement to review the Plan after their application.
14. The Commission requests Croatia to clarify and, if necessary, amend certain Good agricultural and environmental conditions (GAEC) so they fully comply with the regulatory framework. Also, the environment and climate related interventions under Pillar I and Pillar II will need to be better linked to the needs and objectives

as some indicators related to key issues show insufficient ambition and some important indicators are missing.

15. Croatia is requested to explain how the Plan addresses needs, contributes to and is coherent with the River Basin Management Plan (RBMP), also considering measures beyond irrigation, such as natural water retention and measures to reduce crop water demand.
16. The Commission holds the view that it is unlikely that the proposed interventions will lead to an effective contribution to the achievement of the specific objectives of Annex XIII legislation. The proposed eco-schemes and RD interventions will need to better address some of the pressing needs related to biodiversity, diffuse agricultural pollution, hydro-morphological pressures, desertification and salinisation, nutrient losses, low humus content and air pollutant emissions and emissions from enteric fermentation from agriculture, as well as the need to increase CO<sub>2</sub> removals and resilience of agriculture and forestry to climate change. Croatia is invited to revise the adequacy of the planned interventions and the allocated budget with a view to achieving sufficient impacts. This is particularly acute for biodiversity and nature, which is of particular concern given the rich natural capital of Croatia. Croatia is encouraged to also consider result-based approaches to addressing these challenges.
17. Croatia is requested to take better account of the Prioritised Action Framework (PAF) and further align the proposed interventions with it.
18. The Commission welcomes the intervention aimed to preserve forests in Natura 2000 areas where careful targeting is needed given the low level of the allocated budget. Moreover, Croatia is invited to consider climate and environmentally friendly forest and agro-forest practices, forest fire prevention and mitigation, payments for forest ecosystem services, etc.
19. Croatia is invited to better elaborate the strategic approach concerning a sustainable livestock sector by explaining how the different elements of the Plan come together into a coherent picture which takes into account climate and environmental related aspects as well as competitiveness and market potential.
20. The Commission strongly encourages Croatia to fully benefit from possibilities for CAP interventions by using them to increase sustainable domestic generation of renewable energy, including biogas, thereby strengthening what has already been programmed in their National Energy and Climate Plan. Moreover, the Commission calls on Croatia to strengthen the interventions that improve nutrient use efficiency, facilitate circular approaches to nutrient use including organic fertilising as well as further reduce energy consumption.

### **Observations with regard to the strengthening of the socio-economic fabric of rural areas**

21. The Commission has doubts about the potential of the Plan for contributing to the general objective of strengthening the socio-economic fabric of rural areas. At the same time, the Commission welcomes the efforts made by Croatia to attract and sustain young farmers in agricultural business, to improve their business and financial skills and provide for access to finance via financial instruments.

22. Support for rural areas beyond agriculture and the coordination of EU funding instruments is key to the EU's social and territorial cohesion. This should be reflected in the Plan. More information should be provided on how Croatia will address these needs with national or other EU funding sources and how this funding is coordinated with funding from the Plan.
23. Despite very significant needs identified with regard to the socio-economic context of Croatian rural areas (improved infrastructure, diversification of agricultural production, agro-tourism, bio-economy, social inclusion, services, etc.), the proposed interventions seem to only partially address them. The Commission invites Croatia to better explain how, and if, these needs are addressed under the Plan, mainly relying on LEADER, as well as other funding instruments. Croatia should also consider to increase the funding for the relevant CAP interventions and explore other (non-LEADER) interventions. In this context, Croatia is requested to enhance the ambition with regard to job creation aspects in various interventions of the Plan.
24. The Commission is concerned about the low level of commitment in the Croatian Plan to promoting gender equality and improving the participation of women in farming. The Commission encourages Croatia to consider addressing this objective by justified and proportionate measures.

#### **Observations with regard to fostering and sharing of knowledge, innovation and digitalisation in agriculture and rural areas**

25. The Commission considers that the Plan provides insufficient information, starting with the analysis of strengths, weaknesses, opportunities and threats (SWOT), to allow for a thorough assessment of Croatia's strategy for knowledge, innovation and digitalisation. The Commission therefore requests Croatia to develop a clear and comprehensive strategic approach for Agricultural Knowledge and Innovation Systems (AKIS) and digitalisation, covering agriculture and food production as well as topics such as energy efficiency, the application of climate change mitigation measures, forest protection, etc. in line with the assessment of needs.

#### **Other issues**

26. Croatia is requested to revise the sections related to "Identification of needs" and "Intervention logic" under the specific objectives so as to define needs in a clearer and more consistent way and to better present interrelations and linkages between the different elements. The quality of the intervention strategy for specific objectives 4-6 and 9 in particular would benefit from improvements. To this end, structuring the paragraphs around the identified needs and then specify which interventions are supposed to address which needs should be considered. For better legibility, the use of codes attributed to needs and interventions is also preferable.
27. Equal treatment of public and private entities with regard to access to the interventions of the Plan should be ensured in line with the comments under 'Detailed observations' of the Observation letter.

#### **Information with regard to the contribution to and consistency with Green Deal targets**

28. Croatia is requested to quantify national values for the respective EU Green Deal targets, and to provide sufficient explanations on how the Plan will contribute to the achievement of these targets.
29. The Commission welcomes the fact that the Plan aims to increase the Croatian agricultural area under organic farming. However, Croatia is invited to explore the scope for further increasing the level of ambition and revising the national target of 12% of the area under organic farming by 2030 upward to contribute more significantly to the common target of 25%. In this context, both supply and demand for organic products should be stimulated, greater efforts could be put into reinforcing the entire value chain, boost demand and ensure consumer trust for organic products.
30. The Commission welcomes the information provided by Croatia concerning the contribution to the targets on antibiotic use reduction and land with high diversity landscape features. As regards antibiotic reduction, it invites Croatia to sustain its efforts. In addition, Croatia is invited to significantly increase the share of landscape features to reach 10%. Whereas the Plan includes some measures to promote landscape features, a detailed analysis of the expected results is needed.
31. Based on the analysis of needs included in the Plan, the Commission asks Croatia to significantly step up the level of ambition with respect to nutrient loss and sustainable use of pesticides and to set ambitious targets.
32. Croatia identifies a 778 million EUR investment gap in order to achieve full fast broadband coverage of rural areas. However, various details are missing in the Plan on the intervention strategy of the National Broadband Development Plan such as calendar of milestones, targets, and complementarities with other funding instruments (e.g. Recovery and Resilience Facility - from here on - RRF). Croatia is therefore invited to strengthen the Plan, in coherence with the observations provided under 'Detailed observations' of this letter.

## **Detailed observations**

### **1. STRATEGIC ASSESSMENT**

#### **1.1. To foster a smart, competitive, resilient and diversified agricultural sector ensuring long term food security**

##### *1.1.1. Strategic assessment of Specific Objective 1*

33. Croatia is invited to update the SWOT for this specific objective with data on regional differences as regards the intensity of agricultural production, use of inputs, and livestock management.
34. In line with the comments made in Part 'Key issues' of this letter concerning the aim of fairer distribution and more effective and efficient targeting of direct payments: the corresponding overview should not only indicate that the redistributive needs have been addressed, but also demonstrate that they have been addressed sufficiently. To justify the sufficiency of the strategy and the consistency of all income support tools, Croatia is requested to provide a quantitative analysis showing the combined effects of all relevant income support tools on direct

payment per hectare and income per work unit by physical size (e.g. using Farm Accountancy Data Network, from here on FADN).

35. The Plan does not provide sufficient explanations on the redistributive strategy towards small farms e.g. minimum requirements, payments for small farms and others. Croatia is invited to update the Plan accordingly.
36. Croatia is also invited to explain why degressivity and capping are not part of the redistributive strategy.
37. Stakeholders have repeatedly drawn the attention of the Commission to the specificities of farming and pastures in karst areas and their specific needs. Croatia is invited to consider providing information such as the eligibility of karst areas for basic income support or other type of support under the CAP, analysis of the comparative income needs of such farms in the SWOT, or any other information considered relevant.
38. According to the Strategic statement the income of Croatian farmers lies significantly below the average of the entire economy. Croatia is invited to provide more information on how it is addressing numerous challenges at national level (e.g. farmers' access to land and capital, better conditions for land transfer between generations) to ensure efficiency of the Plan interventions aimed at higher income of Croatian farmers and the young farm managers in particular.

#### *1.1.2. Strategic assessment of Specific Objective 2*

39. The SWOT indicates a reduced number of available workforce as a weakness. The Plan does not, however, include actions to address this challenge. Croatia is invited to explain whether it foresees measures to cope with this challenge in or outside the Plan.
40. As regards wine, for all the types of intervention selected, Croatia should better substantiate how the objective to enhance market orientation and increase farm competitiveness would be implemented and what exactly modernisation of equipment and technological processes would involve.
41. The SWOT on the forestry sector points to a low level of technological development and insufficient investments in forestry research. The Commission invites Croatia to consider mentioning exchange and cooperation with more experienced Member States as an opportunity followed by concrete actions proposed in the intervention logic such as the inclusion of the forestry sector into European Innovation Partnership operational groups (from here on EIP OGs), cooperation projects under LEADER, knowledge transfer and advisory services, networking and others.
42. In order to address efficiently difficulties and improve the competitiveness and sustainability of the sector and to avoid that the proposed Coupled Income Support (CIS) interventions lead to a deterioration of the environmental and climate situation (e.g. resulting from intensification of livestock farming), Croatia is requested to clarify the interplay between CIS and other support decisions under the Plan and to improve, if relevant, the CIS interventions' targeting (e.g. eligibility conditions for specific types of farming within a sector and CIS adapted to different local context).

### *1.1.3. Strategic assessment of Specific Objective 3*

43. The Commission considers that the Plan will address only partially the need to help the primary sector to strengthen its position in the value chain. The Plan proposes a Rural Development (RD) intervention to stimulate cooperation between producers but no interventions beyond the sectors of F&V, apiculture and wine. Croatia is invited to consider if this approach is coherent with the identified needs to increase productivity and effectiveness.
44. Croatia should explain the articulation between quality schemes managed under CAP and those managed at national level such as 'Proven quality' in terms of products covered, current advancement of registration procedures, success amongst Croatian farmers, etc.
45. Concerning short supply chains, Croatia is invited to explain the synergies and complementarities of support given under Article 77 of the SPR with national initiatives such as the e-commerce platform tržnica.hr.
46. Croatia is asked to indicate complementarities, synergies and demarcation of SO3 interventions with other interventions in the Plan, particularly CIS and sectoral interventions, as well as with actions planned under the Croatian Recovery and Resilience Plan (RRP), in particular in the F&V sector.
47. Under point '2.1.SO3.1.4 Threats' of the Plan, Croatia refers to the imports of wine grapes from the Republic of North Macedonia, due to lower price. It should be noted that grapes coming from non-EU countries may not be turned into grapevine products or added to such products in the territory of the Union pursuant to point 5 of Section B of Part II of Annex VIII of Regulation (EU) No 1308/2013. Clarification is sought on this point.

### *1.1.4. Specific strategic focus*

#### Coupled Income Support and Water Framework Directive

48. With regard to section 3.3, Croatia is invited to better elaborate how the specific design of the Croatian CIS interventions is consistent with Directive 2000/60/EC (Water Framework Directive, from here on WFD). Croatia should elaborate on how river-basin management challenges are being taken into account, in particular for interventions targeting sectors operating in regions within which the "good ecological status" as per the WFD has not yet been achieved and/or at risk.

#### Risk management

49. Agricultural risk management tools may address the growing risks that the changing climate represents in agriculture. Croatia is invited to consider incentives for farmers to take proactive measures reducing their vulnerability and increasing their adaptive capacity to climate change. With regard to section 3.6, Croatia is invited to strengthen the description by providing quantitative information such as the number of insured farmers, better distinguishing between risk and crisis management tools and by strengthening the delimitation of tools so as to avoid overlaps. Moreover, Croatia is invited to explain whether additional or innovative solutions (e.g. mutual funds beyond F&V sector) have been explored against a dynamically evolving risk management context.

50. Although the prevention of floods is highlighted in the strategic statement, there are no measures on floods in the interventions proposed in the Plan. Croatia is invited to explain this inconsistency or strengthen the attention given to flood risk management in the Plan.
51. As regards the result indicator R.5 and considering the fact that the CAP risk management tools remain the main instruments for managing risks in agriculture, the Commission considers the target value of 6,69% relatively modest and invites Croatia to reinforce this value and to adapt the (mix of) interventions contributing thereto accordingly.

**1.2. To support and strengthen environmental protection, including biodiversity, and climatic action and to contribute to achieving the environmental and climate-related objectives of the Union including its commitments under the Paris Agreement**

*1.2.1. Strategic assessment of Specific Objective 4*

52. The Plan indicates there is a trend towards reducing greenhouse gas (GHG) emissions from agriculture. However, the emissions have instead rather remained stable since 2005. Croatia is invited to correct the interpretation of its agriculture emission trend and provide an estimate of the mitigation potential under the concerned interventions.
53. The Plan lacks a strategic reflection on the increase in GHG emissions linked to soil management, which are the main source of GHG emissions in agriculture. In this respect, the need for improvement of mineral and organic fertiliser application methods (e.g. precision agriculture) should be addressed appropriately, thereby also maximising co-benefits with air quality objectives.
54. The climate mitigation needs related to livestock production are only partly addressed in the Plan. Reduction of emissions from enteric fermentation in line with the EU strategy to reduce methane emissions, including measures for changes in diet of cattle and pigs and the composition of animal feed, improvement of breeding program should be adequately addressed in the intervention strategy.
55. The Plan should also address the issue of low water retention of soils and low humus content in relation to which the use of agricultural practices contributing to better carbon sequestration needs to be improved. Furthermore, Croatia is invited to provide more information concerning the implementation of carbon sequestration measures, including the promotion of carbon assessment tools.
56. Croatia is invited to provide more information on the role of wetlands and their cultivation status as regards their protection and carbon sink potential and their management and use.
57. The explanation of the decline in GHG removals under Land Use, Land-Use Change and Forestry (LULUCF) for the 2010-2018 period requires a justification contemporary with the period in question. Since carbon sequestration capacity of forests has been decreasing, needs to increase the carbon uptake of forests should be linked to SO4. Current target values set for forestry interventions suggest a modest impact on climate mitigation and adaptation and should be strengthened, including afforestation.

58. On climate change adaptation, the Plan shows significant gaps in identifying climate needs to increase resilience of agriculture and forestry to climate change, in particular needs for specific biogeographical regions or farm sectors, awareness raising, forest fire and flood prevention, etc. The intervention strategy should address these aspects.
59. Although at the moment most groundwater bodies are in good quantitative status, the Plan states as a threat that “Croatia is not rich in longer-term water reserves”. In this respect, Croatia is asked to elaborate further how the needs identified with respect to water quantity / abstraction pressures from agriculture (also possible future pressures) will be addressed and how the Plan will contribute to the RBMP and objectives of the WFD. Croatia is asked to specify what interventions beyond irrigation are envisaged, e.g. natural water retention measures, measures to reduce demand, advice, etc., which needs to be consistent with need 9 and in line with the Croatian strategy for climate change adaptation.
60. With regard to opportunity to increasing the utilisation of forest biomass potential, it should be ensured that the utilisation of forest biomass is in line with sustainable forest management. Moreover, increased wood extraction should respect the requirements of the Habitats and Renewable Energy Directives. In this respect, it should be noted that promotion of biomass combustion must be accompanied by sufficient safeguards to ensure the absence of negative impacts on air quality.
61. The Plan broadly covers the objectives set in the national energy and climate plan (NECP) regarding renewable energy and energy efficiency in the agricultural sector by envisaging support to projects aimed at the energy exploitation of post-harvest residues /biomass and organic fertiliser. However, R.15 linked to this intervention is very low and should be strengthened.
62. The intervention logic should appropriately address the need for reducing energy consumption in agriculture through energy efficiency.
63. Croatia is strongly encouraged to revise its Plan in order to take into account the national targets that would be laid down in the revised Regulation (EU) 2018/842 (Effort Sharing Regulation) and Regulation (EU) 2018/841 (LULUCF Regulation), Directive 2012/27/EU (Energy Efficiency Directive) and Renewable Energy Directive, as well as ensure consistency with the NECP.
64. Croatia is invited to provide information on the contribution of rural areas to achieving climate change targets in the context of Specific Objective 4, e.g. green mobility, energy efficient building renovation or construction.

#### *1.2.2. Strategic assessment of Specific Objective 5*

65. Diffuse pollution from agriculture as the most significant pressure on water bodies (and potentially a precursor or co-factor in GHG emissions), especially in the continental part of the country lying in the Danube River Basin, is not addressed in the Plan. Croatia should include in weaknesses that diffused agricultural pollution is the main pressure on both surface and groundwater. Furthermore, the risk of eutrophication should be assessed in the SWOT, as well as the overall risk of not achieving the objectives of the WFD by 2027.

66. Croatia should consider the analysis performed under the 3<sup>rd</sup> RBMP when available in the intervention logic.
67. The intervention strategy for Specific Objective 5 should include more detailed information concerning interventions foreseen to reduce nutrient losses and pesticides. Especially the lack of promotion of precision farming technologies and integrated nutrient management strategies (e.g. better manure and livestock management) should be addressed, as the actions included in the Plan do not seem to sufficiently address the current issues related to nutrient losses, manure management and to pollution from agriculture. In this context, Croatia is invited to elaborate its approach on integrated pest management (hereafter IPM) as key element to reduce pesticide use.
68. Croatia is invited to provide information on how the target values for R.19, R.22 and R.24 will contribute to achieving need 9. In this context, the planned values for R.22 and R.24 (14.22% and 1.26% respectively) raise strong doubts whether the Plan will sufficiently cover water bodies affected by diffuse agricultural pollution (57% of surface waters) and make a significant contribution to reduce chemical pesticides use. Furthermore, Croatia is invited to establish a link between need 9 and result indicators related to water use, e.g. R.21, R.23, and R.25, possibly R.27 and R.28.
69. In relation to existing irrigation infrastructure the SWOT summary says that it is dominated by individual, uncontrolled, dispersed and irrational ways of using water in agriculture. Improvement of existing installations to make them more efficient should be addressed appropriately in the context of Specific Objective 5.
70. As regards air pollution emissions, the overall proposed approach in the intervention strategy seems insufficient in the light of the need to continue reducing ammonia emissions and air pollution in Croatia. Appropriate interventions to contribute substantively to air quality improvements (but also methane strategy) and a link to R.20 should be established.
71. The Commission encourages Croatia to explain the links with the Best Available Techniques (BAT) conclusions including BAT-associated emission level (BAT-AEL) notably in the context of reduce emissions of pollutants from installations (e.g. ammonia) but also to appropriately address manure land spreading, on farm processing of manure, slurry storage and water and energy efficiency. The observation is also to be considered in the context of Specific Objective 4.
72. The SWOT summary does not address hydro-morphological pressures and also fails to acknowledge the impact of climate change on soils through increased erosion by wind and water. This should be appropriately reflected in the intervention strategy.
73. Currently, only two national strategies (climate change adaptation; low carbon development) and one plan (NECP) are mentioned, without reference to the legislative instruments. A clearer reference to the respective legislative instruments (e.g. WFD, NEC Directive) and the national plans (e.g. RBMP, National Air Pollution Control Programme) and the Plan's contribution to those should be established.

74. The planned number of participants to benefit from advice, training, knowledge exchange etc. related to environmental or climate-related performance in R.28 seems rather unambitious against the planned R.1 value and should be strengthened (also relevant for Specific Objectives 4 and 6 to facilitate transition towards sustainable practices).
75. Croatia is invited to indicate whether the Plan presents a holistic view of the organic farming sector including not only the production (supply) but also demand side for organic products, its current state and future development opportunities.
76. GD target on 50% reduction of nutrient losses: The Commission notes that Croatia did not provide a national value for this target. Croatia is asked to provide sufficient information to allow assessing the consistency and expected contribution of the proposed Plan to reaching the EU target for 2030. The Commission invites Croatia to revise the Plan's intervention logic towards the sustainable management of nutrients, explaining the need for action in in this field based on the outcomes of the SWOT analyses. Croatia should clarify what relevant interventions are foreseen within and /or outside the scope of the Plan and with which expected results.
77. GD target on 50% reduction of the overall use and risk of chemical pesticides: The Commission takes note that that Croatia did not provide information regarding a national value for this GD target. Croatia recognises long-term sustainability challenges for agricultural producers in meeting this EU ambition, and proposes a number of ways to address this objective. Croatia is asked to provide sufficient information in the Plan to allow assessing the consistency and the contribution of the Plan to reaching the EU target for 2030. Croatia should first clarify – based on the SWOT analyses - whether the reduction of pesticides use is a recognised need at the national level to be addressed by the Plan. Croatia should then elaborate on how the proposed interventions will work together to address it providing sound justification on the expected results.
78. GD target on 25% of the EU's agricultural land under organic farming:  
  
The Commission welcomes Plan's objective of 12% of the Croatian agricultural area under organic farming by 2030, which constitutes an increase over the 2019 value of 7.19%. The Commission invites Croatia to explore the scope for further increasing the level of ambition. Moreover, for R.29 the explanation should be more plausible with regard to the evolution envisaged over time, in particular how the 2024 target of 10.35% vs the 2019 level of 7.19% can be attained.
79. Croatia provided limited information on use of pesticides and IPM. All the issues seem to be addressed with mandatory training. However, it is questionable whether this would suffice to achieve significant changes and it is not clear how it will be checked and measured if that was achieved. Croatia is asked to step up efforts to fully implement IPM and to provide further details on the reduction of pesticides' use in the framework of the Green Deal and the Farm to Fork Strategy.

### *1.2.3. Strategic assessment of Specific Objective 6*

80. Croatia is invited to clearly elaborate on the coherence and links between the SWOT, the needs, the interventions and result indicators in order to illustrate the intervention strategy for this Specific Objective.

81. SWOT analysis should be revised with regard to: missing information (e.g. organic farming, low share of landscape features, threats posed by agricultural/ forestry activity, intensive agriculture, bad conservation status of habitats and species, small surface of utilised agricultural area (UAA) covered by contracts for biodiversity, double entries between threats /weaknesses and strengths /opportunities and statement about consequences of nature protection restrictions on forest management.
82. Croatia is invited to consider assigning high priority to all three biodiversity needs, as they are important to demonstrate the compatibility with and contribution to EU nature legislation and the Biodiversity Strategy and GD targets. In particular need 12 (which also addresses extensive agricultural mosaics) should not remain as low priority.
83. Croatia is also asked to clearly explain how the different CAP interventions as well as other funding tools come together in a coherent way to reply to the identified needs.
84. It should be clearly outlined in the Plan how the programmed interventions will support the targets set out in the EU Biodiversity Strategy for 2030, including the 30% improvement target of species and habitats of EU importance, restoration targets linked to agriculture and reversing the decline in pollinators and addressing key drivers of pollinator decline that result from agricultural activities. Croatia is invited to include in the relevant need that the negative trend of pollinator populations should be addressed.
85. A clear direct link and coherence between the Specific Objective 6 needs and the relevant national planning tools, such as the PAF under the Habitats Directive, National Species Action Plans or conservation measures prescribed by relevant ordinances based on the Nature Protection Act should be built in the intervention logic. In this respect, the PAF could guide Croatia to enhance its proposals with regard to the interventions linked to the protection of biodiversity.
86. The reference to the national regulation on Natura 2000 should also include other species and habitats dependent on agricultural ecosystems (not only *Crex crex* and four butterfly species).
87. Within the interventions under Article 70, it is noted that the amount allocated to agricultural genetic resources is relatively high, compared to other measures such as environmental conservation of permanent grassland and arable land, which are needed to revert the negative trends of biodiversity loss and environmental degradation in Croatia. Croatia should provide explanations thereon.
88. Croatia is invited to describe synergies and complementarities with the Programme for the Environment and Climate Action (LIFE).
89. GD target: 10% of agricultural area under high diversity landscape features: The Commission regrets that Croatia did not provide information regarding a national value for this Green Deal target for 2030. Whereas the Plan recognises that there is scope for increasing the share of landscape features in agricultural areas and foresees a synergic use of relevant Plan interventions to increase the agricultural areas under landscape features, Croatia assigns a low priority to this end. In view of the challenges related to biodiversity, habitats and landscapes emerging from the

SWOT analysis and in line with its recommendations, the Commission invites Croatia to reconsider the level of priority assigned by the Plan to the area of high diversity landscape features to make a significant contribution to the relevant GD target. In addition, Croatia is asked to indicate the expected impacts of the interventions on landscape features and non-productive areas as, the proposed eco-scheme includes also other productive areas.

#### *1.2.4. Specific strategic focus*

##### Green architecture

90. With regard to the description of the overall contribution of conditionality to the specific environmental- and climate-related objectives, the description of the applicable Statutory Management Requirement is quite detailed, while the description of some GAECs has remained fairly general. In this respect, Croatia is invited to review and complement the indications on some GAECs, especially GAECs 1 and 4.
91. The complementarities between the listed baselines and the interventions referred to in Articles 31 and 70 of the SPR are described in rather general terms, listing the relevant interventions and stating their general contribution to SO4, SO5 and SO6, rather than highlighting the main contributions relevant with regard to the main challenges (needs) in Croatia under the three specific objectives and the role the listed interventions are to play in addressing those challenges. Croatia is invited to clearly describe how the different building blocks of its green architecture are going to address the challenges Croatia is facing and significantly contribute to the achievement of the climate and environmental goals.

##### Greater overall contribution

92. The Plan does not provide sufficient justification as regards a greater overall contribution to specific objectives concerning climate change, management of natural resources, and biodiversity /landscapes, compared to the 2014-2022 period. While it refers to some relevant elements, such as conditionality, SWOT, and interventions under both pillars, it does not make a proper qualitative and quantitative comparison of the 2014-2022 climate and environment performance with the expected climate and environment performance under the Plan. Croatia should explain how a higher environmental ambition shall be achieved as there seems to be a large degree of continuity as regards greening and rural development interventions.
93. Croatia is invited to build on the elements provided by explaining the environmental value of the different elements proposed in the Plan, in particular conditionality and interventions under both pillars (including sectoral interventions) in comparison to the 2014-2020 period, e.g. whether new interventions were introduced or existing measures were reinforced in terms of additional /stricter requirements, higher payments, inclusion of additional area or beneficiaries etc. Furthermore, Croatia is encouraged to include a comparison of quantitative elements, where possible, including output and result indicator values, and financial allocations.

### **1.3. To strengthen the socio-economic fabric of rural areas**

#### *1.3.1. Strategic assessment of Specific Objective 7*

94. The main Weakness W1 in Specific Objective 7 SWOT analysis is a high share of rented area in total UAA (93.5%), e.g. in 2017 an average young farmer cultivated 23 ha of UAA out of which 21.5 ha was rented. Also, intervention logic points at difficult access to farmland and funding sources due to lack of ownership (collateral for banks) as well as ‘disorderly ownership relationships’. Therefore, Croatia is invited to describe in SO7 strategy how the said weaknesses are being addressed at national level so as to increase efficiency of the Plan interventions destined to young farmers: (see list of weaknesses in the strategic assessment of Specific Objective 1).
95. Croatia should check the consistency between the target value for generational renewal (R.36) and the related planned output and financial envelope.
96. Croatia should also consolidate the intervention logic by including investments as well as knowledge transfer / advisory interventions that also contribute to Specific Objective 7.

#### *1.3.2. Strategic assessment of Specific Objective 8*

97. The proposed Plan addresses the investments into infrastructure and services while identifying the Need 15 - Improve infrastructure in rural areas through the intervention 73.13. - Support to public infrastructure in rural areas. Croatia did not provide more detailed information on the infrastructure it intends to fund. Therefore, the Commission invites Croatia to provide more information on the intended infrastructure investments and their indicative budgetary split. It shall be clarified whether the investments will merely cover essential services (water, sanitation, energy, transport, financial services and digital communications), or whether the investments will be extended to social services (long term care for older population, persons with disabilities, health care services, educational services including kindergarten and pre-kindergarten facilities etc.).
98. In line with the thematic coverage of the Specific Objective 8, Croatia is asked to extend the relevant analytical and strategic sections to its situation in terms of poor employment and at risk of poverty or social exclusion for the rural population and particularly women and youth.
99. Although Weakness W4 points at insufficient availability of high-speed broadband in rural areas, there is neither information on the advancement of current interventions under the European Regional Development Fund - Cohesion policy (ERDF), nor indication of financial sources to support the full coverage of rural areas with high speed internet, in line with the GD target.
100. The need 17 ‘Creating new jobs by diversifying production’ is given high priority. In this context, Croatia should enhance its ambition in terms of R.37 (84 new jobs supported) and proposed interventions under the Plan and put more emphasis on job creation aspects in various sectors such as forestry, business development and diversification, etc. (see also comment on calculation of jobs created under interventions aimed at young farmers). In addition, similarly to other Specific

Objectives (2, 3) more attention could be given to attract and accommodate the third country nationals to work in businesses operating in rural areas.

101. The complementarities with other programmes and sources of funding, including national programmes /strategies should be added, in particular for the identified weaknesses in rural areas which will not be targeted with Plan.
102. Although Croatia has identified the weakness "W3. Insufficient interest in bio-economy projects" and the opportunity "O1. Bio-economy in order to create new "green" jobs and trigger the development of rural areas", it is not clear whether Croatia has included in the intervention logic of SO8 an intervention to improve this weakness.
103. Croatia is invited to focus LEADER on Specific Objective 8, and especially on areas where it brings higher added value (social innovation, Smart Villages, provision of community services, community animation, job creation, digitalisation, innovation etc.) and make full use of LEADER method to respond to a variety of needs for local development in addition to participation of stakeholders. An unnecessary heavy administrative burden in implementing LEADER interventions drags away Local Action Groups from animation, which should be their core task.
104. Croatia is expected to strengthen the justification concerning forest access network, particularly in relation with the environmentally and climate friendly forest management.
105. The Commission welcomes that interventions related to the promotion and further development and modernisation of forestry as a mean for job creation are included in the Plan. However, there is a lack of information on how Croatia will ensure sustainable forest management. Croatia is invited to complement the Plan with such information.

### *1.3.3. Strategic assessment of Specific Objective 9*

106. It is necessary to ensure that the measures introduced to reduce the pollution of antimicrobials are sufficient to achieve the objective of the Directive 2000/60 (the Water Framework Directive) by 2027 as referred to in Annex XIII of the SPR.
107. No reference has been made to the ban of routine tail docking of pigs required by EU rules (apart from in exceptional circumstances, Council Directive 2008/120/EC of 18 December 2008 laying down minimum standards for the protection of pigs) or to the need to improve animal transport which were both mentioned in the Recommendation addressed to Croatia.
108. The intervention logic is rudimentary and needs to be more precise (on the basis of an improved needs assessment).
109. The Plan foresees a support of 142.9 million EUR (almost 10% of allocation for EAFRD) for animal welfare which is an increase of 86% compared to the support available for the 2014-2022 period. The Plan should specify how the expected result will be achieved with the expected outputs and the increased financial allocation through the specific intervention.

110. The Commission notes that the Plan does not contain specific action on biosecurity for small commercial pig farms. In the context of the current African swine fever threat, supporting improved safe livestock management practices and promoting best practices for improved animal husbandry, are key for infection prevention and control in the pig sector. Therefore, the Commission invites Croatia to consider specific improvements in this regard.
111. While the Plan acknowledges the need to increase awareness of healthy diets, interventions proposed seem to be limited. The Commission therefore invites Croatia to better explain how the shift towards healthy, more plant-based and sustainable diets will be achieved.
112. The Commission notes that food waste prevention is outlined as a priority. However, no specific intervention is proposed on food waste. Therefore, the Commission invites Croatia to explain how food waste will be addressed and how this will be coordinated with the national Waste Management System in place.
113. Also, Croatia is requested to outline actions planned with regard to food waste reduction, in particular linked with concrete measures of the Croatian RRP such as traceability system, upgraded online food waste platform and support scheme for the food bank.
114. The Commission invites Croatia to consider reinforcing its Plan in the area of pesticides, in particular, by stepping up efforts to promote IPM and clearly stating the expected reduction in the use and risk of chemical pesticides and the use of more hazardous pesticides, arising from achieving the R.24 and R.29 targets.
115. GD target on 50% reduction of sales of antimicrobials for farmed animals: The Commission appreciates that Croatia provides information as regards the national ambition towards this GD target. The Commission notes however that the information provided in the Plan does not allow a clear understanding on how such ambition will be met, whether by mean of CAP interventions, national instruments or both. The Commission requests Croatia to formulate a clear justification for its choices and, if the case, information on which CAP intervention will play a direct or indirect contribution to this goal and to what extent.

#### **1.4. Modernising the sector by fostering and sharing of knowledge, innovation and digitalisation in agriculture and rural**

##### *1.4.1. Strategic assessment of the cross cutting objective*

116. Croatia is invited to further strengthen the AKIS, especially with regard to environmental topics and sustainable agricultural practices, forestry, energy efficiency and the application of climate change mitigation measures.
117. Concerning R.2 – number of advisors receiving support to be integrated within AKIS, given the relatively small number of public advisors (230) and with a view to improving the overall availability and performance of advisory services, Croatia is invited to indicate if and how its authorities envisage to acquire and cooperate with private consultants, counsellors and advisers to reach their target (3 025). The Commission considers integrating private advisors could make advisory services more available and could improve the performance of the AKIS. For instance, a transparent, public list on the Ministry's website with CVs, experience and

participation in projects (e.g. EIP OGs) of the impartial advisors would give the farmers /foresters the freedom to choose his /her advisor according to his /her needs. The involvement of private advisors/ non-governmental organisations (NGOs) having direct contact with farmers, food processors and foresters would also allow obtaining a more comprehensive feedback on their needs and in turn would strengthen the AKIS system.

118. To tackle the overall low uptake of planned funding, more information is needed on lessons learned under Measure 16 of the current Rural Development Programme (RDP) so as to improve the setting up of EIP OGs (current uptake of M16 is only 0,6% versus 28,8% of EU average) and the quality of their projects. To this end, more details are needed on practical arrangement planned such as:

- who will play a role of innovation support service (“one-stop-shops” for innovation), helping to reveal farmers’ needs and to prepare and facilitate concrete EIP innovative projects;
- how the communication and promotion campaigns amongst farmers, processors and other AKIS members will be organised;
- how the cooperation with scientific community will be strengthened – are there any framework contracts planned with agricultural schools as well as scientific centres of excellence and competence centres listed under ‘Strengths’ of the SWOT;
- are there any concrete practical arrangements foreseen (e.g. demonstration farms, exposition fields with crop varieties that are highly profitable or better adapted for climate change, sites where farmers could bring their produce and use the common infrastructure to process them, etc.) where farmers could visually learn the benefits of innovative solutions in agriculture and food processing? Who will run those sites?

119. In the current Plan, the Ministry of Agriculture being the Managing Authority, proposes to pay to itself as beneficiary for advice and training. In view of Article 79 of the SPR Croatia is requested to explain how it considers to comply with the obligations provided in this Article, why it plans to provide the respective interventions through the Ministry of Agriculture and why other training and advisory providers in Croatia should not be able to participate in a selection as provided for in Article 79.

120. Innovation support (obligation in Article 15(4)(e) of the SPR) is meant to help individuals with grassroots innovative ideas to find adequate partners, refine project objectives and plan activities, and prepare for an EIP OG project proposal (see recitals). Croatia should clarify how this will be organised. The system described seems more to be a group session to discover farmers’ needs, which is not sufficient to bring an idea to an OG project proposal.

121. The Commission would welcome if Croatia could provide more information on:

- How beneficiaries, in particular farmers, can benefit from tailored advice based on the access to their own data;

- If the Farm Sustainability Tool (FaST) or similar nutrient management tool will be integrated in the AGRONET system and when.

#### *1.4.2. Specific strategic focus*

##### Digitalisation strategy

122. The strategy should cover both digitalisation in agriculture and in rural areas. The latter is falling short, particularly in the SWOT. Croatia is invited to address this point.
123. Croatia is invited to review the digitalisation strategy by explicitly referring to all measures expected to contribute to support digitalisation, e.g. support to precision farming, and explain how the effectiveness of the measures will be ensured.
124. Croatia is encouraged to identify possible further complementarities with other EU instruments such as Horizon Europe and the Digital Europe Programme, beyond the synergies with the RRP and the forthcoming smart specialisation strategies.
125. The Plan indicates that the digital divide between urban and rural areas and mountainous areas and islands needs to be addressed. However, digital divides may also occur between different types of farms or population groups. Croatia is invited to explore this point and to outline, if applicable, which measures will be undertaken to address these divides.
126. Croatia should ensure that the actions in Chapter 8.5 to support the digital transformation of the agricultural sector include at least one digital innovation hub with agriculture as a field of expertise in Croatia. Croatia may build on the European Digital Innovation Hubs that will be funded through Digital Europe Programme.
127. Croatia is invited to explain how the chain from the development of innovative solutions in digital technologies up to their uptake and effective deployment will be ensured. A strategic approach towards this ambition is missing.
128. The Croatian RRP foresees the implementation of a digital transformation process of public administrative services. Croatia is asked to provide more information on how those digital reforms are relevant for the agricultural and food sectors.

##### Broadband

129. GD target on EU 2025 target to roll-out of fast broadband internet in rural areas to achieve the objective of 100% access: There is much room for improvement regarding the clear division of responsibilities and indication of financial sources for all broadband interventions aimed at ensuring full coverage of rural areas with fast broadband by 2025 in line with the GD target. Therefore, Croatia is requested to provide further details on the intervention strategy of the National Broadband Development Plan: calendar of milestones, targets, and complementarities between the funding instruments foreseen (RRF, ERDF) for the broadband deployment to reach 2025 connectivity objectives and to indicate how the target of 5G in all populated areas in 2030, in particular populated rural areas, will be reached.

## **1.5. Simplification for final beneficiaries**

130. The Commission acknowledges the efforts made by Croatia as regards simplification and reduction of administrative burdens, in particular as regards greater reliance on technology and data, the integrated use of public datasets, geo-tagging, remote controls and the provision of early warnings to farmers. The Commission considers that the proposed actions are likely to lead to tangible simplification for both national administration and final beneficiaries provided that certain framework conditions (e.g. farmers' access to ARKOD/LPIS – Land Parcel Identification System, availability of impartial advice to all farmers) highlighted under other sections of the Plan are properly addressed.
131. Croatia is however invited to further elaborate and provide concrete examples on simplification efforts in the design of CAP interventions, particularly the simplification of eligibility criteria and the use of simplified cost options (beyond flat-rate payments).
132. Croatia is invited to further elaborate about information actions foreseen vis-à-vis farmers and other possible beneficiaries, clarifying for example whether the national CAP Network will play any role in this regard, and provide details on concrete actions such as websites/platforms, info sessions, use of advisors, etc. In particular, it would be relevant to explain how digital skills of farmers/beneficiaries will be addressed to ensure that the new digital solutions foreseen for CAP management and administration will be effective on the ground.

## **1.6. Target plan**

133. Croatia is invited to revise the chapter on targets to: refer to financial rather than calendar year in certain RI (e.g. R.4, R.6, R.8); explain non-progress in the redistribution regarding R.6; review and indicate the correct cumulative values (e.g. R.1); justify the high planned target values for R.12 and R.14 in terms of the level of ambition of the underlying interventions; include the missing result indicators (e.g. R.3, R.20, R.21, R.23, R.33, R.42, R.43); include values that reflect greater ambition, in particular in the case of environmental result indicators (e.g. R.9, R.15, R.16, R.19, R.22, R.24, R.25, R.26, R.28, R.31, R.32, R.37, R.39) and include an explanation on how numerators and denominators were defined, for example in R.25.

## **2. OPERATIONAL ASSESSMENT**

### **2.1. Minimum ring-fencing**

134. In section 5.1, there is a typing mistake in the annual indicative allocation for eco-scheme no. 31.01. for calendar year 2027.
135. A higher amount than the minimum set out in Annex XII is reserved for young farmers. For each of the two types of intervention contributing to this ring-fencing, the amounts considered as necessary to meet the minimum ring-fencing requirements should be clearly indicated in the overview table of the financial plan (section 6.1). This information is required to serve as a basis to establish the financial ceilings referred to in Article 95(4) and (5) of the SPR.

136. To verify whether the required percentages of EAFRD ring-fencing for environmental and climate are achieved, Croatia is invited to provide sufficiently detailed figures and information as follows.

- According to the Plan, the budget programmed for Specific Objective 4 (only EU part, without national co-financing) is 35 million EUR and the budget allocated to SO4, 5 and 6 is 187 million EUR. However, these figures do not seem to be correct and are too small when compared with the allocation for individual interventions.
- The Plan states that 40.65 % of the overall EAFRD envelope is allocated to interventions addressing specific environmental and climate-related objectives but gives no further details. However, investments in new irrigation installations with 70 million EUR should be linked to Specific Objective 2 and not to Specific Objectives 4-6 and thus not included in environmental ring-fencing.

## **2.2. Definitions and minimum requirements**

Croatia is invited to revise the definitions and minimum requirements to take into account the following comments.

137. 4.1.1.2.2 maintenance of Permanent crops. Activities on the crop itself should be included.
138. 4.1.1.2.3 maintenance of Permanent grassland. The obligation to graze in areas with pro-rata coefficient  $\leq 0.8$  is not compliant with paragraph 6 of Annex 2 to the WTO Agreement on Agriculture.
139. 4.1.2.1.1 (and 3) agroforestry in arable land and permanent grassland. Elements of agroforestry such as, for example, types of trees, their maximum size, density, in relation to pedo-climatic conditions or management practices should be specified (whether or not differentiated per type of agricultural area).
140. 4.1.2.2.1 Other comments relating to the definition of arable land. Areas of Land Laying Fallow (LLF) should not be subject to being in production in the previous year. The current formulation would exclude from the definition of arable land any LLF in the second consecutive year. This could also stimulate the production and thus be not compliant with the green box rules.
141. 4.1.2.4.4 Decision to use ‘reseeding with different types of grasses’. The description should include the criteria to determine when a grass is of “a different type” e.g. at level of family/genus/species.
142. 4.1.3.1 Predominance of agricultural activity. Croatia is invited to explain whether in all the cases a non-agricultural activity for more than 30 days determines the ineligibility of the area, even if this happens outside the growing season. Croatia should take into account the jurisprudence of the ECJ (cases C-61/09 (Landkreis Bad Dürkheim) C-422/13 (Wree) and C-684/13 (Demmer)) and the farmers should be given the opportunity to prove whether they were still able to do the agricultural activity.

143. 4.1.3.2 Land at the disposal of the farmer. Information on the implementation should be added, i.e. how it will be verified that the land is actually and lawfully used by the farmer.
144. 4.1.4.1 Active farmer - The basic criteria used to identify non-active farmers and why farmers not included in the negative list may be considered active farmers, i.e. as carrying out agricultural activities typically not marginal and being engaged in at least a minimum level of agricultural activity, should be explained. Croatia is requested to confirm that the criteria to identify the active farmer (rebuttal test) do not penalise the farmers who do not perform productive activities, e.g. whether the direct payments are considered as part of the income from the agricultural activity.
145. 4.1.4.2 Active farmer - The negative list should be used only as a complementary tool, but not as a main tool to identify active farmers. It should reflect the basic criteria for identifying the active farmers. Those criteria are not indicated, therefore it should be clarified on which basis the negative list has been drafted (the continuation of previous implementation is not a valid justification).
146. Croatia is asked to justify the threshold of EUR 5 000 by including quantitative information, e.g. the number of excluded farms.
147. 4.1.7.1 Minimum requirements. For the calculation of the threshold, based on qualitative and quantitative information, a justification should be provided in terms of decreasing administrative burden and contributing to the objective to support 'viable farm income'. The continuation of previous implementation is not a sufficient justification.

#### Elements related to direct payments

148. Croatia is requested to provide clarifications as regards the internal convergence, notably as regards the target year of convergence and the method for reduction of the value of payment entitlements exceeding the unit value in claim year 2026. In addition, the maximum payment entitlement value needs to be justified.
149. The category of 'other farmers' engaged in agricultural activity and never having participated in the payment entitlements system is very broad and would require further specification, also in view of WTO compliance.

#### Technical assistance (from here on TA)

150. Croatia mentions the need to strengthen the control system mechanisms. As the corruption score of Croatia is lower than 60, an anti-corruption strategy could be mentioned and better explained.
151. Croatia is requested to indicate mechanisms to monitor the use and results of TA.
152. Croatia is asked to provide more information on the use of external contractors under TA.

#### CAP network

153. Croatia is requested to submit an indicative timeline for the launch of the national CAP network.

154. More information on national CAP network's activities addressing tasks listed in the SPR would be welcome, in particular on innovation support and EIP strand, work with LEADER/other territorial initiatives, monitoring and evaluation and contribution to the EU CAP network. Confirmation on the broader scope of activities, covering Pillar I and II of the Plan as well as more concrete information on the membership to cover the broader scope would be welcome as well.

#### Coordination EU funds

155. The description in Section 4.5 of the Plan on coordination, demarcation and complementarities is insufficient to give the overview required in Article 110(d)(v) of the SPR. Croatia is invited to give more information on complementarities and demarcation with RRF-supported investments, notably as regards investments in early child education and care (RRF: HR-C[C31]-I[R1-I1]), investments in sustainable tourism (RRF: HR-C[C16]-I[R1-I1]), climate change adaptation measures (RRF: HR-C[C13]-I[R1-I3]), water management (RRF: HR-C[C13]-I[R1-I1] and HR-C[C13]-I[R1-I2]). In addition, it would be useful to cross-reference other RRF-funded investments with respective sections of the Plan (with regard to e.g. digitalisation of public databases and systems, digitalised advisory services, agronomic practices, agricultural product traceability, etc.).
156. Croatia is requested to specify how the interventions in the Plan contribute to and are in line with the "Long-term Vision for the EU's rural areas" (COM/2021/345 final).
157. The Partnership Agreement for Croatia and relevant financing programmes have not yet been approved. Croatia should nonetheless clarify how complementarity with the European Regional Development Fund (ERDF), Digital Europe Programme (DEP) and the Connecting Europe Facility 2 Digital programme (CEF 2 Digital) will be ensured and how the synergies will be articulated between the Partnership agreement and the Plan.
158. The Partnership on "Sustainable food systems for people, planet and climate" in research and innovation will contribute to developing solutions for providing co-benefits for nutrition, quality of food, climate, circularity and communities. Croatia is requested to describe if and how it will use the Plan to support the implementation of this Partnership.

### **2.3. Interventions and baseline**

#### *2.3.1. Conditionality*

159. GAEC 1 'Maintenance of permanent grassland': Croatia is required to indicate the concrete requirements for farmers in case of decline of the annual ratio of grasslands over total agricultural area by more than 5% of the reference ratio, such as authorisation, reconversion and other possible rules.
160. While a figure for the ratio of the "reference year" (2018) is provided, the section does not explain its calculation. Croatia is asked to provide information on the calculation of the "reference ratio", not the annual ratio. In addition, the formula provided is not in line with the rules on the calculation of ratio for GAEC 1 set out in Delegated Regulation (EU) 2022/126. Unlike in the current period (greening), areas from holdings applying for the small farmers scheme and areas declared by

organic farmers cannot be excluded from the calculation of the permanent grasslands and the total agricultural areas.

161. GAEC 2 ‘Protection of wetland and peatland’: The Commission takes note of the justification of Croatia for a delayed application of this GAEC, notably the ongoing LIFE project to set a land information system that will help identifying carbon-rich soils. However, in light of the importance of protecting wetlands and peatlands for the protection of carbon-rich soils the Commission invites Croatia not to delay the application of this GAEC to 2025.
162. GAEC 4 ‘Buffer strips along water courses’: The description of the requirements is not coherent with those reported in section 3.1. The restriction of the rules to areas bordering with watercourses with a catchment area greater than 10 km<sup>2</sup> should be justified. Croatia has established a minimum of 3 meters for buffer strips, but only mentions watercourses with a catchment area greater than 10 km<sup>2</sup> and lakes of more than 0.5 km<sup>2</sup>. Croatia is invited to clarify how watercourses with a catchment area below 10 km<sup>2</sup> and lakes of less than 0.5 km<sup>2</sup> will be protected. The Commission draws attention to the fact that the rule of 3 meters for buffer strips is without prejudice to any more stringent requirements that might be set out in the Nitrates Action programmes (from here on NAP) submitted under the Nitrates Directive. Within Nitrate Vulnerable Zones (from here on NVZ), the NAP provides that the use of fertilizers is allowed 20 m away from the outer edge of the lake bed or other standing water and 3 m away from the outer edge of the trough of the watercourse 5 meters wide or more, being 10 meters if the slope is above 10%.
163. GAEC 5 ‘Tillage management/ slope gradient’: The Plan singles out soil erosion as one of the main threats to the functioning of soils as support for farming activities. On this basis, the requirement defined in the GAEC, which applies to all agricultural areas with a slope of 15% or more, does not seem sufficient for preventing soil erosion. The Commission invites Croatia to strengthen the requirements by lowering the slope gradient (to the 9% threshold of the current GAEC), setting restrictions on tillage periods, and considering adding other areas at risk of erosion.
164. GAEC 7 ‘Crop rotation’: While the standards on crop rotation set out are in line with the legal framework, Croatia should ensure that the information provided to farmers for implementing the requirements is understandable, particularly the conditions under which using intermediate crops can account for complying with the annual crop rotation.
165. Due to the proposed exemption applied to holdings with agricultural land lower than 10 ha of arable land, this standard would not apply to approximately 25 % of agricultural areas, which may be contrary to the required narrow application of an exception to the general rule. The Commission invites Croatia to apply a derogation only for farms below 5 ha of arable land. This will exempt the smallest farms from the crop rotation requirement while providing a higher overall contribution to environmental objectives.
166. GAEC 8 ‘Non-productive areas and features’: The Plan provides farmers with the possibility to fulfil this requirement through an enhanced eco-scheme (option 2). However, the proposed eco-scheme on “Increased maintenance of ecological focus areas” does not appear to be fit for purpose as it includes “productive” areas (catch crops, N-fixing crops) that are not allowed under option 2 of the GAEC. Croatia is

requested to amend the GAEC and/or the eco-scheme to ensure compliance with legislation.

167. Croatia is invited to provide the values of the conversion and weighting factors that will be used for the different landscape elements.
168. GAEC 9 ‘Environmentally sensitive permanent grasslands - ESPGs’: Croatia is asked to indicate the criteria used for designating ESPGs, as required by Implementing Regulation (EU) 2021/2289. Considering the importance of this GAEC (currently applied under ‘greening’) to protect the grasslands of high natural value, Croatia is invited to consider a wide definition of these areas taking into account the current grassland status and trends in the recent report from the Nature Directives on the conservation of grasslands protected habitats<sup>2</sup>, and the objective to achieve a good conservation status of these valuable grasslands.

#### Observations common to several interventions

169. Croatia provides a very general description on WTO compliance, often only referring to Annex 2 of the WTO Agreement on Agriculture. Croatia is asked to indicate the corresponding Annex 2 paragraph per each intervention. Apart from stating that a respective intervention complies with the given paragraph, it should be specified how this compliance will be ensured.
170. For activities falling outside the scope of Article 42 of the TFEU there must be an exclusion of companies in difficulty or companies still having a pending recovery order following a Commission decision declaring an aid illegal and incompatible with the internal market, except in the cases mentioned in the applicable State aid rules.
171. Chapter 3.5 should describe, in sectors where they co-exist, the consistency /complementarity between coupled income support, sectoral interventions and national support schemes and, where relevant, RD interventions and state aid targeting such sectors. It should also explain the long-term strategy for these sectors, in particular in terms of concentration of supply and organisation of producers.

#### 2.3.2. *For direct income support*

##### 2.3.2.1. Basic Income Support for Sustainability (BISS) (Articles 21-28 of the SPR, section 5 of the Plan)

172. The planned unit amount cannot be justified as resulting from the Population Equivalent (PE) value. The unit amount should primarily be justified on the basis of the analysis of the income needs. Subsequently, the payment entitlement values should be adjusted based on this unit amount.
173. Croatia is requested to reconsider the variation of the unit amount provided for BISS and CRISS (see below). The variation percentages are considered to be very

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<sup>2</sup> The state of nature in the European Union – Report on the status and trends in 2013-2018 of species and habitat types protected by the Birds and Habitats Directives (European Commission report, October 2020).

high and are not adequately justified. The justification of the unit amount, on the one hand, and of minimum and maximum unit amounts, on the other hand, should be linked. These justifications should primarily be based on data related to the needs which the relevant interventions want to address. Elements of uncertainty leading to a risk of unspent funds can be added to justify the variation. However, these elements must also be explained and where possible based on data, e.g. related to past experience related to under-execution.

#### 2.3.2.2. Complementary Redistributive Income Support for Sustainability (CRISS) (Article 29 of the SPR, section 5 of the Plan)

174. Croatia is required to provide further justifications on the maximum threshold selected and demonstrate that it addresses adequately the redistribution needs. The target value trend in R.6 should also be explained.

#### 2.3.2.3. Complementary Income Support for Young Farmers (CISYF) (Article 30 of the SPR, section 5 of the Plan)

175. Croatia is invited to link this intervention to R.37 as well.

176. Croatia is requested to provide justification of the unit amounts and of the hectares threshold defined for CISYF.

#### 2.3.2.4. Eco-schemes (Article 31 of the SPR, section 5 of the Plan)

##### Comments on the overall eco-schemes

177. Result indicators (RIs). The Commission recalls that all eco-schemes need to select and provide a contribution to RIs R.4, R.6 and R.7. The two last mentioned RIs do not reflect the environmental contribution of eco-schemes but they do provide information on key objectives for direct payments, which include a redistribution of support towards small and medium holdings and a contribution to support to areas with higher needs (defined under Articles 71, 72 and possibly 22). Moreover, Croatia is invited to check – and streamline the Plan where needed – the coherence of the RIs indicators selected in section 4 and those reported in section 11 (unit amounts) as there are some discrepancies (e.g. eco-scheme “grazing pastures”).

178. Planned unit amounts. The relevant section does not include an explanation of the unit amounts based on Art. 31(7)(a) (payments additional to BISS) and the method of calculation for those based on Art. 31(7)(b) (compensation). The Commission recalls that according to Article 31(8) of the SPR, for eco-schemes based on Article 31(7)(a), the level of payment should take into account the level of sustainability and ambition of the eco-scheme based on objective criteria. In this regard, the explanation of the unit amount cannot only be based on a division of the dedicated envelope by the expected eligible area. Croatia is required to revise the unit amounts of all schemes to ensure compliance with the legal framework.

179. Eco-schemes need to include explanations on how they will contribute to environmental objectives.

##### Comments on the specific eco-schemes

Increased diversity of agricultural areas

180. The Commission invites Croatia to provide background information allowing an assessment of the expected result of this eco-scheme for fostering further diversification of agricultural activities within holdings. Croatia is invited to review the commitments to ensure a higher contribution to the needs to which the scheme responds, for instance reducing the shares of the maximum area that can be occupied by the two/three main crops/land uses. As crop diversification can also contribute to improve soil, Croatia is invited to select the result indicator R.19.

#### Grazing pastures

181. Since the eco-scheme is aimed at ensuring the maintenance of pastures and karst pastures by means of grazing, it is unclear why under requirement no. 3 the possibility of mowing would be allowed, unless the maintenance of pastures and karst pastures can be carried out by a combination of grazing and mowing. This point requires clarification and, if applicable, further specification in the Plan. Moreover, grazing on pastures should be compatible with the conservation requirements of farmland birds that may be present in these habitats, in particular regarding prescribed dates of mowing. In Natura 2000 sites designated under Directive 92/43/EEC, and Directive 2000/60/EC, these dates should be in line with conservation objectives and measures defined for specific sites.
182. Taking into account the numerous commitments, Croatia is invited to consider a more comprehensive title (such as extensive management of pastures) as it would better reflect the scope of the eco-scheme.
183. The eco-scheme targets two categories of areas, pastures and karst pastures, however the commitments seem the same for both categories. The Commission invites Croatia to confirm this or, if necessary, to distinguish the required practices for each type of pasture.

#### Ecological focus areas

184. This eco-scheme is a continuation of the current ecological focus areas within greening except for the extension of the commitment to all agricultural areas and farms participating in the scheme. The requirement to keep at least 10% of ecological focus areas includes also productive areas (catch crops, areas under short rotation coppice, and N-fixing crops) which, overall, do not provide substantial benefits for biodiversity. While catch-crops with a mix of crops species beneficial for fauna could be somewhat appropriate, N-fixing crops and areas with short rotation coppice provide a very low benefit for biodiversity, which is the main objective of this eco-scheme (R.31 is selected). The Commission invites Croatia to amend this eco-scheme, focusing only on landscape features and non-productive areas, thereby providing a more substantial contribution to biodiversity. This would also allow farmers using this eco-scheme to fulfil their obligations under option 2 of GAEC 8 pursuant to Annex 3 of the SPR. In addition, the current requirements for maintenance of hedges from the existing RDP measure ‘M10 – Operation Maintenance of hedges, including composition of species’ should be fully included.
185. In addition, the cultivation of leguminous crops is already supported by the eco-scheme “Minimum leguminous content of 20%”; the eco-scheme “Increased diversity of agricultural areas” might also support leguminous crops as part of

diversification. This overlap leads to concerns on double-funding. Croatia is asked to explain how the risk of double funding will be avoided.

186. Croatia is asked to explain why “Ditch up to 2 m wide including open earth watercourses for irrigation or drainage” are considered as “landscape features” and are expected to provide benefits for biodiversity.
187. As regards support, the Plan should specify that for arable land, the eligible areas for receiving the unit amount are the areas beyond those used to comply with the minimum share set out by GAEC 8.
188. A link to R.34 could be added when the eco-scheme is amended to focus only on landscape elements.

#### Use of manure on restricted surfaces

189. Croatia is asked to reinforce the description of the eco-scheme by clearly explaining how it would contribute to climate change adaptation and thus to result indicator R.12 as the current justification is insufficient. The Commission considers that indicators R.14, R.19 and R.20 would capture sufficiently the results.
190. As regards commitments, it is unclear how the maximum quantity of 170 kg N/ha/year was determined in relation to maximum quantity of N/ha allowed according to the national Nitrates Action plan, especially in relation to specific limitations on N quantities in nitrate contaminated areas. In nitrates vulnerable zones (NVZ) designated under the Nitrates Directive, the maximum quantity of 170 kg N/ha/year is mandatory. In this respect, Croatia has to clarify whether the designated NVZ would be excluded from the intervention.
191. The eco-scheme should foresee the practice to incorporate manure, in addition to the obligation to apply manure within 48 hours, as this practice is essential to minimise ammonia emissions. Additional commitments relative to manure storage should be added to improve the positive effects of this eco-scheme.
192. Commitment 5 should specify that the quantities of manure used should correspond to those prescribed in the fertilisation plan. The Commission’s understanding is that organic manure will fully replace mineral fertilisers (the paragraph on WTO section mentions “by reducing the use of synthetic fertilisers). This should be specified in the commitments.
193. Croatia is requested to fill in the section on the baseline and explain that baseline requirements, particularly those stemming from NAP, do not overlap with commitments under this eco-scheme.

#### Minimum leguminous content of 20%

194. The Plan indicates that this eco-scheme is open to all types of agricultural land within the holding. The description of the commitments, however, suggests that it covers arable land and permanent crops. Croatia is invited to clarify what are the commitments for the different types of agricultural land. The link to R.12 should be justified.

195. Should the eco-scheme commitments apply to specific land categories only, support could be given only in the form of a “compensatory” payment pursuant to Art. 31(7)(b) of the SPR. Croatia is asked to revise the scheme accordingly.
196. The Plan indicates that this eco-scheme is open to all types of agricultural land within the holding. The description of the commitments, however, suggests that it covers arable land and permanent crops. Croatia is invited to clarify what are the commitments for the different types of agricultural land. The Commission considers that, the setting out of a single commitment (planting 20% of leguminous crops), is not sufficient to justify the scheme’ added value to the coupled support that will be granted to the forage protein crops. Moreover, the link to R.12 should be justified.

#### Conservation agriculture

197. The Commission welcomes this eco-scheme as it addresses an important Croatian challenge, which is the depletion of soil carbon and risk of erosion. However, to have an overall environmental benefit, several practices of conservation agriculture have to be used in combination: the practices of no-till and direct sowing need to be accompanied by appropriate practices related to soil cover, crop rotation and herbicides use. The application of herbicides is, however, not limited in the scheme and the practices for no-till and direct sowing are not explicitly mentioned in the list of commitments.
198. Croatia is recommended to envisage that conservation agriculture methods are carried out together with appropriate techniques within an IPM / integrated weed control strategy. As a minimum, a limit on the herbicides treatments should be envisaged.
199. This eco-scheme needs to be supported with a payment based on Article 31(7)(b) of the SPR to be compliant with WTO rules as the agronomic practices seem to apply to a specific land category (arable land).

#### Conservation of High Nature Value (from here on HNV) grassland

200. Despite the interest of this scheme, the Commission invites Croatia to consider whether the area of High Nature Value grassland planned to be supported is sufficient to contribute to the national objectives set out in PAF.
201. Croatia is also invited to specify whether the three unit amounts (mentioned in section 11) correspond to the three categories of HNV grasslands indicated in the commitments (Mediterranean, Continental and mountain areas).

#### 2.3.2.5. Coupled Income Support (CIS) (Article 32-35 of the SPR, section 5 of the Plan)

202. The justification of economic difficulty should be primarily based on low or negative profitability as well as on the declining number of hectares and animals. Other considerations such as increasing input costs and productivity levels in comparison to other EU Member States are also useful for determining the difficulty, in particular because they may explain the reasons behind the low or negative profitability and/or shrinking production. However, such arguments are not sufficient to justify the difficulty. Croatia is invited to reinforce the justification

for some sectors including fattening of bovine animals, vegetables, fruits, sugar beet, accordingly.

203. The targeting and the eligibility conditions should be consistent with the identified difficulties and/or the aim of the support. For instance, reference to small producers (e.g. beef sector, sheep and goat), extensive farming (e.g. suckler cow), and areas with difficult access/mountain areas (e.g. sheep and goats) is often made when describing difficulties and/or the socioeconomic importance of the sectors. Croatia is invited to review targeting and eligibility conditions in light of their consistency with these elements.
204. Croatia should reinforce the explanation of how planned unit rates and their variations were determined in light of the actual support need of the targeted sector. Given the uncertainties about a sector's support need, it could be also considered to determine the subsidy as a (limited) range of values, which would in turn allow fixing and justifying the planned unit rate and its variation.
205. While all interventions are rightly linked to R.8, some are linked to R.4 on income support and others not. The Commission invites Croatia to link all coupled support interventions, including with regard to livestock, to R.4, R.6 and R.7.
206. Croatia should ensure that the targeting and eligibility conditions are defined at the sufficient level of detail to improve notably the sustainability aim selected for all sectors covered by CIS (except protein crops). Additionally, for the F&V and sugar beet sectors, the interventions also include the objectives to improve quality and increase the number of hectares; however, there is no clear mechanism that would promote quality and the output indicator "number of hectares" remains stable during the duration of the CSP. Croatia is invited to further develop the design of those interventions in order to meet the identified needs and objectives.
207. The Commission notes that the intervention on protein crops allows for mixtures of protein crops with cereals. Combining support to several sectors in one intervention is possible but the importance of each should be justified nonetheless. Croatia is invited to update the Plan accordingly, in particular the list of targeted sectors, the justification of difficulties and importance, the explanation of the aim of the intervention and of the unit rate.
208. The Commission should inform Member States about reduction coefficients, if any, related to the EU WTO schedule on oilseed (Blair House) in the observation letter. However, the Commission has not received yet all the information needed to consolidate these areas and, if needed, to calculate the reduction coefficient (Article 11(3) of the SPR). Once all Member States have submitted their Plans, the Commission will inform them whether there is a need to apply a reduction coefficient or not.
209. Croatia should complete the information provided in section 3.5 (e.g. CIS for suckler cows is not included in 3.5.6. Beef and veal). The overview provided in this section should include other types of interventions used in the Plan when relevant (i.e. rural development). Complementarity between interventions related to a sector should be assessed not only in 'technical' sense (i.e. potential accumulation of support in case of interventions targeting the same sector), but in a broader, 'strategic' perspective. Accordingly, Croatia should reinforce the

explanation how the combination of the relevant interventions are to achieve the intended objective and thus fulfil the need(s) identified for the sector concerned.

### 2.3.3. For sectorial interventions

#### 2.3.3.1. Fruit and vegetables

210. Croatia should ensure that operational programmes include three or more actions (80% of member of producer organisation rule) linked to the objectives referred to in points (e) and (f) of Article 46 of the SPR.
211. Croatia should make sure that the interventions within the types of interventions referred to in Article 47(2), points (f), (g) and (h) of the SPR, do not exceed one third of the total expenditure under operational programmes.
212. Croatia is also invited to verify and properly describe in the Plan how all additional requirements set out in Regulation (EU) 2022/126, for instance, the percentage for minimum water savings (Article 11(4)(a) of Regulation (EU) 2022/126), are to be addressed.

#### 2.3.3.2. Apiculture

213. Croatia is invited to:

- Improve the description in section 3.5.2 with a more detailed analysis of the sector, leading to the identified needs and justification of the interventions chosen; and include a description of a reliable method for determining the number of beehives according to Article 37 of Regulation (EU) 2022/126;
- Clearly outline in the description in section 5, the link of the intervention and supported actions to the specific and sectoral objectives and needs; and provide a more comprehensive explanation of the intervention and supported actions including eligible expenditure under each (at least a few examples of supported costs);
- Ensure that support is provided for eligible expenditure in compliance with the provisions of the relevant regulations in particular those in Regulation (EU) 2022/126 (the limited information provided does not allow to properly assess this);
- Determine as far as possible, planned unit amounts and outputs for the different interventions/actions considered within a type of intervention and explain and justify how these were calculated in consistency with section 6;
- Ensure that the indicative financial allocation for 2023 takes into account any planned expenditure for the implementation of measures under the National Apiculture Programme 2020-2022 from 1/08 – 31/12/2022;
- Revise the information in Tables 5.2.10 and 6.2.2, to include the Total Public expenditure;
- Clarify demarcation with EAFRD interventions.

### 2.3.3.3. Wine

214. The Commission draws the attention to the fact that with the next version of the digital system used for the Plan management it will be possible to enter allocations for financial year 2023.
215. Planned expenditure for financial years 2026 and 2027 exceeds the financial ceiling. It is visible that the total amount for the 4 years (2024-2027) respects the total of the allocations fixed for these financial years in the SPR, Annex VII, but the maximum allocations must be respected in each financial year.
216. Annual indicative financial allocations under Section 5 do not correspond to the planned amounts in the Financial Overview table under Section 6.
217. As regards the ‘restructuring and conversion of vineyards’ type of intervention, Croatia should substantiate its choice to replace the existing vineyards with new indigenous varieties that will grant higher quality and to relocate them in more typical wine-growing landscapes. Croatia should explain in particular how those new varieties and the relocation of the vineyards will favour the production of a higher quality product, while ensuring a positive environmental impact. Croatia should also describe how the installation and improvement of irrigation systems would contribute to climate change mitigation and adaptation (R.16) and may wish to consider this action under Article 58(1)(m), rather than under Article 58(1)(a) of the SPR. With regard to irrigation too, it should be noted that R.23 is relevant for investments in improvements of existing irrigation installations/ infrastructure, whereas R.9 would be relevant for investments in “new irrigation”. In this context, Croatia is invited to verify and properly describe in the Plan how all additional requirements set out in Regulation (EU) 2022/126, for instance, the percentage for minimum water savings (Article 11(4)(a) of Regulation (EU) 2022/126), are to be addressed.
218. For the ‘investments’ type of intervention Croatia indicates Specific Objective 2 as CAP specific objective. This objective should be better detailed and substantiated in all its aspects. The Plan should describe, for example, how the objective to favour research, technology and digitalisation will be achieved, besides the purchase of computers. It should also outline how the problem of shortage of agricultural workforce will be addressed. The reference to the Aegean islands is not relevant for Croatia and should be deleted.
219. As regards the ‘information actions’ type of intervention, Croatia indicates the CAP sectoral objective ‘*Increasing the marketability and competitiveness of Union grapevine products*’. This measure should not be seen as a tool to increase the marketability – and therefore consumption - of wine but to provide information on the quality system of EU wines in order to help consumers to make the right choice, besides informing on responsible consumption of wine. Croatia is encouraged to put more information on organic wine, which responds to new consumer trends besides reflecting the benefits of more environmentally-friendly practices. Croatia has included public bodies among the possible beneficiaries of the intervention. Croatia should be aware and specify that public bodies cannot be the sole beneficiary of the support for this intervention, as established by Article 40(3)(b) of Regulation (EU) 2022/126.

220. As regards the “promotion” type of intervention, it should not be linked to any result indicator (Article 111 of the SPR).
221. Croatia should indicate in the Plan that, in line with Article 60(4) of the SPR, at least 5% of the expenditure for wine will be reserved for actions aiming at the protection of the environment. Those actions should be described.

#### 2.3.3.4. Other sectors

222. Types of interventions for ‘Other sectors’ are not described and no financial data is provided in Section 5, although it is included both under row 11 “Transfer to types of interventions in other sectors (Article 88(6)) Amount to be entered” and row 22 “Types of interventions in other sectors from Direct Payments” in 6.1 Overview table.
223. Annual indicative financial allocations under Section 5 do not correspond to the planned amounts in the Financial Overview table under Section 6.

#### 2.3.4. For rural development

##### Observations common to several rural development interventions

224. For interventions under Articles 70, 71 and 72 of the SPR, Croatia is invited to provide a statement that an independent body either performed the calculations or confirmed the adequacy and accuracy of the calculations.
225. Croatia is invited to justify the reasoning for using average unit amounts in certain interventions under Articles 70, 71 and 72 of the SPR.
226. With regard to the application of simplified cost options in interventions other than those referred to in Articles 70, 71 and 72 of the SPR, the method based on which the amounts were determined, should be indicated in accordance with Article 83(2) of the SPR.
227. Support rates for respective interventions have to be precisely specified, according to comprehensive criteria. Statements “up to 60%, 85% or 100%” need to be corrected.
228. Croatia is invited to identify how the durability of investments is taken into account in the Plan.
229. Croatia is requested to consider introducing in section 4.7.3 a general eligibility requirement for an assessment of the expected environmental impact in accordance with the applicable legislation for the type of investment concerned, where an investment is likely to have negative effects on the environment.
230. Croatia is invited to explain how it will handle the commitments assumed under the Rural Development Programme for years 2023, 2024 and 2025, (and the carry-over) if any were assumed for those years.

##### 2.3.4.1. Management commitments (Article 70 of the SPR, section 5 of the Plan)

231. Croatia is asked to describe the combinations of interventions that are allowed, notably RD interventions, eco-schemes and sectoral interventions, and indicate the

approach to avoid double funding in the case that similar commitments are included in several interventions.

#### Animal welfare payments

232. As for 'Dairy cows' the proposed compulsory grazing period of 120 days per year represents a considerable decrease as compared to the current RDP where it has been set at the level of at least 232 days per year (daily over 6 months + two days per week out of grazing season). Simultaneously, the support rate for this commitment slightly increases in the Plan. This difference should be further explained and justified.
233. The proposed intervention has no clear connection with the SWOT analysis and the description is very general and therefore lacks focus in terms of sectors and specific practices.
234. There is a risk that the wide scope of the intervention covering 5 livestock sectors limits the impact on the most critical issues. For instance, an improvement of the commitments could be achieved by adding specific practices aiming at reducing the use of antimicrobials and ammonia emissions. In such a case, support could also count towards R.43 and R.20.
235. For broilers, it is not clear what the 'no more than 30 kg broiler weight/m<sup>2</sup> expressed as an annual average' means compared to the baseline. The same comment is valid for turkeys. As for dairy cattle, calves, pigs etc., it is unclear how the feeding plan will improve animal welfare if it does not include any minimum requirements or an official evaluation. Thus, Croatia is requested to provide more detailed information thereon.
236. The Commission considers that the Plan has significant room for improvement regarding interventions to enhance welfare of pigs and poultry. The sub-intervention on welfare of pigs allows an undesirably high level of tail docking (up to 30%) at the end of the sufficient commitment period when such practices are forbidden by EU rules (apart from in exceptional circumstances). Associated measures proposed (additional space of 10%) do not sufficiently address the factors for preventing tail biting nor reducing the confined housing for sows and laying hens. Therefore, the Commission invites Croatia to address these issues in the Plan.
237. Croatia should clearly state that beak trimming is prohibited regardless of age, as it is the case under Measure 14 of the current RDP for Croatia.

#### Reducing the use of protected resources in multi-annual crops

238. Croatia is invited to introduce links to Specific Objective 9 and to result indicators related to water and soil.
239. Further clarification of the baseline is needed to ensure that all relevant mandatory requirements are reflected (e.g. including those stemming from the Statutory Management Requirement 8).
240. The design of the commitments on the herbicide application restrictions should be improved to ensure that the theoretical 30% reduction could be realised.

241. Croatia should ensure that mechanical removal of weeds does not result in soil erosion and loss of soil organic carbon is minimised.

#### Preserving biodiversity and environment in permanent grassland and arable land

242. The contribution of this intervention to Specific Objective 4 and a clear link to R.14 should be established.
243. The eligibility conditions for 70.02.01. and 70.02.02. referring to the minimum area should be clarified in terms of targeting of the area. Furthermore, the threshold of 30% and thus exclusion of holdings with smaller area should be justified.
244. The design of the commitments should be clarified with regard to their contribution to providing feeding area for pollinators and feeding and nesting area for wild animals, especially regarding the (non-)use of fertiliser and plant protection products, mowing, maximum share of a parcel and prescribed flower and grass species (mixtures).
245. Considering the needs identified in the PAF, the commitments for the Corncrake and for the butterflies could be more ambitious and cover a larger area both inside and outside Natura 2000.
246. It should be confirmed that the payments per hectare for commitments under this intervention have been set at the level which takes into account the targets set in order to improve the status of protected habitats and species, also in the light of the payments established in the PAF.
247. Croatia is invited to maintain RD operations for extensive orchards and extensive olive groves, including targeted areas/lengths and representation in/out Natura 2000, or to demonstrate how these needs identified in the PAF will be funded outside of the Plan. Other measures identified in the PAF should also be included.

#### Organic farming

248. The Plan does not provide for higher premiums for conversion to organic farming in comparison to maintenance, and compensation for permanent grassland in organic farming has decreased in comparison to the 2014-2020 period. Croatia is requested to explain why no differentiation is deemed necessary in view of the specific circumstances during conversion.
249. Croatia is invited to consider further increase of organically farmed area for marketable crops, which would lead to an increase of organic farming production, cheaper prices (economy of scale) thus resulting in increase of interest to buy organic.
250. In addition to R.29 and R.22, Croatia is invited to link this intervention to R.14, R.19, R.24, R.31, as well as R.43 and R.44 in case the support is for farming systems including livestock husbandry.
251. The measure refers to air pollution impacts, but is not linked to results indicator R.20. Croatia is invited to explain to which extent it envisages stricter requirements regarding e.g. low-emission storage, management and field application of manure.

252. Croatia should check the data provided in the financial table with outputs, explaining in particular why the number of hectares under transition (O.17) is the same for all FYs, while it is planned to expand the UAA under organic farming.
253. Croatia is invited to better explain the expected growth of organic farming area until 2028, and to provide the expected figures (area under conversion and under maintenance – with and without CAP support) for that period. The Plan foresees 42.085 ha of new areas under transition as from FY 2024 and - considering that the surface under maintenance is only slowly growing as from FY 2024 – whether assuming a more visible grow as from FY 2026 /27, when the areas terminating the transition phase would start being calculated as areas under maintenance, would not seem more plausible.
254. Croatia is invited to consider the contribution of organic farming to Specific Objective 9, in particular the role of organic farming in the response to societal demands on food and health, including high-quality, safe, and nutritious food produced in a sustainable way.
255. Table 12 and 13 need to be revised and include uniform unit amounts also per different crop categories.
256. The Commission welcomes the combination with 78.01. Support for knowledge transfer and 78.02. Support for the provision of advisory services. Croatia is requested to explain whether this comes on top of the 6 hours training already included in this intervention, as these 6 hours in the case of new entrants in organic farming seems rather low.

#### Preservation of endangered native breeds of domestic animals

257. The minimum Livestock Units (LU) should be established per type of animal breed to ensure adequate herd sizes, as the minimum of 0.15 LU can be too low for some breeds.
258. This intervention should be classed as an IACS intervention (based on LU).
259. In terms of the baseline, Croatia could explain how the intervention builds on experiences from 2014-2020, and how the support will improve upon the current situation.
260. Interventions 70.03 and 70.05 should comply with the provisions of Article 45 of Regulation (EU) 2022/126.
261. Support for conservation, sustainable use and development of genetic resources in agriculture.
262. Croatia is invited to provide details whether the payment is based on reimbursement of costs actually incurred or a lump sum.
263. As O.19 is linked to number of operations, the payment should also be per operation and not per beneficiary. A justification for the very high number of planned operations should be provided.
264. Croatia should determine the duration of contracts.

## Payments for areas facing natural and other constraints (ANC)

265. There is an ongoing update of the ANC delimitation taking place between the Commission and Croatia, to be applied from 2023 onwards. Its aim is to obtain a fairer ANC system based on new available data, i.e. new digital elevation model, the recently digitalised soil map, new climate data and, most importantly, new data on agricultural areas in Croatia. This delineation has already been agreed between the two parties, however, Croatia is now finalising the fine-tuning exercise of delimited areas based on Commission comments. Once, the fine-tuning document is completed and accepted by the Commission, Croatia will be requested to modify the description of this intervention in the Plan accordingly.
266. The intervention states that according to Regulation (EU) No 1305/2013, areas with specific constraints may be a maximum of 10 % in relation to the total area of the country. It is also stated that the municipalities included in the area with specific constraints represent 17.78% of the total land territory of Croatia. This inconsistency should be explained.
267. It should be clearly stated in the eligibility conditions that ANC payments can only be granted to active farmers and for designated ANC areas. Croatia should guarantee that only the area that is inside the designated ANC areas layer is eligible for payments under Article 71 of the SPR. Therefore, ambiguous sentences, for example the following, should be amended or deleted: *“At least 50 % of the area of the ARKOD/LPIS parcel shall be in the area defined as the restricted area.”*
268. The link to the list of the designated local administrative units and to the ANC map must be provided for each category of areas referred to in Article 32(1) of Regulation (EU) No 1305/2013.
269. Degressivity should be indicated in section 7 ‘Form and rate of support’, specifying the applicable amounts (EUR/ha) for the different thresholds applied.
270. The WTO explanation should be complemented, for example, by considering that ANC payments have to be degressive.
271. The financial table with outputs should be completed.

## Aid for limitation in forest management

272. The intervention is linked to Specific Objective 6, it also needs to be linked to Specific Objective 1 since it provides “income support”.
273. Croatia is invited to consider introducing an intervention on WFD payments and Natura 2000 payments for agricultural areas, given that agriculture remains the main pressure and there is a need to ensure non-deterioration of habitats and to prevent disturbance of species in the sites.
274. Given important differences in the ecological network areas between respective Croatian counties as well as ‘extremely rich biodiversity of the karst areas located mainly in the Adriatic Croatia’ and ‘karst pastures being abundant in particularly valuable and rare species’ (SO6 ‘Strengths’), Croatia is requested to consider the regional targeting of this intervention.

275. Croatia should clarify if the intervention is limited to support for Natura 2000 areas or if other delimited areas that contribute to the implementation of Article 10 of Directive 92/43/EEC are also included (as stated in Section 5 on eligibility for support: “Support from this intervention shall be granted annually per hectare of forest in a Natura 2000 area designated under Directives 92/43/EEC and 2009/147/EC and/or other protected areas under the Nature Protection Act in order to compensate beneficiaries for the additional costs and income foregone associated with their implementation”).
276. In accordance with the PAF, the intervention 72.01. should be directed to private forest owners, except for „no management“ requirements in the strictly protected sites, which can include all forest holders. Croatia is also invited to consider introducing forest-environmental and climate commitments under Article 70 of the SPR.

#### 2.3.4.2. Investments

##### Non-productive investments in agriculture for nature and the environment

277. Some clarifications regarding specific eligible investments are still needed (purchase of land, investments in livestock housing).
278. Croatia is encouraged to combine the investments in restoration of biodiversity-relevant habitats with mandatory maintenance commitments. These maintenance commitments could be supported under Article 31 or 70 of the SPR.
279. Regarding the applicable support rate, it is recommended to apply a lower support rate for types of non-productive investments, which could also generate an economic benefit.
280. Support Section 13 on the indicative financial allocation has to be revised.
281. Regarding sub-intervention 4 (elimination of invasive alien species) and 8 (restoration of habitats relevant to biodiversity), are any selection criteria considered? For example, is priority given to specific areas as Natura 2000, HNV areas or other particular areas? The two proposed operations appear to be wide-ranging in terms of targeting the areas where the investments are most required. Furthermore for sub-intervention 8, habitat restoration, is it targeting grassland areas only?
282. Croatia is invited to consider expanding the eligible investments under this intervention to include measures identified in the PAF, e.g. planting tree lines for species conservation, eradication of invasive alien species from forest stands, purchase of grasslands for purposes of management in Natura 2000 sites.

##### Observations common to investments in irrigation

283. Croatia is invited to clearly distinguish between investments in the improvement of existing installations/ infrastructure and investments leading to a net increase of irrigated area. This has implications for linking to relevant specifying objectives and result indicators and inclusion in the environmental ring-fencing: Specific Objective 2 for expansion (to be linked to R.9 or R.36) and Specific Objective 5 for improvements (to be linked to R.26 or R.27).

284. If planned as part of on-farm investments under RD (73.10 and 73.12), investments in irrigation should be designed as a separate intervention due to the specific set of eligibility conditions, which need to reflect all relevant requirements of Article 74 of the SPR. Different unit amounts (with planned outputs at the level of the unit amounts) will be needed for improvements and expansion.
285. Croatia is requested to explain how the Plan addresses the needs related to water quantity, contributes to and is coherent with the RBMP, also considering measures beyond irrigation, such as natural water retention and measures to reduce crop water demand.

#### Restoring agricultural potential

286. Given that the reconstruction process of rural areas after the recent earthquakes in 2020 is, and will also be covered by other sources than the Plan (e.g. Solidarity fund, ERDF, national public and private sources, etc.) Croatia should provide a clear demarcation line so as to avoid any risk of double payments.
287. It should provide more details and a justification on the exceptional situations where the assessment of damages will be carried out by other bodies (Ministry of Agriculture and professionals employed by other agricultural public institutions) rather than specialised commissions prescribed in the national legislation.

#### Use of renewable energy sources

288. Croatia is invited to elaborate which renewable energy sources would be eligible for support, as only eligibility conditions for solar energy generating installations seem to have been defined.
289. For certain types of eligible costs, further clarifications should be provided with regard to the relevance for this intervention, e.g. machinery for transport and application of organic fertilisation substrates on agricultural areas.
290. Given the wide range of support under this intervention, the introduction of at least two different unit amounts for respective type/size of operations could be considered.
291. Croatia is invited to take into account that biomass for bioenergy should be produced and used in line with the cascading principle highlighted in the Forest Strategy, and the criteria for wood-based bioenergy underlined in the Renewable Energy Directive (EU) 2018/2001 should be respected. It also needs to be complemented with sufficient criteria to ensure that an increase in biomass combustion for energy does not lead to any negative air quality impact and biodiversity biogas installations must be developed with sufficient quality checks and safeguards to ensure no negative trade-off between methane and ammonia emissions.

#### Construction and layout of learning paths and supporting infrastructure

292. Croatia is requested to better explain and justify the links of this intervention with Specific Objective 8 and the need 15. It should identify who are the main beneficiaries of the similar type of operation 8.5.2 'Establishment and improvement of walking trails, look-out points and other small-scale investments'

under the current RDP - public forest holders, private forest holders and their associations or civil society associations active in environment and nature protection.

293. Croatia is requested to consider the transfer of this intervention to LEADER where the local communities could decide about such investments based on priorities established in the respective local development strategies (see Observation for LEADER: increase in social capital, better local governance and better projects/results compared with non-LEADER delivery).
294. Information is missing on requirement for a management plan for a holding above a certain size.
295. Croatia should clarify whether such requirement is included in: *“The eligibility of the project, in addition to the subject-matter of the investment, will be conditional on an orderly ownership relationship on the subject matter of the investment, prepared by all the necessary documentation in accordance with the regulations governing the investment in question, as well as a confirmation that the investment does not have a significant negative impact on the environment and/or the conservation and integrity objectives of the ecological network area.”* In addition, RI related to Specific Objective 6 and biodiversity related indicators, i.e. R.27 could be added.
296. The Commission invites Croatia to verify the use of R.18 and R.27.
297. The indicated Output indicator is O.24 productive investments while these investments are rather non-productive ones (at least these investments were non-productive investments under M8.5 in the 2014-2022 period) they would fit better under O.23 non-productive. Particularly that 100% support rate is planned that is not appropriate for productive investments.
298. This intervention is included under Specific Objective 8. Croatia is invited to provide the description of the links of this intervention with SWOT analysis and how does it respond to the corresponding need (in this case Need 15).

#### Reconstruction (conversion) of degraded forests

299. The intervention strategy envisages a reduction of monocultures of non-indigenous tree species and their conversion into mixed high-growing forests composed of native tree species. A large proportion of the degraded forms of forest stands spread over 533 828 ha, which represents 22 % of the forests in Croatia, but the target for this intervention is only 1 176 ha (R.17).
300. The Commission has been developing, together with Member States and stakeholders, guidelines on various forestry topics, including the biodiversity-friendly afforestation and reforestation. The Commission recommends Croatia to consider them, where relevant, and distribute them to beneficiaries and managing authorities once they are adopted and published.
301. A nationally set threshold above which it will be necessary to present relevant information from a forest management plan or equivalent document should be introduced (relevant to forests owners and forest managers but not to entrepreneurs

neither managing forests nor owning forests but who are only performing basic processing of forest wood).

302. Under this intervention, restoration of damaged forests after wildfires or pest diseases could be included as eligible for financial support.
303. This intervention will contribute importantly to Specific Objective 4 and Specific Objective 6, and the relevant indicators, according to the description, not only to Specific Objective 5, and this should be reflected in the text.
304. Croatia is invited to add a link to R.18.

Modernisation of forestry technologies in timber harvesting, forest breeding and production of forest (forest reproductive material

305. It should be justified why the Financial Instruments (FI) have been abandoned under the Plan, especially since the SWOT analysis of SO2 points at ‘continued interest and uptake of FI and further facilitation of access to capital for micro, small and SMEs’. Also, one of the Commission’s recommendations points at a necessity of improved access to finance and capital through an appropriate mix as well as a combination, of grant-based support and financial instruments, such as guarantees and loans.
306. More elaborated principles for the selection criteria would be needed, e.g. recommendation of stronger focus on investments for soil- and resource-friendly harvesting machinery and practices, better occupational safety of workers, higher efficiency and reduced noise, use of eco-friendly fuels and lubricants, etc.
307. The provisions for developing the bio-economy could be further developed, and R.39 added as an additional results indicator.

Modernisation of pre-industrial wood processing technologies

308. Croatia should justify why the FI used in the current RDP have been abandoned, especially since one of the Commission’s recommendations underlined the need for improved access to finance and capital through an appropriate mix.
309. A link to R.39 should be added.

Construction of forest infrastructure

310. This intervention has the objective to reduce the risk of forest fires, but it does not target regions most prone to forest fires (Dalmatia). A carbon farming result-based approach is not proposed.
311. It should also be demonstrated that these access infrastructures are multifunctional (e.g. open for recreation, or forest protection purposes) in order to be eligible for 100% support rate and using O.22.
312. The optimum density of forest roads should be from 15 km/1.000 ha to 30 km/1.000 ha depending on the relief while “large closed inaccessible forest areas still exist in state forests.” For better demonstrating the need for this intervention, an average number for the current low average density should be included as well as the density (range or average) aimed with this intervention.

313. Furthermore, for forest infrastructure there should be a national/regional programme/strategy that ensures environmental integrity and justifies the needs. Otherwise any project can be granted on the basis of the unclear criteria identified (existing density, increasing density, risk of fire, degree of development of self-government). The eligibility conditions are unclear.
314. The link to R.18 is fine, adding a link to R.39 seems also justified.

#### Promotion of wood and non-wood forest products and services

315. The current demand for wood and wood products (to satisfy both industrial and fuelwood needs) is on the constant increase and their prices break records on both European and world markets. This stems from the rapid growth in demand from e.g. construction sector as well as the increasing use of wood as a source of energy, particularly in Europe as a result of policies promoting greater use of renewable energy. Therefore, the need for supporting promotion activities with public funds should be thoroughly justified.
316. Croatia should elaborate more on which concrete investments /products/ services should be eligible under this intervention. What kind of specific buildings /space is envisaged to be constructed or reconstructed for the sale of forest products and services and where will be their location? It should consider introducing two different Units amounts for operations of different size. It should also explain the annual differences in unit amounts.
317. This intervention could specifically refer to the promotion of and opportunities in the bio-economy.

#### Support for investments in primary agricultural production

318. Some of the principles for selection criteria should be better elaborated, e.g. what is meant by ‘complexity of investments’?; how the ‘contribution to job creation’ will be verified /enforced, especially in case of bigger farms above 250 000 EUR (25% of the total financial allocation).
319. In the description of eligible type of support (“farm restructuring and modernisation, disposal, handling and use of livestock manure with a view to reducing adverse environmental impacts and the use of renewable energy on farms for own use”) it is not sufficiently clear what would be eligible under farm restructuring and modernisation.
320. With regard to investments in irrigation, it should consult the section “Observations common to investments in irrigation”.
321. In criterion no. 9 under eligible costs, it should be made clear that the reconstruction of storage capacities for manure can only be supported to the extent the investment goes beyond the minimum EU standards.
322. Renewables Directive 2018/2001 and its sustainability criteria should be referred to in this intervention. To ensure that investments in renewables are for own-consumption only, the calculation of MW generation capacity per beneficiary should be explained in line with the full description of R.15. The explanation and

justification of the planned unit amount should be better explained in Table 12. The calculations set out in Table 13 do not seem feasible and should be checked.

323. The eligibility criteria should ensure environmental benefits; e.g. supporting only low-emission machinery and vehicles; promoting investments in low-emission animal housing technology, manure storage systems, machinery for low-emission application of fertilisers/manure to the field (rapid incorporation, trailing shoe/hose, etc.).

#### Aid for investments in the processing of agricultural products

324. Some of the principles for the selection criteria should be better elaborated, e.g. what is meant by ‘complexity of investments’?; how will the ‘contribution to job creation’ be verified /enforced?
325. Given the wide range of support (between 15.000 EUR and 3 MEUR) as well as the ring-fenced allocation of 50% of intervention support to large companies Croatia should explain why several Unit amounts have not been introduced (as it was the case for intervention 73.10).
326. It should check and correct the financial data entered for this intervention, e.g. number of operations for financial year (FY) 2028 or the annual indicative financial allocations for FY 2026 and FY 2027.

#### Support for small farmers

327. Due to a large number of potential applicants, Croatia is requested to ensure better targeting (e.g. territorial or sectorial) of this intervention in order that only the best small-acreage farmers would get support, allowing them to become economically viable and to be able to operate and produce in accordance to market-driven requirements.
328. The list of eligible costs for this intervention is exactly the same as for 73.10.: ‘Support for investments in primary agricultural production’ while the financial support available under this intervention is much lower (e.g. the upper threshold equals 30.000 EUR vs 2 million EUR for 73.10). Therefore, Croatia is requested, in line with the above need for better targeting, to channel the support only to selected types of operations with bigger chance of economic sustainability and/or better environmental value.

#### Support for public irrigation systems

329. As investments in new irrigation infrastructure should be linked to Specific Objective 2 rather than Specific Objective 4, this intervention should not count against the ring-fencing for environment.
330. Croatia should take into account that the derogation included for reservoirs approved before 31 October 2013 is not in line with the new legal framework. Article 74 of the SPR no longer allows for such derogations.
331. The eligibility conditions need to reflect all relevant requirements of Article 74 of the SPR, in particular paragraphs (3), (6) and (7) thereof.

332. Considering future risks of increase in water scarcity, Croatia is invited to consider support for the establishment of water reuse schemes as an alternative and more stable supply of irrigation water in accordance with Regulation (EU) 2020/741, and in full respect of all the provisions and objectives of the WFD.
333. Elements serving as a basis for determining / differentiating the support rates should be provided.
334. It should be clarified whether projects in irrigation infrastructure amounting to maximum EUR 15 million fall outside of the definition of large-scale infrastructure.
335. It is strongly recommended that investments in irrigation are done in combination with natural water retention measures, nature based solutions, switching to less water consuming crops, etc.

#### Support to public infrastructure in rural areas

336. With regard to broadband investments, in case the ERDF or other national public / private sources do not allocate necessary funds to reach 100 % fast broadband coverage of rural areas by 2025, Croatia is requested to include under this intervention a sufficient amount of operations and corresponding funds to allow the attainment of the above mentioned GD target.
337. Given the overall number of 84 operations planned under this intervention, Croatia is requested to indicate a tentative repartition of those operations among all eligible types of projects (kindergartens, unclassified roads, water/sewage infrastructure, markets and shelters for lost animals). How does Croatia justify this repartition based on main goals and challenges underlined for this intervention?
338. Croatia should indicate whether the reconstruction of buildings suffered in the recent earthquakes of 2020 are eligible under this intervention (see the principles of the selection criteria). If yes, it should indicate the demarcation with other sources supporting the post-earthquake reconstruction of Croatia.
339. As this intervention refers to kindergarten infrastructure improvement, Croatia should provide the information on demarcation line and complementarities with other relevant EU Funds – notably as regards ERDF, in relation to infrastructure and essential services investments, and European Social Fund (ESF+), in relation to social services investments.
340. Some of the projects (e.g. Kindergartens) might create an economic activity. Therefore, in point 8, “Mixed” must be ticked instead of “No” and the State aid clearance instrument must be indicated. Concerning the non-generation of significant net revenue, Croatia should explain whether they refer to a same infrastructure used both for economic and non-economic activities, or whether they envisage infrastructures that would be used for an economic activity but would not generate high net revenues. In the first case it is the responsibility of Croatia to check whether the economic use will remain ancillary (see point 207 of the Communication on the notion of aid) and will therefore not be subject to State aid rules. In the second case, a State aid clearance will be needed.

#### 2.3.4.3. Installation aid (Article 75 of the SPR, section 5 of the Plan)

341. As for the selection criteria principle related to ownership status of the holder, Croatia should explain in more detail the advantages given to the lease or other contractual arrangements. What are those other contractual arrangements? Are the longer-term lease contracts preferential (receiving more points at selection)? Are the lease contracts registered with a notary or other public offices?
342. Croatia is invited to provide more details on how it envisages to support a better and easier transfer of farms between generations by facilitating contacts, exchange of experiences and cooperation between potential transferors and transferees. To this end, a special instrument could be foreseen under intervention 78.01 'Knowledge exchange and dissemination of information' to ease the know-how flow between farm transferors and young farmers.
343. This intervention should be linked to R.37 (jobs) as support to generational renewal contributes to jobs safeguard and creation.
344. Croatia is invited to establish whether the Unit amount is fixed or average and to correct the requirement so that the applicant fulfils the definition of young farmer (including head of the holding) at the time of application.
345. Croatia is invited to confirm that there is no intention to plan interventions for business start-ups.

#### Risk management (Article 76 of the SPR, section 5 of the Plan)

346. Croatia is invited to further elaborate the description so as to enable a full assessment in line with Article 76 of the SPR, notably in terms of coverage of the intervention (e.g. single and/or multi-peril insurances), list of production risk should be exhaustive or indicate further references where it would be specified), of methodology for loss calculation /triggering factors (explain methodology for loss calculation not only general reference to insurance policy), of the support rate (provide a range, not 'up to'; is there a national reference document which would further specify the criteria listed and their combination?), of avoidance of double funding /overcompensation (e.g. there are no provisions on delimitation towards intervention 42.2.i.01 for insurances in F&V sectors; is the use of digital solutions envisaged?) and of admissible costs (e.g. not compensate for price volatility of a given *quality* category of the product).
347. Croatia is also invited to explain whether it has considered to limit the compensation for the beneficiary to a maximum loss percentage or use deductibles and to clarify what is meant with "the number of aid applications... is not limited."

#### 2.3.4.4. Co-operation (Article 77 of the SPR, section 5 of the Plan)

##### Support for the participation of farmers in quality schemes

348. Croatia should also explain how based on lessons learnt, it intends to improve the implementation of this intervention and acquire 7 500 new beneficiaries. Also, more information would be needed on how it is envisaged to boost farmers' awareness and involvement in the process (to address Weakness W4 under Specific Objective 3 – Low interest in participation in quality schemes): e.g. more

efficient promotion, better advisory and knowledge transfer activities including local NGOs and private advisors, enhanced cooperation with more experienced Member States, etc.

349. It should be noted that Geographical Indication (GI) aromatised wine products have been integrated under the agricultural product and foodstuffs GI regime.
350. It is suggested to distinguish EU geographical indications under the “quality schemes” and mention them explicitly where relevant.
351. Croatia is invited to provide more information about the complementarities with sectoral or other RD interventions.
352. Croatia is recommended to consider the possibility of using Simplified Cost Options (SCOs).
353. The intervention does not address directly the identified need 04 which focuses more on innovative technologies. Croatia is invited to review it according to a relevant identified need and the SWOT analysis.
354. The total value of 0.29 counts the same number of beneficiaries receiving an aid per year. Outputs are indicative and should be planned in full per year, when the first payment is expected.

Aid for information and promotion activities carried out by producer groups in the internal market

355. Croatia should confirm the Commission’s understanding that the producers groups and organic producers’ associations benefiting from the promotion support under the above 3.2 sub-measure of the current programming period would need to acquire at least one new farmer / manufacturer to become eligible for another period of 5 years under this intervention of the Plan.
356. According to Article 111, information and promotion actions for quality schemes should not be linked to any result indicators.

EIP (European Innovation Partnership) support to Operational Groups (OGs)

357. More information would be needed on practical arrangements of this intervention e.g. Croatia should provide some more details on who will play a role of innovation broker, how the networking will be organized, etc.
358. The Commission suggests that Croatia would not limit the intervention on the production and processing of agricultural products, but to leave it open to all 9 specific CAP objectives, as set out in Article 6 (1) and (2) of the SPR.
359. It should explain in the description of the intervention how it will be ensured that innovation support captures grassroots innovative ideas and develop them into innovation projects of EIP OGs, as was suggested in section 8.
360. Section 8 emphasizes the involvement of advisors in all operational groups, but in the description of the intervention it is less clear. Will participation of advisors in

the EIP OGs be mandatory, if not, how will advisors be motivated to join the EIP OGs?

361. The Commission considers the limitation to at least 7 partners too strict and would leave it as a suggestion so that the number of partners can be adapted according to the specific objectives of the project.
362. An EIP OG should not draw up a business plan, but a project plan. Therefore, the Commission asks Croatia to adapt the Plan accordingly.
363. It should be noted that pursuant to Art. 77(1) (a) of the SPR, Member States may grant support to (1) prepare and (2) implement the projects of the EIP OGs. In the proposed Plan preparation is not explicitly mentioned, however it is essential to initiate the EIP OG.
364. Pursuant to Art. 127 of the SPR the EIP OGs shall disseminate summary of their plans as well as of the results of the projects. Therefore, the Commission asks Croatia to include dissemination of projects' plans in the Plan.
365. The Commission would like to draw the attention of Croatia to the state aid rules exemption of a maximum of EUR 350 000 for EIP OG projects pursuant to Article 1 (13) of Regulation (EU) 2021/1237 of 23 July 2021.
366. What aid intensity will be used for this intervention?
367. The Plan does not explicitly include cooperation in relation to the development of new practices for carbon farming in agriculture or forestry. Croatia is therefore invited to include such programmes.

#### Support for short supply chains and local markets

368. As for eligible beneficiaries, Croatia is requested to provide more information on the following aspects: Which EIP OGs are eligible – also those created under the current RDP (TO 16.1.1) or only those that will be created under the Plan?; What producer organizations can be partners of the EIP OGs – only the recognized ones or it could be any organization (producer group, cooperative, organic producer association, etc.)?
369. Will the EIP OG benefiting from support under this intervention have to submit a separate business plan or will the business cooperation agreement concluded between the EIP OG partners be sufficient and cover all investments and activities planned to be implemented?
370. How will the selection of final consumers be done? A list of potential candidates would be interesting (see e.g. comments provided on the need to stimulate demand side for organic farming products and ensuring regular deliveries of organic food to schools, canteens, kindergartens).
371. Under this type of intervention, support may be granted for new forms of cooperation, including existing ones if starting a new activity. Croatia is invited to describe explicitly these aspects and to include all the minimum requirements laid down by the Article 77 of the SPR, including the duration of the support to cooperation schemes.

372. Croatia is invited to further clarify the link of this intervention with the activities of existing and/or new EIP OGs and the type of activities covered by the running costs.

373. The use of SCOs should be reconsidered for the running costs of the project.

Support for the establishment and operation of producer organisations (POs)

374. Given a relatively slow pace of setting up and recognition of POs in Croatia (in 2018 – 11 recognized POs while at the end of 2021 – their number was 21), the creation and recognition of additional 21 POs as from 2024 looks very ambitious.

375. Croatia should provide a clear demarcation line for the currently existing 4 POs in the F&V sector that will benefit from the RRP and this intervention under the Plan. This would avoid any risk of double funding (in the field of e.g. developing business, managerial and marketing skills of PO members, facilitating innovative and digitalisation processes in the organization).

Support for LEADER / Community-Led Local Development (CLLD) approach

376. Croatia is invited to demonstrate how it will ensure that every local action group (LAG) will apply each of the principle of LEADER /CLLD - method as stipulated in Article 31 of Regulation (EU) 2021/1060 (some attention to inclusive and balanced partnerships and innovation in the local context).

377. Croatia is encouraged to use LEADER to make rural areas more attractive (Specific Objective 8) and in areas with high added value for example exploring innovation, cooperation between actors, community services, social innovation, connectivity, Smart Villages, jobs, animation etc.

378. Croatia is also invited to confirm that the delivery mechanism has been streamlined and LAGs will no longer be involved in any eligibility checks (duplicated by Paying Agencies) so that they can free resources for animation and capacity building.

379. Croatia is also encouraged to use multi-fund LEADER/CLLD, making use of the lead Fund options for simplification.

380. Croatia is also invited to outline the expected added value of LEADER approach in terms of increase in social capital, better local governance and better projects /results compared with non-LEADER delivery.

381. The whole measure 77.06 is subject to State aid rules.

2.3.4.5. Knowledge exchange and advise (Article 78 of the SPR, section 5 of the Plan)

Support knowledge transfer and 78.02.: Support for the provision of advisory services

382. In the current Plan the Ministry of Agriculture being the Managing Authority, proposes to pay to itself as beneficiary for advice and training. This is not in accordance with Art. 79 of the SPR on the selection of operations, which calls for equal treatment of beneficiaries.

383. There is no information on how Croatia envisages to better integrate and strategically cooperate with independent private knowledge transfer and advisory entities /NGOs, as recommended by the Commission.
384. Croatia should present in more detail the linkages of the Plan's interventions with the Smart Agriculture Platform being built under the Croatian RRP.
385. A special instrument could be foreseen under intervention 78.01 to allow a better and easier transfer of know-how between the transferors and the transferees of agricultural farms.
386. It should provide more information on on-farm demonstration activities. Which entities manage these demonstration farms and production facilities, where are they located and how is it planned to organize training and advisory sessions thereon? The Commission advises Croatia to focus this intervention on demonstrations on genuine farms working under real production conditions.
387. It should provide more information on study tours and thematic / innovative groups. Does Croatia plan to cooperate with more advanced and experienced Member States?
388. Croatia should explain the selected type of payment, i.e. flat-rate financing. How is it going to be applied while selecting external private advisory services and financing the demonstration farms or production facilities? It seems that SCOs would be a more appropriate type of payment in case of calculation e.g. number of demo farm visitors, travel costs / accommodation /per diems for participants of study visits and training sessions, renting premises or printing consultation materials.
389. It should explain how exactly will the implementation of the advisory intervention 78.02 be organised, taking into account all obligations listed in Article 15(2),(3) and (4) of the SPR.
390. As the Croatian advisory service will be in charge of organising trainings for advisors, will private advisors also have the possibility to participate in those trainings? Training is obligatory for all impartial advisors (Article 15 of the SPR) and common training sessions for private and public advisors can serve as a platform for networking among them, thus creating knowledge flows.
391. Is a "back-office" planned, with specialist advisors who keep contact with researchers and CAP networks (Article 114 of the SPR) and therefore can support the field advisors on the theme they specialize in and keep updated information on?
392. Knowing that interest is a big motivation to participate, the Commission would like to invite Croatia to explain how the provision of advice and training will be aligned with the specific interest and demands for knowledge and innovation of agricultural holdings. How will these needs be collected?
393. Croatia is strongly invited to include explicit support/service for advising farmers on how to monitor and /or improve the environmental and climate performance of their farms. Croatia is invited to increase its R.28 target, which at only 3 800 participants, is very limited.

394. Under the intervention 78.01. Support for knowledge transfer, eligible beneficiaries should include also other competent experts (public institutions for management of protected areas /Natura 2000 sites; private consultant companies; NGOs) who can contribute to the better education of farmers and foresters and, consequently, improve currently very low uptake of biodiversity-related operations.

#### 2.3.4.6. Financial instruments (FIs) (Article 80 of the SPR, section 5 of the Plan)

395. Croatia should clarify whether the financial instrument under RDP 2014-2020, planned to continue until the end of 2025, will be possible to be combined with Plan grants or not. It should also indicate, in chapter 4.6, the switch between the two periods as of end of 2025, as it is only mentioned in the interventions under the section justifying the unit amounts.

396. The Commission notices that the financial planning under intervention 73.10 for FIs include carry-over commitments. Since section 4.6 on FIs does not envisage the carry-over of the FIs expenditure set up under the current RDP under the Plan, Croatia is asked to delete these amounts or clarify in 4.6 if it intends to use the continuation possibility provided for in the second subparagraph of Article 80(5) of the SPR (continuation of commitments undertaken under the current period under the Plan period with support under the Plan), and the details on the continuation (e.g. cut-off-date between the RDP and Plan), and for what types of commitments it intends to use the carry over possibility in the financing plan. Croatia is invited to revise the financing plan, since from year 2028 the total financial allocation is exceeded by one of its elements, i.e. “out of which carry over”. In case Croatia indicated the reflows of the currently ongoing financial instruments as “carry-overs”, it is to be noted that reflows are not “carry-overs”, but they can constitute national co-financing or additional national financing for the financial instruments under the Plan.

397. Croatia should clarify the control system in 7.3 that will be applied.

#### FI Support for investments in primary agricultural production

398. Croatia should check and correct the financial data entered for this intervention. Data currently entered return a contribution rate of 11.94%, and the carry-over mentioned is for some years higher than the total expenditure foreseen in those years.

399. It should refer to the SPR support rates applicable to investments and working capital finance in case of primary agricultural producers targeted under intervention 73.10, as State aid rules do not apply. Also, it should include this reference in 73.11 for Annex I processing.

400. Croatia should ensure that its average Unit amount reflects its average public expenditure required for an average sized project. The text seems currently to refer to the average aid amount, which is the Gross Grant Equivalent of the FI support.

### **3. FINANCIAL OVERVIEW TABLE**

401. For Direct Payments, the total of annual allocations for eco-schemes in section 5 exceeds the annual amounts indicated in the financial overview table as “Reserved for eco-schemes under DP” (line 49 of the table).
402. Under CIS in section 5, intervention no. “32.08. - Krmno proteinski usjevi”, it should be indicated that the intervention is financed from the protein crop top-up in accordance with Article 96(3) of the SPR.
403. Wine: Annual indicative financial allocations under Section 5 do not correspond to the planned amounts in the Financial Overview table under Section 6.
404. Other sectors: Annual indicative financial allocations under Section 5 do not correspond to the planned amounts in the Financial Overview table in Section 6.
405. The total of RD interventions in section 5 + the amount corresponding to 4% of EAFRD allocation for technical assistance exceeds the maximum EAFRD allocation.
406. Croatia did not mention any flexibility transfer for financial years 2024 to 2027. It should be noted that any intended transfers between Pillars for those years in the meaning of Article 103 of the SPR should be indicated in the Plan. Only in 2025 will it be possible for Member States to request an amendment to review the transfer decisions.
407. It should be noted that in accordance with Article 156 of the SPR, the sum of all payments made during a given financial year for a sector - irrespective for which programme and under which legal base those took place - cannot exceed the financial allocations referred to in Article 88 of the SPR for that given financial year for that sector.
408. As regards the type of interventions in certain sectors defined in Article 42 of the SPR, expenditure that will be paid in 2023 or in the subsequent financial years relating to measures implemented under Regulation (EU) No. 1308/2013 for these same sectors, shall not be entered in the Annual indicative financial allocations under Section 5 or in the Financial Overview table under Section 6 of the Plan.

### **4. CAP PLAN GOVERNANCE, EXCLUDING CONTROLS AND PENALTIES**

409. On section 7.1, Croatia is invited to clarify the composition of the Monitoring Committee, along with how it will ensure its independence from the Managing Authority. In addition, Croatia is reminded to ensure a balanced participation of equality bodies in the Monitoring Committee representing women, youth and the interests of people in disadvantaged situations. Proper representation of the civil society sector (26 Croatian civil society organisations dealing with environmental and nature protection, cooperatives, small or family farms, etc.) should be ensured. It should also provide information regarding the control, delegated and intermediate bodies where relevant.
410. On section 7.2, Croatia is invited to describe the IT systems and databases developed for the extraction, compilation and reporting of data to be used for

performance reporting, reconciliation and verification purposes, along with the controls in place to ensure the reliability of the underlying data.

411. With regard to sections 7.3, 7.4 and 7.5, comments will be delivered by the Commission services in a separate communication.

## **5. ANNEXES**

412. Annex V should contain data for EAFRD participation, matching funds and additional national aids for all activities falling outside the scope of Article 42 TFEU.
413. The Commission notes that a SEA has not been attached to the Plan and reminds Croatia about the need to provide it without undue delay.