

ANALYSIS OF THE POSSIBILITY OF FINANCING AGRICULTURE FROM THE IPARD III PROGRAM IN THE REPUBLIC OF SERBIA¹

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Abstract

Financial instrument for pre-accession assistance – IPARD III program, for the 2021-2027 period, was adopted by the Decision of the Government of the Republic of Serbia on December 14, 2023. The total financial value of the IPARD III program amounts to 588 million euros, of which the contribution of the European Union is 280 million euros. The main goals of the IPARD III program are the following: increasing the competitiveness, efficiency and sustainability of agricultural production, improving the economic position of agricultural farms, rural development, stimulating the employment of young people in rural areas, contribution to the mitigating of the climate changes' negative effects, as well as building efficient public administration in the field of agriculture and rural development in the Republic of Serbia. As of October 2024, four out of a total of eight measures have been accredited. The aim of the paper is to present the current financing possibilities from the IPARD III program in the Republic of Serbia, as well as to compare them with the financing possibilities from the IPARD II program. In the paper there have been used the following methods: the method of analysis and synthesis, comparative method and desk research method. The authors conclude that additional opportunities for financing agriculture and rural development in the Republic of Serbia are available within the IPARD III program compared to the IPARD II program.

Key words: *Financing, agriculture, rural development, IPARD III program, accredited measures, Republic of Serbia.*

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Introduction

Financing of agriculture is the biggest and most complex problem of domestic agriculture (Radović, 2009; Radović, 2014). Agriculture is characterized by biological and socio-economic specificities, and that is why the financing of this economic activity is very complex (Vasiljević, 1998). Very often, the problem is also the insufficiency of sources for financing agricultural production (Jovanović & Zubović, 2019). The lack of financial resources for the simple reproduction, as well as for the extended one, is one of the most significant causes of the crisis in which agriculture in the Republic of Serbia has been for more than three decades (Pejanović, 2016).

Financing of agriculture and rural development in the Republic of Serbia in recent years has also been realized from pre-accession funds of the European Union. Before acquiring the status of a candidate for membership in the European Union, the Republic of Serbia was entitled to financing from the component IPA CBC (Instruments for Pre-accession Assistance Cross – border Cooperation Programme). By acquiring the candidate status on March 1, 2012, the Republic of Serbia gained the right to use funds from the IPARD pre-accession component.

The essence of the Instrument for Pre-Accession Assistance for Rural Development (IPARD) is in providing financial support to the future members of the European Union with the aim of sustainable development of agriculture and rural development. The IPARD program defines measures to support rural development in accordance with the rules of the European Union, which are applied under the conditions and criteria for the use of these financial resources, as well as the way of conducting control.

Concerning the IPARD II program in the Republic of Serbia, which was implemented in the 2014-2020 period, it has been available 175 million euros, or 230 million euros in total, if funds from national sources are taken into account.

When analyzing the realization of funds from the IPARD II program, as of June 30, 2024, 80 million euros or 46% of the total available funds from the European Union were realized. With the mentioned date, 1,151 projects were paid out, the total value of which is EUR 106.7 million, when taking into account the disbursed funds from national funds (Semi-annual report on the implementation of the IPARD II program RS, 2024).

The Republic of Serbia has 280 million euros available from European Union funds within the IPARD III program, which is planned to be implemented in the 2021-2027 period. Combined with the funds from national sources, which need to be invested considering that the financing is realized according to the principle of co-financing, the total financial support of the IPARD III program amounts to 588 million euros.

Table 1. The measures of the IPARD III program

Measure name	Accredited/ Unaccredited (ends October 2024)	Participation in the total financial resources of the IPARD III program
Measure 1 – Investments in physical assets of agricultural holdings	Accredited	30%
Measure 3 – Investments in physical assets, processing and marketing of agricultural and fishery products	Accredited	21%
Measure 4 – Agro-ecological-climatic measure and organic production	Unaccredited	18%
Measure 5 – Implementation of local rural development strategies – LEADER approach	Unaccredited	3%
Measure 6 – Investments in rural public infrastructure	Unaccredited	5%
Measure 7 – Diversification of agricultural holdings and business development	Accredited	5%
Measure 9 – Technical assistance	Accredited	18%

Source: <https://ipard.gov.rs/unap0-iii-mepe/>; Prezentacija, PKV, 2024.

The measures of the IPARD III program are shown in Table 1. The subject of analysis in this paper is the accredited measures of the IPARD III program (Measure 1, Measure 3 and Measure 7) and their comparison with the implemented, listed measures within the IPARD II program. Regarding the implementation of the mentioned measures, within the IPARD II program, there was a great interest of the users, measured by the number of projects submitted to the announced competitions. However, a large number of projects did not meet the required criteria. Precisely: “ (a) for Measure 1, 46.5% of the total number of submitted projects met the criteria; (b) for Measure 3, 48.2% of the total number of submitted projects met the set criteria; (c) for Measure

7, only 28.9% of the total number of projects that participated in the published calls met the set criteria “(Radović, Subić, Pejanović, 2024, p. 1027).

Methodology and data sources

The aim of the paper is to present the current possibilities for financing agriculture and rural development in the Republic of Serbia from the IPARD III program, as well as to compare them with the financing possibilities from the IPARD II program. The paper uses: the method of analysis and synthesis, comparative method, as well as the method of research at the table (desk research). The data sources are the website of the Management Body for the IPARD program of the Ministry of Agriculture, Forestry and Water Management of the Republic of Serbia, as well as available publications and brochures in which funding opportunities from the IPARD III and IPARD II programs are presented.

Research results

The subjects of the research and analysis are the financing possibilities that are available within: Measure 1, Measure 3 and Measure 7 of the IPARD III program, as well as the financing possibilities that were available within the same measures in the IPARD II program. More precisely, the subject of analysis in the mentioned measures of the IPARD III and IPARD II programs are the following: (a) sectors within which the realization of investments is possible; (b) potential beneficiaries of investments; (c) intensity of grant support; (d) types of potential investments; (e) incentive amounts.

Measure 1

Measure 1 of the IPARD III program includes investments in the physical assets of agricultural farms, and its main goal is to increase the competitiveness, efficiency and sustainability of agricultural production. More precisely, the aim of this measure is to bring agricultural farms into line with the standards of the European Union in the field of environmental protection, health and protection of plants and animal welfare. The goal of implementing this measure is to mitigate the negative effects of climate change, production of energy from renewable sources, sustainably management of natural resources (water, soil and air), as well as strengthening the position of farmers in the food chain and provision of support to the young farmers (<https://ipard.gov.rs/projects/mera-1/>).

Table 2. Basic characteristics of Measure 1 of the IPARD III program

Sectors: (a) milk; (b) meat; (c) eggs; (d) fisheries; (e) fruit; (f) vegetables; (g) grapes; (h) cereals; (i) industrial plants.	
Potential users: legal entities – owners of commercial family farms, entrepreneurs, agricultural cooperatives and business companies.	
Intensity of grant support	Up to 60% of the total eligible investment costs. Up to 65% of the total eligible costs for investments in mountainous areas. Up to 70% for investments made by young agricultural producers and producers of certified organic products in primary agricultural production. An additional 10% for investments related to waste and wastewater management. The total amount of support cannot exceed 75% of the investment value.
Potential investments	Investments in the construction and equipping of facilities, the establishment of perennial production and parent plantations, the acquisition of new equipment, machines and mechanization, computer software and hardware.
Incentive amounts	Eligible investment costs in the amount of 20,000 to 1,000,000 euros. The total support to which the user can exercise the right is 2,000,000 euros, during the implementation of the IPARD III program.

Source: <https://ipard.gov.rs/projects/mera-1/Prezentacija>, PKV, 2024.

The basic characteristics of Measure 1 of the IPARD III program are shown in Table 2. The comparative analysis of financing possibilities within Measure 1 of the IPARD III program in relation to financing possibilities within Measure 1 of the IPARD II program led to the following conclusions:

- (a) There are differences in the intensity of non-refundable support. In the IPARD II program, the intensity of grant support for investments made by young agricultural producers (under 40 years old) was up to 65%, and in the IPARD III program it was up to 70%. There is also a difference in the intensity of non-refundable support for investments that are realized in mountainous areas, in the IPARD II program the support was up to 70%, and in the IPARD III program it was up to 65% of the value of the investment;
- (b) Potential users of funds are the same in both programs;
- (c) The difference exists in the amount of the total sum of incentives per user during the program period. That amount was 1.5 million euros in the IPARD II program, and 2.0 million euros in the IPARD III;

- (d) There is also a difference in the amount of the minimum investment sum. The minimum investment amount in the IPARD II program was 5,000 euros, and in the IPARD III program it was 20,000 euros (Guide for Measure 1 IPARD II, 2021; Guidance for Measure 1 IPARD III, 2024);
- (e) The new sector in Measure 1 of the IPARD III program is the Fisheries Sector. Agricultural farms that will produce at least 10 tons of fish per year at the end of the investment can apply for this support (Presentation, CCIV, 2024).

Measure 3

Measure 3 of the IPARD III program includes investments in physical assets related to the processing and marketing of agricultural and fishery products. The aim of this measure is to increase the competitiveness of the agricultural and food sector and improve the efficiency and sustainability of the food industry. This process needs to be implemented while respecting ecological standards, overcoming the challenges imposed by climate change, encouraging the production of energy from renewable sources, as well as the development of the circular economy (<https://ipard.gov.rs/projects/mera-3/>).

The basic characteristics of Measure 3 of the IPARD III program are shown in Table 3. A comparative analysis of financing possibilities within Measure 3 of the IPARD III program in relation to financing possibilities within Measure 3 of the IPARD II program led to the following conclusions:

- (a) Within Measure 3 of the IPARD III program, a new sector was introduced – The Fisheries Sector. Users who, after the realization of this investment, will have a daily production capacity for fish processing of more than 200 kg, can apply for this support (Presentation, CCIV, 2024);
- (b) The difference exists in the amount of the incentives. In Measure 3 of the IPARD II program, the minimum amount of incentives was 10,000 euros, and the maximum amount was 2,000,000 euros, while in Measure 3 of the IPARD III program, the minimum amount of incentives was 20,000 euros, and the maximum amount was 1,300,000 euros;
- (c) The potential beneficiaries and potential types of investments under Measure 3 are the same in both IPARD II and IPARD III programs (Guide for Measure 3 IPARD II, 2021; Guidelines for Measure 3 IPARD III, 2024).

Table 3. Basic characteristics of Measure 3 of the IPARD III program

Processing and marketing sectors: (a) milk; (b) meat; (c) eggs; (d) fish; (e) fruit; (f) vegetables; (g) grapes; (h) cereals; (i) industrial plants.	
Potential users: agricultural cooperatives, entrepreneurs and commercial companies.	
Intensity of grant support	Up to 50% of the total eligible investment costs. Support is increased by 10% for investments related to waste water management, circular economy and renewable energy sources.
Potential investments	Investments in: (a) building and equipping facilities; (b) acquisition of new equipment, machines and mechanization; (c) procurement of computer software and hardware.
Incentive amounts	The amount of eligible expenses is from 20,000 euros to 1,300,000 euros. Total support per user can amount to 2,500,000 euros during the entire period of realization of the IPARD III program.

Source: <https://ipard.gov.rs/projects/mera-3/Prezentacija>, PKV, 2024.

The intensity of grant support in Measure 3 is the same both in the IPARD II program and the IPARD III program (Table 3).

Measure 7

Measure 7 of the IPARD III program includes investments in the diversification of agricultural holdings and business development. This measure aims at the development of non-agricultural activities, the development of the service sector, and the creation of new opportunities for employment, rural development, as well as improving the quality of life in rural areas (<https://ipard.gov.rs/projects/mera-7/>).

Table 4. Basic characteristics of Measure 7 of the IPARD III program

Sectors: (a) the sector of direct marketing of agricultural and food products and home-made products; (b) rural tourism sector; (c) the small-scale service sector.	
Potential users: natural persons – owners of commercial family agricultural farms, entrepreneurs and companies (micro and small legal entities).	
Intensity of grant support	Up to 60% of the total eligible investment costs. An additional 10% for investments made by young farmers and producers of certified organic products. An additional 10% for investments related to waste and wastewater management, use of energy from renewable sources or investments in the circular economy. The total amount of support cannot exceed 75% of the investment value.
Potential investments	Construction and equipping of facilities for non-agricultural activities (rural tourism and small-scale services), energy production from renewable sources.
Incentive amounts	Sector of direct product placement: (a) construction/reconstruction with facility equipment – minimum amount of 5,000 euros, and maximum amount of 300,000 euros; (b) for equipping buildings, the minimum amount is 5,000 euros, and the maximum amount is 100,000 euros. Rural tourism sector: construction/reconstruction/equipment of buildings – minimum amount 20,000 euros, and maximum amount 300,000 euros. Sector of small-scale services: (a) construction/reconstruction with facility equipment – minimum amount 5,000 euros, and maximum amount 300,000 euros; (b) equipping buildings, the minimum amount is 5,000 euros, and the maximum amount is 200,000 euros. If the project includes investments in more than one sector, the minimum amount is 200,000 euros, and maximum amount is 300,000 euros. The maximum amount of incentives per beneficiary for Measure 7 of the IPARD III program is 600,000 euros.

Source: <https://ipard.gov.rs/projects/mera-7/>

The basic characteristics of Measure 7 of the IPARD III program are shown in Table 4. A comparative analysis of financing possibilities within Measure 7 of the IPARD III program in relation to financing possibilities within Measure 7 of the IPARD II program led to the following conclusions:

- (a) Within Measure 7 of the IPARD III program, two new sectors were introduced: The Sector of direct marketing of agricultural and food products and home-made products and the Sector of small-scale services;

- (b) Within Measure 7 of the IPARD III program, the intensity of non-reimbursed support is higher (up to 75% of the investment value), while in the IPARD II program it was up to 65% of the investment value;
- (c) In the IPARD III program there are greater financing possibilities (type of investments) compared to the IPARD II program;
- (d) The maximum amount of incentives per beneficiary for Measure 7 in the IPARD III program is EUR 600,000, and in the IPARD II program it was EUR 400,000 (Guide for Measure 3 IPARD II, 2021; Guidelines for Measure 3 IPARD III, 2024).

The potential beneficiaries of this funding source are the same under Measure 7 both in the IPARD II and IPARD III programs (Table 4).

Conclusion

Based on the conducted research, it can be concluded that within the framework of the IPARD III program there are greater opportunities for financing agriculture and rural development in the Republic of Serbia compared to the IPARD II program.

Within Measure 1 of the IPARD III program, the intensity of support for investments made by young agricultural producers (under 40 years of age) is greater, the minimum amount of investment is also higher, as well as the amount of the total incentive per user during the program period compared to Measure 1 of IPARD II program. As part of Measure 1 of the IPARD III program, a new sector was introduced – The Fisheries Sector.

Within Measure 3 of the IPARD III program, the minimum amount of incentives is higher compared to Measure 3 of the IPARD II program. Within this measure, a new sector was introduced in the IPARD III program – The Fisheries Sector.

As part of Measure 7 of the IPARD III program, two new sectors were introduced: the Sector of direct marketing of agricultural and food products and home-made products and the Sector of small-scale services. Within Measure 7 of the IPARD III program, financing opportunities (types of investments) are greater, the intensity of non-reimbursed support is greater, and the maximum amount of incentives per beneficiary during the program period is greater compared to Measure 7 of the IPARD II program.

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