

### 3 Agrarian policy in the European Union and financial support to Serbia<sup>3</sup>

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#### Abstract

Measures of the Common Agricultural Policy (CAP) that are defined and implemented by the European Union (EU) differ depending on whether or not the country is a member state of the EU. Their realization is carried out on an annual basis through two funds – the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD). The purpose of the paper is to show the dynamics of funds paid out from funds in the period of 2012-2016, as well as the planned budgets from 2017 to 2020. However, for non-EU countries, financial assistance is paid from the so-called IPA fund (Instrument for Pre-Accession Assistance). Serbia has been granted EU funds successively, depending on whether it has acquired the status of a candidate for EU membership or not. An overview of the funds paid out of the IPA Fund will be divided into two phases: I 2007-2013; II 2012-2013. Given that Serbia has acquired the status of EU membership, funds are also available from the so-called IPARD fund (fifth component of IPA fund).

**Keywords:** CAP, EU, EAGF, EAFRD, IPARD

**JEL codes:** B22, F35, H61, H72

#### 3.1. Introduction

Funding within the EU is carried out under the auspices of appropriate regulations that precisely define certain segments of agrarian production. After multiple reforms of the EU's agrarian policy, the approach to agriculture itself, as well as the elements of agriculture that were encouraged, gradually changed.

Domestic and foreign economists and agrarian economists deal with the problems of financing agriculture in Serbia. Serbia, as a European country, has the opportunity to use pre-accession agrarian funds, with the obligation to reform its agricultural policy and adapt it to the EU's agricultural policy. This is

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primarily thought of as available funds for the period 2007-2012 until it gained the status of candidate for EU membership.

On 01.03.2012 Serbia received the European Commission's approval of the EU candidate status. Since then, funds from the IPA Fund (Instrument for Pre-Accession Assistance) have been available to Serbia. This fund has 5 components, one of which includes financial assistance for rural development (Instrument for Pre-Accession Assistance and Rural Development – IPARD). After EU accession, funds from the EU or through other funds (EAGF, EAFRD) are still available to Serbia.

According to the agreement on the allocation of CAP funds from 2013 from the EAGF fund in late 2016, the available amount is EUR 42.2 bln, with 93.4% for direct payments. The support plan from the EAGF Fund for direct payments for the period until 2020 will not be significantly changed.

Under the same EAFRD fund agreement in 2016, almost USD 4.5 bln was paid out for rural development. Reduction of support for rural development continues until 2020, with direct support and market support in the four-year period (2017-2020) remaining unchanged (around 73.3% in total EAFRD fund payments).

After several reforms of Serbia's agrarian policy, it can be said that it managed to secure access to funds for the first four components of the IPA fund. Certainly, it is about the activities that Serbia will implement in order to proceed with the funds of the IPARD Fund as soon as possible (at the end of 2017, when the first calls for proposals are expected).

### **3.2. Agrarian policy in the EU**

In order to present the current state of financial support to EU agriculture in the right way, it is necessary first to expose the historical aspect of the reforms in the EU and the funds that followed the reforms. In the frame of the EU, CAP is applied and is intended exclusively for the agricultural sector. This policy is considered to be the most complex because it tries to overcome the many differences that exist between EU member states, and it is also the oldest and most expensive EU policy<sup>4</sup>. CAP reforms have been implemented for many years and have taken on different shapes and characteristics. Following the Treaty of Rome (1957), the Mansholt's Plan (1968), the Meccherie's Reforms (1988) and the Agenda 2000, the latest CAP reforms include two pillars of support – direct funding and rural development, and relate to the period of 2014-

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<sup>4</sup> Agriculture generates 1.5% of EU GDP, and the CAP consumes more than 40% of the EU budget. For example, in 1984, 74% of the budget funding was allocated for CAP [Simonović 2014].

-2020. This agreement promotes the production of health-safe food with constant environmental protection. The EU's plan is to allocate about 76% of the funds for direct payments (European Commission, 2013).

European funds, which are intended to finance agriculture over time and with ongoing agricultural policy reforms, have changed names, areas that are encouraged and the measures they are implementing. Therefore, for EU Member States, the funds are allocated from EAGF and EAFRD. The EAGF regulates the distribution of funds under direct payments (Regulation (EU) No 1307/2013) and provides support to the agricultural product market (Regulation (EU) No 1308/2013). EAFRD defines the allocation of funds for rural development (Regulation (EU) No. 1305/2013).

### **CAP reforms**

The key years in reforming the CAP are shown chronologically (Simonović Z., 2014):

- In 1957, the Rome Agreement was signed, which for the first time places agriculture as a priority branch of the economy (before the formation of the European Economic Community);
- In 1968, the Mansholt's Plan was adopted, which looked at the reform of agriculture in the long term, since the reform of the agricultural sector covered the period until 1980. The plan advocated the modernization of agricultural holdings and the training of farmers in order to create a single market and financial solidarity within the EU member states;
- In the year of 1988, direct payments to agricultural producers were introduced through the so-called Meccherie reform that takes a key place in subsidizing farmers;
- In 1992, EU member states set goals that were part of the Meccherie's Plan. The changes included price reductions (cereals, oil crops, milk, meat, fruits and vegetables), as well as financial support for farmers' income, which should compensate for the loss due to the temporary reduction of prices for the above mentioned products;
- On the principles of Meccherie's reform, Agenda 2000 was adopted in 1999. This Agenda presents a CAP package of measures for the further development of agriculture and the implementation of negotiations with the WTO, covering the period 2000-2006 years. The Agenda advocated the abolition of price support for agricultural producers and for the introduction of direct payments.

It is concluded that the realization and success of the CAP depends on a numerous factors in the chain of application, namely: producers, EU institutions, government of member states and final users (Grujić B., 2017).

The reform of the CAP has been continuing also in the 21st century with the aim of increasing the competitiveness of EU agriculture while preserving the ecological orientation of agriculture (Stanković M., 2012).

CAP reforms started in 2010 were completed by agreement after three years. More specifically, the 2013 agreement includes two pillars of support – support for direct payments and support for rural development, and was adopted for the period 2014-2020 (table 1).

Table 1. Multiannual Financial Framework for CAP funds 2014-2020  
(in bln EUR)

Measure	2014-2020 (Current Prices)	2014-2020 (2011 Prices)
Pillar 1: Direct payments	312.7	277.9
Pillar 2: Rural development	95.6	84.9
<b>Total CAP</b>	<b>408.3</b>	<b>362.8</b>

Source: European Commission, 2013.

So regardless of whether the CAP budget is expressed in current prices or based on 2011 prices, direct payments support is about 76.6%, while rural development is about 23.4%. CAP support to agricultural producers (physical and legal entities) contributes to increasing the competitiveness of agri-food products while reducing production costs, facilitating access to credit and contributing to increased participation of agriculture in the overall GDP of the country (Grujić B., 2017).

The main goals of applying the CAP agreement can best be explained by the following (Stanković M., 2012):

- increase in productivity of agrarian producers;
- increase in revenues in agriculture;
- continuity in food supply;
- creating prices that are acceptable to consumers.

In general, the CAP agreement with occasional reforms contributes to the continuous supply of producers and consumers with quality agri-food products without interruption in the supply chain, while respecting the differences that exist between Member States.

### EU funds for EU member states

The CAP 2013 allocation arrangement (European Commission, 2013) defines the existence of two funds through which the placement of funds will be made, namely EAGF and EAFRD.

The EAGF regulates the distribution of funds in the framework of direct payments and support to the market for agricultural products.

Table 2 shows that since 2013 rural development have not been planned for payment, since this year, according to the CAP reforms, rural development support payments fall under the responsibility of the EAFRD.

Table 2. Payment Appropriations of EAGF 2012-2016 (in mln EUR)

Measures	2012	2013	2014	2015	2016
Administrative expenditure of policy area agriculture and rural development	8.8	8.9	7.9	8.3	9.6
Interventions in agricultural markets	3,230.5	2,771.5	2,233.3	2,400.8	2,661.3
Direct payments	40,510.7	40,931.9	41,447.3	40,908.6	39,445.7
Rural development	0.4	-	-	-	-
Audit of agricultural expenditure	-192.7	-84.9	60.2	87.3	58.6
Policy strategy and coordination of policy area agriculture and rural development	43.7	32.5	28.3	42.7	36.8
<b>Total appropriations</b>	<b>43,601.3</b>	<b>43,660.0</b>	<b>43,777.0</b>	<b>43,447.6</b>	<b>42,212.1</b>

Source: European Commission, *Financial report from the commission to the European Parliament and the Council on the EAGF, for financial years 2012-2016.*

Based on the indicators in Table 2 it began to calculate the change index (2016/2012) and average values (for the period 2012-2016), and the following parameters were obtained:

- Administration costs for agriculture and rural development increased by 9.3%, with an average cost of EUR 8.7 mln;
- Incentives for interventions on the agricultural market have been reduced by 17.6%, with average paid incentives of EUR 2,661.9 mln;
- direct payments decreased by 2.6%, with an average annual share of EUR 40,648.8 mln;
- the paid incentives for rural development have not been recorded since 2013, because it has been paid out from the EAFRD;
- the revision of agricultural expenditures recorded negative values till the end of 2013 and at the end of 2016 it reached EUR 58.6 mln;
- the costs of administration, strategy and coordination of agricultural policy have been reduced by 27.1% with an average annual share of EUR 37.3 mln;
- total incentives decreased by 3.2% with an average annual share of EUR 43,342.4 mln.

It is interesting and moving EAGF share of the EU budget for the period 2012-2015 that were at the same level (Table 3). A slightly higher participation was recorded only in 2014 (30.7%), with an average annual EAGF share of 29.9%.

Table 3. Part of the EAGF in the EU budget (in %)

Budget year	2012	2013	2014	2015
Part	29.9	29.1	30.7	29.9

Source: European Commission, *Financial report from the commission to the European Parliament and the Council on the EAGF, 2015 financial year.*

Table 4 shows that the planned EAGF budget also includes rural development funds (although the EAGF is in charge of direct payments and market support) for the transfer of money between these two funds. In 2020, compared to 2017, the planned EAGF budget funds for direct payments and market support are higher by EUR 78 mln, while for rural development it is higher by EUR 1.7 mln.

Table 4. Financial Framework of the EAGF 2014-2020 in current prices (in mln EUR)

Measures	2017	2018	2019	2020
Market related expenditure and direct payments <sup>a), b), c)</sup>	44,859.0	44,885.0	44,912.0	44,937.0
Rural development <sup>a), b), c)</sup>	13,657.8	13,658.4	13,658.9	13,659.5
<b>Total</b>	<b>60,191</b>	<b>60,267</b>	<b>60,344</b>	<b>60,421</b>

Source: European Commission, *Financial report from the commission to the European parliament and the council on the EAGF, 2014 financial year.*

a) After net transfer of EUR 351.9 million between EAGF and EAFRD for the financial year 2014 (see note<sup>d)</sup> for details).

b) After net transfer of EUR 51.6 million between EAGF and EAFRD for the financial year 2015 (see note<sup>d)</sup> for details).

c) After net transfer of EUR 4 million between EAGF and EAFRD for the financial years 2016-2020 (see note<sup>d)</sup> for details).

d) The transfers into Rural Development (EAFRD) mentioned in notes a) to c) above involve: EUR 4 million transferred annually for the whole period 2014-2020 from the cotton sector (EL) on the basis of Article 66(1) of Regulation (EU) No 1307/2013, EUR 296.3 million set for the voluntary adjustment transferred for the financial year 2014 (UK) on the basis of Article 10b and 10c(2) of Regulation (EC) No 73/2009 and EUR 51.6 million for unspent amounts transferred each year for financial years 2014 and 2015 (SE and DE) on the basis of Articles 136 and 136b of Regulation (EC) No 73/2009.

By calculating the mean value of the data given in the table, the indicator shows that for the four-year period planned an average annual amount of EUR 44,898.3 mln for direct payments and market support, while for rural development, an average annual planned amount of EUR 13,658.7 mln.

EAFRD defines the allocation of funds for rural development and from 2012 to 2016 recorded a decrease in paid-off values, which amounted to EUR 13,116.6 mln 2012 reduced to EUR 4,495.8 mln 2016, or 65.7% (Table 5).

Table 5. Payments made to Member States from EAFRD in 2012-2016  
(in mln EUR)

Year	2012	2013	2014	2015	2016
Total payments	13,116.6	12,951.4	10,947.4	6,464.3	4,495.8

Source: European Commission, Financial report from the commission to the European parliament and the council on the EAFRD, for financial years: 2012, 2014, 2016.

The end of 2016 completed with EUR 4,495.8 mln, with an average annual disbursement of EUR 9,595.1 mln in the whole period.

The Plan 2017-2020, foresees that the EAFRD fund in 2017 will pay 3.2 times more than 2016.

Table 6. Financial framework EAFRD for rural development in 2017-2020  
in current prices (in mln EUR)

Year	2017	2018	2019	2020
Financial framework	14,372.0	14,382.0	14,331.0	14,334.0

Source: European Commission, Financial report from the commission to the European parliament and the council on the EAFRD, 2014 financial year.

For 2020 it is predicted that it will be paid EUR 14,334 mln which will be EUR 38 mln less than in 2017.

### 3.3. EU Agrarian Policy towards Serbia

European non-EU countries have the ability to use EU fund assets from pre-accession funds. Within this division, support measures for countries that are not or have not gained the status of candidates for EU accession differ. In both cases, the funds from the IPA pre-accession fund are available to these countries. Among the candidate countries for EU membership is Serbia.

Before presenting the transformation of agrarian policy in Serbia, it is important to mention that the Ministry of Agriculture, Forestry and Water Management (MAFWM) must harmonize national agrarian policy with EU,

where it is emphasizing the importance of cooperation with the institutions. The alignment with institutions must be achieved both horizontally and vertically (Popović, Grujić, 2015) . Harmonization of legislation is particularly important in the field of food safety and quality.

The first ideas and changes that need to be implemented in the field of agricultural production in the Republic of Serbia started in 2000. The chronological order of the changes over the past 15 years looks like this (Mihailović B., Simonović Z., 2016):

- At the end of 2005, the Serbian Agricultural Development Strategy (Official Gazette of RS, No. 78/2005) was adopted;
- The Law on Agriculture and Rural Development adopted 2009 (Official Gazette of the Republic of Serbia, No. 41/2009), that adapts the development policy of Serbia to development policy within the EU member states;
- National Program for Agriculture from 2010 to 2013 adopted 2010 (Official Gazette of RS, No. 83/2010);
- The Strategy for Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024 adopted 2014 (Official Gazette of the Republic of Serbia, No. 85/2014), which aims is to institutionalize all the agrarian reforms that are necessary in order to achieve the long-term goals of development of the agrarian sector, which are in line with the goals and principles of agricultural development that exist in the EU;
- The IPARD program 2014-2020 adopted 2016 (Official Gazette of RS, No. 30/16), which defines more in detail the measures of support to agriculture;
- The National Program for the Adoption of the Acquis Communautaire (NPAA) adopted 2014 and also the second revised Program adopted in 2016, which defines the development and strategic objectives, the appropriate policies, reforms and measures needed for the realization of these goals, establish a detailed plan for the harmonization of legislation and define human and budgetary resources, as well as the funds needed for the implementation of the planned tasks.

Observing at the way of the management in the country, it was present principle of self-government which ruled until the early seventies. Since the 1970s the principle of self-management has been abandoned and it has turned to the principle of managing agroindustrial systems as a whole (Simonovic Z., 2014). From this moment on agricultural production began to be seen as an agro-industrial complex that is in conjunction with both the economy and the population. However, in the period of socialism such a system of functioning of



agrarian production did not bring prosperity. The period of bad results is reflected in the state's reluctance to timely adopt the changes brought about by the third technological revolution.

However, there is another reason that has reversed Serbian agriculture, which imposed the existence of a social and private sector in the segment of agricultural production. Characteristics of the social and private sector, and they would be (Simonovic Z., 2014):

- the public sector (social property) was modern, with concentrated soil and monetary capital with a high level of use of biological, chemical and mechanical inputs;
- the private sector was engaged in traditional production, with limited land and money capital, in the process of production, obsolete mechanization is applied, etc.

Based on the aforementioned characteristics of the social and private sector of agricultural production, it is concluded that the social sector is designed as developmental, and private as underdeveloped, and in order to develop it had to cooperate with the social sector.

Given that support to the social sector has not contributed to the development of agriculture, it has been decided that the emphasis on social transfers to the private sector, to support individual producers in support of collective production. These changes started in 1990/91. In addition to being implemented in Serbia, they were conducted in the region of eastern and south-eastern Europe as well. All former socialist countries have accepted common reform criteria, and they are (Simonović Z., 2014):

- liberalization of prices and markets;
- land privatization;
- privatization of production and food trade;
- state management to adapt to the market economy.

Due to the well-known events which have been happened in former Yugoslavia during the 1990s, Serbia had tremendous consequences and in 2008 it signed a Stabilization and Association Agreement with the EU. It is free to say that Serbia is still in a phase of transition that has lasted more than twenty years.

The aim of using the funds of the IPA Fund is to enable candidate countries to adapt their legal, economic and political capacities to EU standards, in which they will be supported by pre-accession funds.

IPA Pre-Accession Instrument consists of five components (Pejović et al., 2011):

- institution building and support for transition,
- support for cross-border cooperation,

- support for regional development,
- support for the development of human resources and
- support for agriculture and rural development.

Countries that have not obtained the status of candidate for EU membership have the right to support made up of the first two components – institution building, support for transition and support for cross-border cooperation. Countries that have obtained the status of candidate for EU membership, such as Serbia as of 01.03.2012 are eligible for financial support on the basis of the remaining three components, including support for agriculture and rural development (IPARD).

The IPA Instrument for Pre-Accession Assistance is regulated by European Council Regulation no. 1085/2006. IPA instruments have merged previous pre-accession instruments: PHARE, SAPARD, ISPA, CARDS, as well as the pre-accession instrument for Turkey. Total IPA budget for the period 2007-2013 amounted to EUR 11,468 bln of which approximately EUR 1.4 bln is allocated to the Republic of Serbia<sup>5</sup>.

In the period from 2007 to 2013, the EU has identified the EU funds under the first two components (the first contracts were signed in 2010) and recorded the following values (IPARD program for the Republic of Serbia for the period 2014-2020, September 2017):

- to support the transition and strengthening institutions in the amount of EUR 1,316.5 mln and for
- support for cross-border cooperation in the amount of EUR 70 mln.

Table 7. Financial framework from IPA fund to Republic of Serbia 2007-2013 for first and second component (in mln EUR)

Year	Transition Assistance and Institution Building	Cross-Border Cooperation	Total
2007	181.5	8.2	<b>189.7</b>
2008	179.4	11.5	<b>190.9</b>
2009	182.6	12.2	<b>194.8</b>
2010	186.2	12.5	<b>198.7</b>
2011	189.9	12.7	<b>202.7</b>
2012	193.8	12.9	<b>206.8</b>
2013	203.1	-	<b>203.1</b>
<b>Total</b>	<b>1,316.5</b>	<b>70.0</b>	<b>1,386.7</b>
<b>Share (%)</b>	<b>95.0</b>	<b>5.0</b>	<b>100.0</b>

Source: Pejović et al., 2011.

<sup>5</sup> <http://www.evropa.gov.rs/Evropa/PublicSite/Ipa.aspx>

The participation of the first component of the IPA fund is 95%, while the other components are only 5%. Within the first component for agriculture, 10-15% is allocated. In 2013, compared to 2007, the support for transition and institution building increased by 11.9% and annually by EUR 188.1 mln. With the second component in 2012, compared to 2007, the change index showed an increase of 57.3% while the average annual share amounted to EUR 11.7 mln.

Some of the projects funded by the first component are:

- IPA 2007 “Capacity building for implementation of rural development policy in line with EU standards” worth EUR 4.5 mln. The purpose of this project is to strengthen the capacity of the Directorate for Agrarian Payments (DAP), which will meet the requirements of agricultural producers based on the call for IPARD allocation;
- IPA 2008 “Capacity Building and Technical Support for the division of Vineyard region Wine Reconstruction and for the System of Geographical Indications of Wine”, and the value of the project is EUR 1.2 mln;
- IPA 2010 “Farm Accountancy Data Network (FADN)” disposed with a budget of EUR 2 mln. The goal of the project is to improve economic and financial indicators of agricultural holdings;
- IPA 2010 “Equipping the Directorate for National Reference Laboratories of the Republic of Serbia in the Food Chain”, and the project value is EUR 6.5 mln;
- IPA 2012 “Strengthening capacity for improving food production facilities and managing by-products of animal origin” with project value of EUR 2 mln.

In the framework of the financial support for the I component, can be distinguished the MAFWM, DAP, the Ministry of Finance and other institutions for the preparation of strategic documents, the definition of priority points, as well as the definition of national and EU standards are allocated.

The program of cross-border cooperation (II component of the IPA program) covers the following countries from the region: Hungary (projects in the field of infrastructure, environment, education and culture), Romania (environmental protection, economic and social development), Bulgaria (development of small infrastructure, problems, sustainable development), Croatia (environmental protection and economic development), Bosnia and Herzegovina (improvement of physical, business, social and institutional infrastructure and capacities) and Montenegro (socio-economic integration). For Serbia, this component is significant because it contributes to the implementation of projects that promote links between urban and rural areas,

enables access to border facilities for waste disposal and processing, as well as energy systems.

The following table provides an overview of the available assets from the IPA Fund for the implementation of cross-border cooperation projects by individual countries (Table 8).

Table 8. Value of the Program for Serbia by individual countries (2009-2011, in thousand EUR)

Country \ Year	2009	2010	2011	Total
Hungary	2,327.2	2,373.7	2,421.2	7,222.1
Romania	2,939.7	2,998.4	3,048.6	8,986.7
Bulgaria	2,327.2	2,373.7	2,421.2	7,222.1
Croatia	980.0	1,000.0	1,000.0	2,980.0
Bosnia and Herzegovina	1,224.8	1,249.3	1,274.3	3,748.5
Montenegro	490.0	500.0	500.0	1,490.0

Source: Pejović et al., 2011.

In addition to the mentioned cross-border cooperation programs, Serbia has the opportunity to participate in two programs of transnational cooperation and interregional cooperation – IPA Adriatic Program<sup>6</sup> (economic, social, institutional cooperation, infrastructure, transport, protection of natural and cultural assets) and the South East Europe Program<sup>7</sup> (support for innovation and entrepreneurship, environmental protection, access to European networks, sustainable urban development).

The following table provides an overview of the available funds from the IPA Fund for the implementation of transnational cooperation projects according to the programs (Table 9).

Table 9. Value of the Program for Serbia according to the type of Program (2009-2011, in thousand EUR)

Country \ Year	2009	2010	2011	Total
Adriatic program	612.4	625.0	637.2	1,874.6
South East Europe Program	1,224.8	1,249.3	1,274.3	3,748.4

Source: Pejović et al., 2011.

<sup>6</sup> The following countries are included: Italy, Slovenia, Greece, Croatia, Bosnia and Herzegovina, Montenegro and Albania, and Serbia's participation is limited until 2012 [Pejović et al. 2011].

<sup>7</sup> The Southeast Europe Program includes 16 countries: Albania, Austria, Bosnia and Herzegovina, Bulgaria, Romania, Croatia, FYR Macedonia, Greece, Hungary, parts of Italy, Serbia, Montenegro, Slovakia, Slovenia, Moldova and the border region of Ukraine.

Funds that would be paid to Serbia on the basis of both Programs will be increased from year to year. Certainly, more funds have been allocated for the South East Europe Program, given that 16 countries have the right to participate. The total value of the Program for Serbia for the Adriatic Program is EUR 1.8 mln, while for the realization of projects from the Program of South East Europe, Serbia has available EUR 3.7 mln.

One of the projects implemented in the framework of transnational cooperation is the “Networking and greater participation of young people in the Adriatic region, civil society, through the exchange of experiences and the development of common tools and methods of work – Adriatic Youth Network”. The aim of the Project is to promote innovative services to young people, through the exchange of knowledge and experience, using examples of good practice among local and regional authorities. In order to achieve the goal, it is planned to establish a stable cross-border network of local and regional authorities, with a focus on improving the capacities of civil servants and decision-makers in creating and implementing youth policies. The total value of the project is EUR 3.6 mln, where by the Provincial Secretariat for Sports and Youth participates with EUR 204.6 thousand<sup>8</sup>. Serbia has the right to apply for EU funds for cross-border cooperation projects after 2013.

The total planned assets from the IPA Fund for 2012 and 2013 for the third component amounted to EUR 162.8 mln and for the fourth EUR 43.6 mln (Table 10).

Table 10. Financial framework from IPA fund to Republic of Serbia 2012-2013 for the third and fourth components (in mln EUR)

Year	Regional Development	Human Resource Development
2012	79.5	21.3
2013	83.3	22.3
<b>Total</b>	<b>162.8</b>	<b>43.6</b>

Source: Pejović et al., 2011.

The change index for both the third and the fourth component showed an increase of 4.8%, while the average share of the third component was EUR 81.4 mln and the fourth EUR 21.8 mln.

The third IPA component (regional development) includes projects related to: transport infrastructure, waste management, water supply, air quality, energy efficiency, renewable energy, market research and development, networking,

<sup>8</sup><http://www.sio.vojvodina.gov.rs/index.php/32-omladina/ipa-projekti/311-ipa-projekat-prekogranine-saradnje-qomladinski-forumq>

creation and development of financial instruments that facilitate access to revolving financing through joint capital, credit and guarantee funds, etc.

The fourth IPA component (human resources development) includes: greater flexibility of employees, better access to employment, better social inclusion and integration, promotion of partnership, increase of investments in human capital, strengthening the efficiency of the public administration, etc.

The fifth component of the IPA Fund implies support for the development of agriculture and rural development. This component has also been named IPARD as it includes instruments for pre-accession assistance for rural development. In order to implement the IPARD component in accordance with the regulations and within the legal framework it is necessary to establish the IPARD operational structure. This structure implies the establishment of a management body and an IPARD agency. The management body has the task of writing a program and a selection of measures that will be applied in order to implement the program of development of agriculture and rural development. The managing body is obliged to provide in due time the necessary information to potential users of the IPARD program and is an integral part of the Ministry of Agriculture. The IPARD Agency oversees the implementation and execution of the IPARD program. It is also necessary to establish a National Fund that will be an intermediary in the transfer of funds from the EU to the national account and further to the IPARD Agency, but also to submit the accounting reports to the European Commission on the spent funds. The success of the implementation of the IPARD program depends on the performance of the IPARD Agency (Pejović et al., 2011).

For the period 2007-2013 the EU has allocated 43% of the total budget for rural development and agricultural development. In the period 2007-2012 for the EU candidate countries, the EU has allocated nearly EUR 880 mln in the rural development component for projects. This fund is planning to finance agricultural support for the period 2014-2020, and includes funds intended for the development of Serbia's agriculture since it acquired the status of candidate for EU membership. However, these funds have still not been used by Serbia. Countries that have received the status of EU candidate countries by using financial assistance from the IPARD Fund are preparing to enter the EU, after which they will be provided with funds for further support to rural development, but from the EAFRD.

The assistance plan for Serbia from the IPARD Fund consists of the percentage participation from the EU budget and percentage participation from the national budget (Table 11).

Table 11. Financial plan per measure for Serbia from IPARD fund 2014-2020  
(in thousand EUR)

Measures	EU contribution	EU contribution rate (%)	National contribution	National contribution rate (%)	Total public aid
Investments in physical assets of agricultural holdings	76,040	75	25,346.7	25	<b>101,386.7</b>
Investments in physical assets concerning processing and marketing of agricultural and fishery products	62,210	75	20,736.7	25	<b>82,946.7</b>
Agri-environment- climate and organic farming measure	8,750	75	1,544.1	15	<b>10,294.1</b>
Implementation of local development strategies - LEADER approach	5,250	90	583.3	10	<b>5,833.3</b>
Farm diversification and business development	17,500	75	5,833.3	25	<b>23,333.3</b>
Technical assistance	5,250	85	926.5	15	<b>6,176.5</b>
<b>Total</b>	<b>175,000</b>	<b>100</b>	<b>54,970.6</b>	<b>100</b>	<b>229,970.6</b>

Source: Republic of Serbia IPARD Programme for 2014-2020, 2017.

The table shows that the contribution to the development of agriculture and rural development from the EU budget for the period 2014-2020 is EUR 175 mln and from the national budget EUR 54.9 mln which makes a total of EUR 229.9 mln. In the budget of the IPARD Fund, the largest contribution was allocated for the measure “Implementation of local rural development strategies – LEADER approach”, which amounts to 90%, while a slightly lower contribution (85%) is intended for measure “Technical assistance”. The remaining 10% or 15% represents the contribution that is paid from the national budget. The annual presentation of the EU contribution for measures for the period 2014-2020 is followed (Table 12).

A tabular overview shows that the level of support from the EU budget is increasing from year to year, which means that the minimum amount of support is envisaged for the initial years. Consequently, support for agro-ecological measures, organic production and implementation of local rural development strategies is starting from 2017. Generally, the largest share in the planned funds of the IPARD Fund consists of funds for investments in the physical assets of agricultural holdings and are not below 37.3%.

Table 12. Budget breakdown by measure for Serbia from IPARD 2014-2020  
(in thousand EUR)

Measures	2014	2015	2016	2017	2018	2019	2020	Total (2015-2020)
Investments in physical assets of agricultural holdings	-	7,535.2	9,900.3	10,622.2	11,199.7	17,002.4	19,780.0	<b>76,040.0</b>
Investments in physical assets concerning processing and marketing of agricultural and fishery products	-	6,164.8	8,099.7	8,690.3	9,162.8	13,910.1	16,182.5	<b>62,210.0</b>
Agri-environment-climate and organic farming measure	-	-	-	2,187.5	2,187.5	2,187.5	2,187.5	<b>8,750.0</b>
Implementation of local development strategies - LEADER approach	-	-	-	500.0	1,000.0	1,900.0	1,850.0	<b>5,250.0</b>
Farm diversification and business development	-	1,000.0	1,500.0	2,000.0	5,000.0	4,000.0	4,000.0	<b>17,500.0</b>
Technical assistance	-	300.0	500.0	1,000.0	1,450.00	1,000.0	1,000.0	<b>5,250.0</b>
<b>Total</b>	-	<b>15,000.0</b>	<b>20,000.0</b>	<b>25,000.0</b>	<b>30,000.0</b>	<b>40,000.0</b>	<b>45,000.0</b>	<b>175,000.0</b>

Source: Republic of Serbia IPARD Programme for 2014-2020, 2017.

MAFWM of the Republic of Serbia announced that in the second week of December 2017 will be the first competition that will apply to the allocation of funds for tractors and machinery, and in February or March 2018 will be a competition for the manufacturing industry.

### 3.4. Summary and conclusions

Although EU policy is very complicated and complex because it harmonizes the principles of production, processing and marketing of many different countries, it can be said that it is being successfully implemented in all member states. Thus, the realization and success of the CAP depends on a number of factors in the chain of application, namely: producers, EU institutions, member governments, and ultimately consumers. The CAP agreement, with occasional reforms, also contributes to the continuous supply of producers and consumers with quality agri-food products without interruption in the supply chain, while respecting the differences that exist between Member States.



From the EAGF from 2014 to 2020 a constant increase of around EUR 100,000 per year is planned, while the EAFRD fund records oscillations of the total planned values.

Given that EU policy towards Serbia is being implemented in a different way in relation to member states, it can certainly be said that Serbia is progressing in harmonizing its own with EU policy. In particular, Serbia is doing everything it takes to make the most recently received funds from IPARD fund.

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