

EU COMMON AGRICULTURAL POLICY AND PRE-ACCESSION ASSISTANCE MEASURES FOR RURAL DEVELOPMENT

Jelena Vapa Tankosić¹, Miroslav Stojsavljević²

Summary

Common Agricultural Policy is one of the keystones of European Union. This paper explores the functioning and the course of reforms of the Common Agricultural Policy of the European Union, as well as potentials of Instruments for Pre-Accession Assistance, for improving agriculture and ensuring rural development in candidate countries. Successful adoption and implementation of European Union's agricultural standards and values in future member countries largely depends on proper implementation of standards and mechanisms necessary for using pre-accession assistance instruments. In this paper current situation in Republic of Serbia, as candidate country is compared to experiences of the Republic of Croatia from the period before full membership status, and the Republic of Slovenia as a member state. The conclusions of the paper confirm the hypothesis, that the Republic of Serbia must establish network of bodies for using pre-accession assistance instruments, which requires numerous changes in the structure and organization of the agricultural sector.

Key words: *Common Agricultural Policy, reforms, pre-accession assistance, European integration.*

JEL: *F15, O13, Q01, R11*

Introduction

In 1962 European Union started to apply Common Agricultural Policy, one of the first supranational economic policies in modern times. Each country in the World approaches food production with great seriousness, but transnational, common policies and funding models are rare, unlike financing of agriculture in the European Union. This project has made some significant positive effects: stability of agricultural and food products market,

1 Jelena Vapa Tankosić, Ph.D., Associate Professor, University Business Academy, Faculty for Economics and Engineering Management, Cvečarska 2, 21000 Novi Sad, Serbia, Phone: +381 64 8821 282, E-mail: jvapa@libero.it

2 Miroslav Stojsavljević, M.A., Assistant, University Business Academy, Faculty for Economics and Engineering Management, Cvečarska 2, 21000 Novi Sad, Serbia, Phone: +381 63 515 979, E-mail: minjast@eunet.rs

increase of manufacturers' revenue, security of supply and independence from imports, but its powerful and direct actions have caused also some negative consequences that reflected in large budgetary spending, differences emerged between manufacturers and regions in the EU itself, but also environmental problems resulting from too intensive production, i.e. use of chemicals and excessive use of resources in general. In order to solve problems and adjust agricultural policy to suit the needs of each member country, European Commission introduced a number of reforms of the Common Policy, the first one taking place in 1968, then 1972, then in 1985.

The importance of agriculture to the EU can be observed from several data that illustrate its role in the economy of this community. Agricultural and food industry provide over 15 million workplaces in the EU, accounting for 8,3% of all employed citizens of the Union. This is the average size for the entire EU, which varies significantly from one country to another. In the so-called "old" EU member states (15 industrially developed countries of Western Europe) the average value is 4%, while in the "new" Member States (Romania, Bulgaria, Slovakia, Hungary) more than 12% of total workforce is engaged in agriculture and food industry. Agricultural production participates in the GDP of the European countries with 2-3%, but in countries such as Bulgaria and Romania it can amount to up to 10% of the national GDP. The total production value of the agricultural sector in 2008 was estimated at 635 billion EUR (European Commission, 2012 a). Utilized Agricultural Area (UAA): arable land, permanent grassland or land used for permanent crops or any other form of exclusively agricultural use (kitchen gardens, for example), occupies 1,7 million square kilometres of European Union land surface. Arable land makes 60% of total EU UAA, permanent grassland 33% and permanent crops 6% (Eurostat, 2012). Structure of this land differs in various countries - in Spain, Ireland, Austria, Slovenia or United Kingdom arable land makes less than 50% of their total UAA and areas of grassland are significant, whereas situation is opposite in Germany, France or Poland.

In this paper, functional principles and reforms of the Common Agricultural Policy of the European Union are discussed from theoretical economy perspective. The starting point for further analysis of the IPA and its' agriculture component, IPARD, which follow after is a brief analysis of the evolution of the CAP, allowing identifying the most important factors determining the common policy, its' further modifications, and finally the pre-accession mechanisms that enable candidate countries to adjust national agriculture sector to comply with the Union practice and rules.

Hypothesis of this paper is that CAP and specially IPA programs in its fifth component of rural development section (IPARD) give strong impediment to overall improvement of national agriculture sector and to the economies as a whole. Candidate countries must establish clearly modelled administrative and financial structures in order to be able to use funding and other forms of assistance from European Union. Methods used in this paper are comparative analysis of data and selected literature available on the subject.

European Union Common Agricultural Policy (CAP)

After World War II shortages of food presented huge problem for European citizens and concerns about future were very serious and agricultural policies of European countries were recognized by their governments as one of most essential issues (Jambor, Harvey, 2010). Consequently, with beginning of forming common European market, protection of domestic food production and sufficient supply of quality food for citizens presented one of primary goals. Introduction of Common Agricultural Program was the result of public choice of governments decided to take action designed to bring certain social values (Wilkin, 2009) and logical step to secure stable food supply and at the same time good business conditions for producers. In year 1960 European Commission presented plan for introducing Common Agricultural Policy (CAP) with three main principles: free trade in agricultural products between member states, preferences in European market for domestic producers and common financing. Agriculture became one of the most important, in not the single most important sector in Europe's integration process (Fritz, 2011). Sicco Mansholt, former Dutch agriculture minister and President of the European Commission (1972-73), was first to propose common European agricultural market, arguing that there are four main reasons for this:

- i. It was not possible to exclude agriculture from integrated market and clearly distinguish industrial and agricultural products;
- ii. Agriculture played important role in the economies of member states;
- iii. Fluctuations of food prices on national level strongly influence all other sectors and those prices are directly connected to agricultural policy;
- iv. Changes and adjustments in the agricultural sector are essential in connection with general economic growth.

Implemented at the national or supra-national level, agricultural policy is sectoral public policy aimed to deal with problems that are not solved by the regular market mechanisms (Wilkin, 2009). The Common Agricultural Policy of the European Union is a system of financing, subsidizing and other measures and policies that are implemented in the member states. It is defined in Chapter III, articles 38 to 44 of the Treaty on the Functioning of the European Union. In the first years of the Union's existence, a large part of the EU budget was set aside for the implementation of the Common Agricultural Policy. Today, around € 55 billion is earmarked for the implementation of this part of budget, which represents about 40% of the total EU budget, i.e. about 0.5% of GDP of the EU (European Commission, 2012a).

Although it is highly industrialized, within the EU there are significant rural areas, which encompass 56% of the Union's population. Among other things, that fact is a significant motive for the EU's extensive work on the development of rural areas, which is more than just stimulating and enhancing agricultural production. This common policy is being developed as a follow up to the Common Agricultural Policy of the EU,

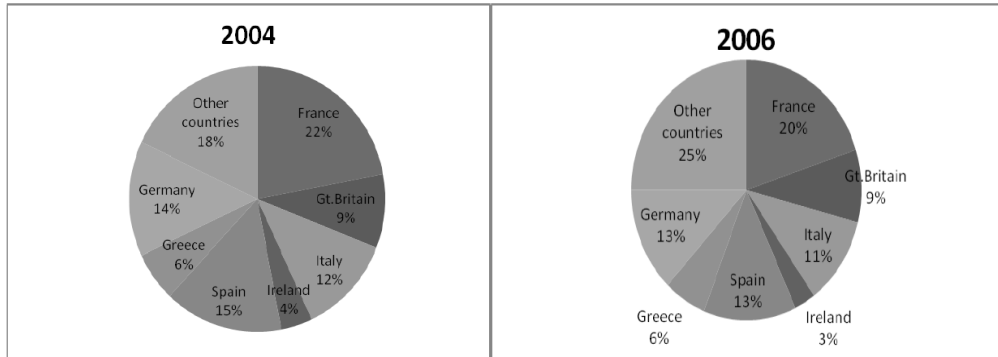
in order to contribute to economic and social cohesion, i.e. balanced development of the member states in the area that may be particularly affected by the functioning of the common market. It is based on the Council of Ministers' Regulation 1257/99, whose primary duty is to support the modernization of agricultural production. The main and most important goal of a unified rural policy of the EU is to provide support for the modernization of agricultural production structures in order to produce more and more economically, but also to improve the standard of living of the rural population, with great care for environmental protection. Maintaining the quality of life of rural communities is sought through improvement of their diversification, so they can change their orientation from traditional production (crops, livestock) towards new activities, such as cultivation of herbs, fruits and vegetables, wine, production of alternative fuels - biodiesel, natural gas, etc. These measures are designed to create conditions for alternative sources of income and employment for farmers and their families, and also to create benefits for the broader community. Article 39.1 (b) of the Rome Treaty deals with quality of living of citizens in rural areas and requires that their earnings should be maintained at the level common for industrial workers (Fennell, 1997).

Table 1. Share of CAP in the EU budget (in EUR Million)

Year	EU Budget Total Payments	CAP Budget	% CAP/EU Budget
1970	3.385,2	3.166,5	93,5 %
1975	5.816,9	4.404,4	75,7%
1980	15.857,3	11.606,5	73,25
1985	27,867.3	20,413.3	73.2%
1990	44,062.9	27,429.9	62.2%
1995	66,547.4	37,021.0	55.6%
2000	80,448.9	41,828.0	52.0%
Year	EU Budget Total Payments	CAP Budget	% CAP/EU Budget
2005	103,999.6	51,290.1	49.3%
2010	120,490	55,183	45.8%

Source: Authors analysis based on Adinolfi et al, 2011

Funds for this purpose CAP form a significant portion of the EU budget (Table 1). In 1984, 71% of the EU budget was earmarked for agriculture, 1992, that percentage was 48%, with a reduction plan providing for 32% participation of agriculture in the total budget of the Union in 2013 (Stojsavljević, Brkanlić, 2012).

Picture 1. Percentage of usage of CAP funds by member countries

Source: Authors calculation based on data from European Commission (2012)

Within the Common Agricultural Policy various types of financing are combined, such as direct subsidies, dictating prices, import duties, quotas and other mechanisms of intervention. France, Spain, Germany, Italy and Great Britain are the member countries that have used CAP funds at most (Picture 1).

In regard to the budget for the 2007-2013 period, the following main topics on which the EU Common Agricultural Policy will focus were defined:

- a) Increase of competitiveness of agriculture and forestry;
- b) Improvement of the environmental situation – taking care of the environment;
- c) Improvement of the quality of life in rural areas and diversification of agricultural economy.

It can be noted that these are slightly modified basic objectives of this policy, and it is indicative that the methods of influence on the production and prices through interventionist, indirect mechanisms that dominated during the mid-nineties of the twentieth century, are gradually but surely, being abandoned through turning towards the methods of achieving goals by improving the quality and competitiveness of products. Another significant change in the structure of EU agricultural budget is reflected in the clear orientation to direct funding of manufacturers. Measures of the Pillar 2 of the Common Agricultural Policy are directed towards the general development of rural areas through the diversification of production, adaptation and modernization of farms, development of marketing and market appearance in general, education, etc (Živadinović, 2010). The funds are awarded on the basis of local and national plans, created by lower territorial organizational units, but approved by the EU bodies.

Costs related to agricultural production, the increase of its productivity and competitiveness, environmental protection and overall development of the rural areas of EU member states still represent the dominant part of the European budget, but the trend of continuous reduction of this share is very obvious. If by 2013 the share of agricultural in the overall

budget achieves the planned 32%, it would represent a more than twofold reduction in expenditures as compared to the mid-twentieth century, when almost 80% of the EU budget was spent on financing of the Common Agricultural Policy, while in 1968 CAP payments accounted for 86,9% of all EU implemented payments in that year (European Commission, 2013c).

CAP reforms

Being extremely important and at the same time very sensitive issue, CAP regulated agriculture production of the European Union has been under huge pressure both by various domestic and external factors. The complexity of such problems was expressed in many segments of the agricultural policy of each country as per the following: the question of the general position of agriculture in the country, the issue of improving the income of farmers, the issue of overcoming unfavourable agrarian structure, the issue of surplus labour in agriculture, question of low labour productivity, the question of precise measures of social policies for agricultural producers and many others (Cvijanovic et al, 2011). Present from the very beginning, strong international criticism was mainly turned to export subsidies granted to European producers, disrupting competition on the global market. Tensions alleviated 1973 with UK, as one of world's major food importer, joining European Union (Jambor, Harvey, 2010).

This event coincided with the first global oil crisis (1974) and commodity price spike that followed, including raise in prices of agricultural products as well. As a result, farm costs in Europe rapidly increased. A variety of changes in CAP has been taken, including introduction of milk quotas (1983) and freezing of supported agricultural prices (1984). In 1988 "Maximum Guaranteed Quantities" measure has been introduced, meaning automatic reductions of subsidies (and prices) if the total production exceeded the planned level within the EU. In order to reduce extra production even a mechanism of "voluntary set-aside" was used, where a financial compensation has been paid to farmers who seize their agricultural production. Such policy of the EU aimed to reduce in budgetary costs and to cope with international criticism resulted in European farmers' dissatisfaction, because their income became much lower than one in the non-agricultural economy sectors. Further reductions of agricultural products prices supporting measures were politically unacceptable, despite the growing external pressure mainly related to the 1986 GATT Uruguay Round (Grant, 1997).

One of the most significant turning points in EU agricultural policy was carried out by its reforming in 1992. Surpluses of agricultural and food products, growing discrepancies between regions and member states, as well as constant pressures from both non-European and European countries outside the EU forced the authorities of the Union to create a turning point through abandoning indirect measures and increasing the proportion of direct financing of manufacturers in the agricultural budget of the EU. Funds for rural development in general received an important place in the budget for the first time, and although they were not directly related to agricultural production, they contributed to the changes in previous policy of financing of rural areas in the European Union.

Among most important goals of this reform was the reduction of prices of agricultural and food products in order to increase their competitiveness in domestic and global markets. In this way, decreased revenues of manufacturers were compensated through direct payments, which represented a great novelty in the conduct of the Common Agricultural Policy of the Union. In addition, this reform introduced additional measures for the regulation of markets and environmental protection (Trinity College, 2010). The 1992 reform turned out successful, but the changes that occurred in the future - international events, enlargement of the Union by joining of several Central and East European countries, the introduction of common currency, increasing the competitiveness of products of third countries and a new round of negotiations within the World Trade Organization, required further adjustments. New CAP reform starting from year 2014 seems to be one of the most significant ever undertaken. The list of planned changes is long - transfers between pillars, capping and degressivity, regional implementation of the Basic Payment Scheme, internal convergence, greening equivalence, young farmers and the optional schemes including redistributive payment, coupled support, etc., as well as the approach towards sectorial cooperation and contracts (European Commission, 2013b).

Current support for rural development is carried out through the European Fund for Routing and Guarantees in Agriculture, as the primary fund of the Common Agricultural Policy. Due to the specific needs of rural development, various programmes are constantly introduced, such as LEADER (*Liaison Entre Actions de Développement de l'Économie Rurale* or “Connecting activities within economic development of agriculture”) that was initially created in 1991, and which finances and encourages active involvement of local rural communities in the development of the local economy, but also the economy of the entire Union (European Commission, 2012b).

The next great change of the Common Agricultural Policy - the so-called “Agenda 2000” - followed in 1999 when funding of the “second pillar” of the policy further enhanced, and resources dedicated to comprehensive rural development (not just agricultural production) became increasingly important. As an illustration of the adaptability and long-term planning of agricultural development by the European organizations, we may use the example of a special program that was created in 1999 as part of the “Agenda 2000” in order to prepare and assist the countries of Central and Eastern Europe, which at that time were in the process of EU accession. SAPARD (*Special Accession Programme for Agriculture & Rural Development*) envisaged that the annual budget of 560 million Euros during a six year period (2000-2006) should develop the sustainability of agriculture and rural development in candidate countries. Its primary objective was to respond to priority problems of adapting the economies in these countries in order to be sustainable, and to help them achieve the standards of agriculture that exist in developed countries - members of the European Union. For the countries that are bearing status of a candidate in the following period (after 2006), the same role which SAPARD had in the previous extension is today played by the fifth component (Rural Development - IPARD) of the Instrument for Preaccession Assistance (IPA).

One of the more important changes of the Common Agricultural Policy, considered by many analysts as the most radical in the history of CAP, took place in 2003, mid-term of “Agenda EP 2014 (61) 1 (195-210)

2000". The "Fischler Reform", named after Franz Fischler, then European Commissioner for Agriculture and Rural Development, introduced decoupled single farm payments, practically bundling of all agricultural production linked payments into a single payment, to be paid to farmers on the basis of their historic entitlements and linked to land (farm) rather than production. Furthermore, eligibility for those payments was subject to cross-compliance with EU environmental, animal welfare and food safety standards. Apart from this, "Fischler Reform" introduced two new instruments that anticipated future developments of the CAP:

- 1) Sectoral Reforms - continuation of reductions in support prices with changes to the market regimes for problem commodities such as durum wheat, rice and rye, and
- 2) "Modulation" - transfer of funds from Pillar 1 to Pillar 2, i.e. subsidies to rural development by reducing subsidies to large farms. In other words very large farms received less money than they would if rated by surface, and additional funds are moved to rural development (Paun, 2012).

For the period between 2007 and 2013, encompassing plans for significant reduction in the share of agricultural budget in the total budget of the EU to 32% - less than half of the share of this segment in the EU budget until mid-eighties of the 20th century. Some authors argue that serious changes in CAP were introduced only in last decade (Garzon, 2007), but in any case importance of this sector can be clearly seen in role it has in European Union and all member countries. External factors strongly influence CAP reform process. There are four major institutional factors that have important impact to CAP (Jambor, Harvey, 2010):

- a) EU budget – main problem is financing of the Pillar 1 exclusively from the EU budget, in contrast to all other European policies, that are partly financed from national budgets of member countries. Also, there are voices that argue that there are other policies than agriculture that deserve more budget financing, such as common security, climate change or energy resources (Jambor, Harvey, 2010);
- b) WTO negotiations – external pressure regarding international trade in agricultural products and financing of domestic farming and production in EU has always been present;
- c) EU competition law and practice for regulation competition between member states – main problem is preventing member states to take advantage in financing domestic farmers at expense of the others Union members;
- d) Lisbon Treaty – as a result of this agreement, both EU and national parliaments have stronger and more direct control over common policies, including CAP.

Fighting difficulties in Euro zone as a result of global crisis, next reform of the CAP that should be implemented from 2014 opens opportunity to use its budget in next period (2014-2020) as a contribution to stronger fiscal discipline in member countries (Tangermann, 2011). Newest CAP reform continues trend to encourage and finance environmental protection projects, among other instruments with making one third of direct per-hectare payments directly connected with agricultural practices that are beneficial for the environment. Organic agriculture production will be one of most interesting areas in the future of food

production. Although organic food today accounts for only 1% of total world food market, one should bear in mind that organic food production in developed countries like the USA, France, Germany or Japan is growing at the rate of 10-20% annually (Antevski, 2012). It also aims to redistribute per-hectare payments from countries with currently higher payments to those who receive less stimulation, as well as distribution of funds more in favour of small farms in order to achieve better equity among producers (Andolfi et al, 2011). General idea of the 2014 CAP reform is to keep expenditures at constant level and in that way achieve certain saving, therefore expenditure for period 2014-2020 is planned at EUR 423 billion, what is very conservative increase compared to EUR 412 billion in the period 2007-2013 and in constant prices it actually represents budget reduction (Table 2.).

Table 2. CAP implementation inside Heading 2 of the 2007-2012 Multiannual Financial Framework (in EUR Million)

Element	2007	2008	2009	2010	2011	2012
HEADING 2 Preservation and Management of Natural Resources	54,018	52,267	50,798	56,060	56,380	57,948
Total CAP Budget (%) of which for:	52,878	51,256	49,998	55,183	55,324	56,826
1. Market related expenditure, directs aids and healthy actions	42,075	40,727	41,259	43,690	42,763	44,073
2. Rural Development	10,803	10,529	8,739	11,493	12,561	12,753
3. Fisheries	993	831	537	606	719	782
4. Life +	109	139	212	218	262	267
5. Other Actions	38	41	51	53	75	73

Source: Authors analysis based on EU Budget 2010 Financial Report, Annex 2

Agricultural and rural development pre-accession schemes in Croatia

IPA is a flexible system that allows certain benefits also to third countries, provided that the basic objectives of the program are fulfilled - improvement of administrative capacity, strengthening of the judiciary, adoption of the EU acquis, or assistance in the preparation process for structural cohesion funds. It is also possible in potential candidate countries to use the funds for purposes similar to those contained in the objectives 3, 4 and 5 if they are not already funded from other sources and cannot fit into one of the first two objectives (European Commission, 2013a).

IPA component dedicated to supporting rural development (IPARD) is very different from the other parts of this program. It is the only one that is entirely dedicated to only one branch of the economy, agriculture, which is not surprising since agriculture occupies a special place in the whole policy of the Union. The main objective of this component is to support the candidate country to reach European standards in the entire field of agriculture. Emphasis is placed on the training of state administration to use funds earmarked for agriculture, but also on the preparation of final beneficiaries (farmers, food industry, merchants, etc.) in order to understand and implement the new rules and strict requirements that are prerequisite to the use of CAP funds at a later stage of the full membership of the Union.

Important indicator of successful adoption and implementation of European Union's standards and values is level of acceptance of agricultural and rural development support schemes in both new and future member countries. Research performed by Leibniz Institute of Agricultural Development in Central and Eastern Europe in 2008 and 2009 show that the best known measure among Croatian farmers is the direct payment scheme, with 93% of the all interviewed farmers who knew about this program. At the same time 59% of them had applied for funds from this source and only 6% had been rejected. Capital investment measure and income aid schemes are also known to farmers in Croatia, also in high percentage as direct payment, with 68% interviewed familiar with the first and 70% with income aid scheme (Moeller et al, 2009). Same as with direct payment scheme, majority of those who applied for one of mentioned aid schemes had been granted benefits through those programs. Level of awareness regarding rural development or SAPARD was lower – 49% of interviewed Croatian farmers were familiar with possibility to use SAPARD funds and only 39% knew about rural development scheme. Although relatively well informed, surveyed Croatian farmers considered EU agricultural aid programs in general not very useful, except direct payment scheme. Application process for mentioned aid measures was also evaluated and rated as complicated and not transparent. Not surprisingly, farmers who have applied for a program and benefited from aid measures gave significantly higher ratings compared to those who did not (Moeller et al, 2009).

Similar survey (Moeller et al, 2009) about agricultural policy measures has been performed in Slovenia, at the time already member state, and showed results not much different to Croatian. The awareness and knowledge about support schemes was higher: almost 90% of the farmers interviewed know about agriculture aid measures and 87% applied successfully for direct area payments. 58% of the surveyed households were granted aid by the direct animal payment scheme. None of the farmers who applied was rejected, but the smoothness of the application process was similarly rated by the Slovenian farmers as by the Croatian ones. The application process for direct area payments, which is the most adopted support scheme, was rated as rather difficult and Slovenian farmers generally rated the smoothness of the application process negatively.

In course of the same survey farmers have been asked to define which are, in their opinion, the most needed agricultural policy measures in their countries. In Croatia 26% - the highest share of surveyed farmers - mentioned that the current level of subsidies is too low. In Slovenia, the share of farmers who thinks like this is even bigger (55%). 25% of Croatian farmers consider policies regarding the stabilization of agricultural market to be very important and 8% of them finds that stabilization of producer prices should be important measure. 14% of the Slovenian farmers consider the latter to be important in their country.

Regarding IPA programs and funds the level of awareness among farmers in Croatia is high: 91% of the surveyed farmers are familiar with IPA, however, only 15% of interviewed is actually planning to apply for some form of pre-accession aid. Reasons for this relatively low interest in IPA were various – some farmers considered themselves as too old or their farms too small to use IPA measures, others felt that they are not sufficiently informed about all aspects and procedures of the program or that application process is too complicated for

them and some didn't have any plans for further investment at all. In evaluating overall level of knowledge about agricultural aid programs and general adoption of common European standards, it is useful to know that some answers were formulated having negative attitude towards EU in general, stating even that they have no trust in EU. This attitude is most probably result of not having enough information on the issue of IPA and other EU agriculture measures, so proper informing of interested parties in candidate countries should be important tool for preparing their citizens to EU accession.

Assistance for Croatian agriculture and rural development has been implemented through Rural Development component of the IPA framework. Main tasks were defined as:

- Contribution to sustainable modernization of agricultural sector through targeted investments;
- Encouraging improvement in areas of food safety, veterinary, environmental and other standards;
- Contribution to sustainable overall development of rural areas.

Simultaneously, National Agricultural and Fishery Strategy have been adopted. This Strategy set specific goals for agricultural sector in Croatia, aimed at improving competitiveness and efficiency of both primary production and processing industry, improving quality, hygiene and environmental standards and animal welfare. Additional employment in agriculture sector was also set as important goal, as well as improved standard of living in rural areas. In order to achieve cross-sector objectives and specific objectives defined for each sector, based on previous detailed analysis, various measures have been developed. In each priority one specific objective has been defined.

Table 3. IPARD program in Croatia - Specific objectives per priority

No.	Priority	Specific objective	Corresponding measure
1	Improving market efficiency and implementation of Community standards	Strengthening and improvement of the agricultural production and market capacity	Investments in agricultural holdings to restructure and upgrade to Community standards; Investments in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to Community standards
2	Preparatory actions for implementation of the Agri-environmental measures and local rural development strategies	Strengthening and improvement of the capacity for implementation of obligatory pilot project in Agri-environment and Leader based approach	Actions to improve the environment and the countryside; Preparation and implementation of local rural development strategies
3	Development of rural economy	Creating better living conditions in rural areas by improving rural infrastructures and promoting business activities	Improvement and development of rural infrastructure; Diversification and development of rural economic activities

Source: Directorate for Rural Development (2012)

Next to specific priority objectives (Table 3) additional to measures listed, supportive measures are to be applied, such as technical assistance and publicity campaigns. IPARD measures are coordinated and complemented with ones in Croatian National Agricultural and Fishery Strategy and other forms of government support to farmers, local authorities, associations and cooperatives.

Perspectives of IPA and IPARD in Serbia

Agriculture is important to the Serbian economy, but it is relatively small in European-wide terms. There is significant portion of rural population - estimated at about 3,5 million, or 47,6% of the total population, and 68% of small rural households identify agricultural activity as their only or main source of income (World Bank, 2000). At the same time Serbian land accounts for just 1,9% of the entire EU, and its total production amounts to 1,1% of EU agricultural output. In comparison with the 12 “new” member states, Serbia has 7% of their total land resources and only 4% of their exports. Serbia’s only really significant agricultural products are raspberries, plums, and soybeans; maize accounts for about 11% and peppers for about 7% of European production (Delegation of the EU, 2013). Natural or technological conditions for agriculture production are not on the high level as the ones in developed countries, but within the European Union framework Serbia can achieve remarkable output and export performance (Antevski, 2012).

In the period 2007-2011, total of 33 contracts in pre-accession instruments scheme have been implemented in Serbia, and 82% of the available financing allocated to the agriculture and rural development sector has been contracted. Of this contracted amount, 57% has been disbursed up to the end of August 2012 (Delegation of the EU, 2013). In Table 4 the contract values and disbursements are shown.

Table 4. Contracted IPA assistance in Republic of Serbia 2007-2011

Programme Year	Number of Contracts	Contracted Amount (€)	Disbursed (to 31 Aug 2012)	% Disbursed
2007	6	4.636.471,26	3.873.582,56	83,5
2008	16	8.767.275,36	5.548.072,07	63,3
2009	5	3.316.683,04	1.598.159,32	48,2
2010	5	5.111.854,62	1.946.912,76	38,1
2011	2	2.000.000,00	640.000,00	32,0
Total	33	23.832.284,28	13.606.726,71	57,1

Source: Delegation of the EU, 2013

IPA assistance in Serbia was initially not aimed to be long term development mechanism, but more as starting tool that will enable beneficiaries – institutions and farmers - to continue in right direction. Late start and slow process of reforms together with overall situation in the country, further weakened by global economic crisis, showed that longer assistance will be required in order to reach full harmonization with EU standards and requirements in agriculture sector.

To be able to use the resources of these funds, Serbia must first establish the necessary institutional framework consisting of a general IPA framework, as well as management and control systems. The key parties involved in the delivery of the IPA assistance are EU Delegation to the Republic of Serbia, Serbian European Integration Office and the Ministry of Agriculture - Department for International Co-operation, including specialized IPA unit. To use the fifth component for rural development (IPARD), special operating structures are required: Managing Authority (MA) and IPARD Agency. The Managing Authority is responsible for writing the operational program, including the selection of measures. After approval and the start of its implementation, the MA evaluates indicators for following the implementation of the program. The MA is also responsible for the formation of the Monitoring Committee (MC), which monitors the implementation and efficiency of the program. It is responsible for coordinating functions of information and publicity, which means timely provision of all necessary information, not only to the public but also to potential beneficiaries of IPARD funds. The most significant institution in the use of these funds is the national IPARD Agency. Unlike other components of the IPA fund, within IPARD component the implementation of the projects is carried out without previous (ex-ante) checks by the EU bodies. Local IPARD agency is responsible for approval and control of obligations, payments and for accounting.

Conclusion

In course of past fifty years, European Union's CAP underwent many reforms, driven by both internal and external factors of economic, social or political nature. In the early years modifications were initiated mainly due to the negative effects common policy induced on Europe's economy, and later external factors, in first place global trade liberalization and strong international pressure against agricultural interventionism, became reasons for further CAP reforms. The current CAP reform is mainly motivated by internal community factors, including pressure on reducing the share in the EU budget, where expenditure on agriculture and rural development still have a substantial part. Besides agricultural budget, European Union must also support other important policies, and in time of economic recession, when many member states have huge public debt, this is not an easy task. Also external factors must be accounted for, some of them with potentially strong impact on European economy, like price volatility in agricultural markets, constantly increasing pressure on the environment preservation and processes of global trade liberalization. It looks like the next CAP reform, starting from year 2014, will be one of the most significant ever undertaken.

Expansion of the European Union, by joining the states of Eastern Europe (especially Romania and Bulgaria), and possibly of the Western Balkans where agriculture is significantly represented in the national economies, and which are lagging behind in almost all aspects of development of the "old" EU member states, represents an additional challenge to the makers of the EU agricultural policy. The importance of agriculture sector to the Serbian economy is great, because of Serbian agriculture is relatively small in European terms, but agriculture as a sector is major part of the requirements of the acquire communautaire and therefore has high importance on the Serbia road to EU accession. This sector has to address significant reforms to assume the obligations of country's perspective EU membership. In order to use

the resources of these funds, Serbia must first establish the necessary institutional framework consisting of a general IPA framework, as well as management and control systems.

Literature

1. Andolfi, F., Little, J., Massot, A. (2011): *The CAP in the Multiannual Financial Framework 2014/2020*, Study, IP/B/AGRI/NT/2011_12, DG for Internal Policies, Policy Department B: Structural and Cohesion Policies, Agriculture and Rural Development, November 2011, Brussels.
2. Antevski, M., Petrović, P., Vesić, D. (2012): *Development perspectives in agriculture and rural areas in Serbia in the EU integration process*, Economics of Agriculture, Vol. 59, No. 2/2012, IAE Belgrade, Serbia.
3. *Commission Regulation (EU) No 80/2010* of 28th January 2010 amending Regulation (EC) No 718/2007 implementing Council Regulation (EC) No 1085/2006, Official Journal of the European Union L25/1, Brussels, Belgium.
4. Cvijanović, D., Simonović, Z., Mihailović, B. (2011): *Težišta i ciljevi reformi agrarne i regionalne politike Evropske Unije*, Ekonomika poljoprivrede, IEP Beograd, Vol. 58, no. 3/2011, pp. 359-370.
5. Delegation of the European Union to Republic of Serbia (2013): *Technical Assistance for Evaluation of Agriculture and Rural Development sector implemented and financed by IPA Programme and other Donors in the Republic of Serbia*, available at: www.evropa.gov.rs/Documents/Home/DACU/12/193/Ser_195%20Evaluation%20Report_Lot_1_FINAL_130213.pdf
6. European Commission (2013a): *Summaries of EU legislation, Instrument for Pre-Accession Assistance*, available at: http://europa.eu/legislation_summaries/agriculture/enlargement/e50020_en.htm
7. European Commission (2013b): *Overview of CAP reform 2014-2020*, in Agricultural Policy Perspectives Brief, Nr. 55, Brussels, Belgium, available at: http://ec.europa.eu/agriculture/policy-perspectives/policy-briefs/05_en.pdf
8. European Commission (2013c): *CAP expenditure in the total EU expenditure*, available at: http://ec.europa.eu/agriculture/cap-post-2013/graphs/graph1_en.pdf
9. European Commission (2012a): *Agriculture and Rural Development*, available at: http://ec.europa.eu/agriculture/index_en.htm
10. European Commission (2012b): *Leader +*, available at: http://ec.europa.eu/agriculture/rur/leaderplus/index_en.htm
11. European Commission (2012c): *Agricultural statistics*, available at: <http://epp.eurostat.ec.europa.eu>
12. European Commission (2010): *EU Budget 2010 Financial Report, Annex 2*, available at: http://ec.europa.eu/budget/library/biblio/publications/2010/fin_report/fin_report_10_en.pdf

13. Eurostat (2012): *Agriculture, fishery and forestry statistics; Main results 2010-11*, Publications Office of the European Union, Luxembourg.
14. Fennell, R. (1997): *The Common Agricultural Policy: Continuity and Change*, Oxford University Press, Oxford, England.
15. Fritz, T. (2011): *Globalizing Hunger: Food Security and EU's CAP*, FDCL Verlag, Berlin, Germany.
16. Garzon, I. (2007): *Reforming the Common Agricultural Policy*, Palgrave Macmillan, New York, USA.
17. Grant, W. (1997): *The Common agricultural Policy*, St. Martin Press, New York, USA.
18. Jambor, A., Harvey, D. (2010): *CAP Reform Options: A Challenge for Analysis & Synthesis*, Centre for Rural Economy Discussion Paper Series no. 28, University of Newcastle-upon-Tyne, available at: www.ncl.ac.uk/cre/publish/discussionpapers/pdfs/dp28JamborHarvey.pdf
19. Moeller, J., Zier, P., Frohberg, K., Buchenrieder, G., Bojnec, S. (2009): *Croatia's EU Accession: Socio-economic Assessment of Farm Households and Policy Recommendations* in Studies on the Agricultural and Food Sector in Central and Eastern Europe, Vol. 48, MPRA Paper No. 17365, Leibniz Institute of Agricultural Development in Central and Eastern Europe (IAMO), Munich, Germany.
20. Directorate of Rural Development, EU and International Cooperation (2012): *IPARD Programme 2007-2009 - Agriculture and Rural Development Plan*, Ministry of Agriculture, Zagreb, Croatia.
21. Paun, M. C. (2012): *Presentation of the Common Agricultural Policy (CAP) – History and Estimates Post 2013*, Economics of Agriculture, Vol. 59, Spec. issue 1, IAE Belgrade, Serbia.
22. Stojavljević, M., Brkanlić, S. (2012): *Finansiranje poljoprivrede u sklopu Zajedničke agrarne politike Evropske unije*, Ekonomija – teorija i praksa, FIMEK, Novi Sad, Srbija.
23. Tangermann, S. (2011): *EU agricultural policy: Responding to the crisis?*, available at: www.voxeu.org/article/eu-agricultural-policy-responding-crisis
24. Trinity College Dublin (2010): *EU Agricultural Policy*, available at: www.tcd.ie/iis/policycoherence/eu-agricultural-policy/common-agricultural-policy.php
25. Živadinović, B., Milovanović, M. (2010): *Vodič kroz EU politike – Poljoprivreda*, Evropski pokret u Srbiji, Beograd, Srbija.
26. World Bank (2000): *Rural development indicators handbook - from the World Development Indicators*, World Development Indicators, Washington, DC, USA, available at: <http://documents.worldbank.org/curated/en/2000/03/1346349/rural-development-indicators-handbook-world-development-indicators>
27. Wilkin, J. (2009): *The political economy of reform of the Common Agricultural Policy*, in National Economy, 1-2, Warsaw, Poland.

EVROPSKA ZAJEDNIČKA AGRARNA POLITIKA I PREDPRISTUPNE MERE POMOĆI ZA RURALNI RAZVOJ

Jelena Vapa Tankosić³, Miroslav Stojsavljević⁴

Rezime

Zajednička agrarna politika Evropske unije predstavlja jedan od ključnih elemenata evropskog zajedništva i izuzetno značajnu oblast koja zauzima veliki udeo u ukupnom budžetu Unije. Ovaj rad istražuje funkcionisanje i reforme Zajedničke poljoprivredne politike Evropske unije, kao i potencijalne instrumente za pretpristupnu pomoć za unapređenje poljoprivrednog i ruralnog razvoja u zemljama kandidatima. Uspešno usvajanje i primena poljoprivrednih standarda i vrednosti Evropske unije u budućim zemljama članicama u velikoj meri zavisi od pravilne primene standarda i mehanizama neophodnih za korišćenje instrumenata pretpristupne pomoći. U ovom radu analizira se trenutna situacije u Republici Srbiji, kao zemlji kandidatu za pristupanje Evropskoj uniji, sa komparativnom analizom korišćenja instrumenata za pretpristupnu pomoć, u skladu sa iskustvom Republike Hrvatske iz perioda pre statusa punopravnog člana, i Republike Slovenije, kao države članice. Zaključak rada potvrđuje hipoteze i ukazuje na neophodnost mnogobrojnih promena u strukturi i organizaciji agrarnog sektora Republike Srbije, kao i neophodnosti uspostavljanja institucionalnog okvira.

Ključne reči: *Zajednička agrarna politika, reforme, pretpristupna pomoć, evropska integracija.*

3 Jelena Vapa Tankosić, Ph.D., vanredni profesor, Univerzitet Privredna akademija, Fakultet za ekonomiju i inženjerski menadžment, Cvečarska 2, 21000 Novi Sad, Srbija, Telefon: +381 64 8821 282, E-mail: jvapa@libero.it

4 Miroslav Stojsavljević, M.A., asistent, Univerzitet Privredna akademija, Fakultet za ekonomiju i inženjerski menadžment, Cvečarska 2, 21000 Novi Sad, Srbija, Telefon: +381 63 515 979, E-mail: minjast@eunet.rs