Agricultural policy developments in the EU pre-accession countries

Final report

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ABSTRACT

This study is a part of a project "Comparative analysis of agricultural sectors and rural areas in the pre-accession countries: Agricultural policy developments, situation of the agri-food sector and economic context" funded by Directorate-General for Agriculture and Rural Development of the European Commission. It is part of a series of assessments, aiming to monitor the development of the agri-food sector in the Western Balkan countries/territories (WB) and Türkiye. The study focuses on the changes in the years 2020 and 2021 and the developments of currently important topics, such as Covid-19, greening, and the approximation of agriculture and rural development policies to the EU Common Agricultural Policy (CAP). The WB countries/territories and Türkiye are taking steady steps towards EU accession, by narrowing down the gaps with EU member states in the development of their agricultural sectors and rural areas. Competitiveness, environmental protection and development of rural areas are key policy objectives across the countries/territories. All countries/territories have established operational institutional structures, that need to be continuously upgraded. The IPARD (Instrument for Pre-accession Assistance rural development programmes) beneficiary countries have adopted the third IPARD programme for the period 2021-2027. The budget spent for agriculture and rural development varies in the pre-accession countries/territories. The crisis caused by the Covid-19 pandemic and the crisis linked to the war in Ukraine have re-emphasized the importance and need for an adequate agricultural policy, supporting stable food systems. The publication ends with a set of recommendations for improvement of the policy and sector development.

TABLE OF CONTENTS

CHAPTER 1. AGRICULTURAL POLICY DEVELOPMENTS IN EU PRE-ACCESSION COUNTRIES 10

1.1. Introduction 10

1.2. Methodological approach and data 11

1.3. Agricultural policy framework 13

1.4. Measures and budgetary support of agriculture and rural development 17

1.5. Covid-19 interventions in policy and implications 27

1.6. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources 29

1.7. EU approximation process 32

1.8. Conclusions and policy recommendations 34

1.9. References 37

CHAPTER 2. AGRICULTURAL POLICY DEVELOPMENTS IN ALBANIA 39

2.1. Agricultural policy framework 39

2.2. Measures and budgetary support of agriculture and rural development 44

2.3. Covid-19 interventions in policy and implications 51

2.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources 53

2.5. EU approximation process 54

2.6. Conclusions and policy recommendations 55

2.7. References 56

CHAPTER 3. AGRICULTURAL POLICY DEVELOPMENTS IN BOSNIA AND HERZEGOVINA 60

3.1. Agricultural policy framework 60

3.2. Measures and budgetary support of agriculture and rural development 68

3.3. Covid-19 interventions in policy and implications 75

3.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources 77

3.5. EU approximation process 79

3.6. Conclusions and policy recommendations 81

3.7. References 82

CHAPTER 4. AGRICULTURAL POLICY DEVELOPMENTS IN KOSOVO* 84

4.1. Agricultural policy framework 84

4.2. Measures and budgetary support for agriculture and rural development 90

4.3. Covid-19 interventions in policy and implications 92

4.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources 93

4.5. EU approximation process 95
4.6. Conclusions and policy recommendations 96
4.7. References 97
CHAPTER 5. AGRICULTURAL POLICY DEVELOPMENTS IN MONTENEGRO 99
5.1. Agricultural policy framework 99
5.2. Measures and budgetary support of agriculture and rural development 105
5.3. Covid-19 interventions in policy and implications 111
5.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources 112
5.5. EU approximation process 113
5.6. Conclusions and policy recommendations 114
5.7. References 116
CHAPTER 6. AGRICULTURAL POLICY DEVELOPMENTS IN NORTH MACEDONIA 118
6.1. Agricultural policy framework 118
6.2. Measures and budgetary support of agriculture and rural development 124
6.3. Covid-19 interventions in policy and implications 132
6.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources 135
6.5. EU approximation process 136
6.6. Conclusions and policy recommendations 138
6.7. References 139
CHAPTER 7. AGRICULTURAL POLICY DEVELOPMENTS IN SERBIA 141
7.1. Agricultural policy framework 141
7.2. Measures and budgetary support of agriculture and rural development 146
7.3. Covid-19 interventions in policy and implications 155
7.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources 156
7.5. EU approximation process 156
7.6. Conclusions and policy recommendations 158
7.7. References 160
CHAPTER 8. AGRICULTURAL POLICY DEVELOPMENTS IN TÜRKİYE 163
8.1. Agricultural policy framework 163
8.2. Measures and budgetary support of agriculture and rural development 167
8.3. Covid-19 interventions in policy and implications 171
8.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources 172
8.5. EU approximation process 173

8.6. Conclusions and policy recommendations 176
8.7. References..... 177

LIST OF TABLES

Table 1. Smart Specialization domains by country/territory 15

Table 2. Comparison of the EU key objectives with the strategic objectives in the Western Balkan countries and Türkiye 15

Table 3. Competitiveness measures breakdown and share in total support 24

Table 4. Environmental protection measures breakdown and share in total support ..25

Table 5. Approved IPARD II (2014-2020) funds, in million EUR 26

Table 6. Overview of the key legal, strategic and programming framework in Albania 41

Table 7. Overview of the institutional and administrative policy framework in Albania43

Table 8. Agriculture and Rural Development Program sectors and products supported in Albania during the period 2017–2022 48

Table 9. Major new policy instruments/measures introduced in Albania in 2020 and 2021 50

Table 10. Main successes and pending achievements of agricultural policy instruments and measures compared to the strategic objectives in Albania 50

Table 11. Overview of the measures, funds and number of applications in IPARD 2020-2021* in Albania 51

Table 12. Overview of the key legal, strategic and programming framework of Bosnia and Herzegovina and its administrative units 63

Table 13. Overview of the institutional and administrative policy framework of Bosnia and Herzegovina and its administrative units 65

Table 14. Major new policy instruments/measures introduced in 2020 and 2021 in Bosnia and Herzegovina and its entities and Brčko district BiH 74

Table 15. Main successes and failures of agricultural policy instruments and measures compared to the strategic objectives in Bosnia and Herzegovina in 2020 and 2021 ...75

Table 16. Compatibility of objectives of agricultural development strategies in BiH with the new CAP objectives 78

Table 17. Kosovo* agricultural legal, strategic and programming framework 85

Table 18. Overview of the institutional and administrative policy framework in Kosovo* 88

Table 19. Overview of the key legal, strategic and programming framework in Montenegro 101

Table 20. Overview of the institutional and administrative policy framework in Montenegro 105

Table 21. Overview of the measures, funds and number of applications in IPARD 2014-2020 in Montenegro 110

Table 22. Main successes and failures of agricultural policy instruments and measures compared to the strategic objectives in 2020 and 2021 111

Table 23. The greener measures in the Rural development policy 113

Table 24. Overview of the key legal, strategic and programming framework in North Macedonia 120

Table 25. Overview of the institutional and administrative policy framework in North Macedonia 123

Table 26. Distribution of paid IPARD funds in North Macedonia, in million EUR, 2018-2021 128

Table 27. Major new policy instruments/measures introduced in North Macedonia in 2020 and 2021 129

Table 28. Main successes and failures of agricultural policy instruments and measures compared to the strategic objectives in North Macedonia in 2020 and 2021 130

Table 29. Overview of measures, funds and number of applications in IPARD 2014-2020 in North Macedonia 131

Table 30. Covid-19 policy interventions in North Macedonia 133

Table 31. Overview of the key legal, strategic and programming framework in Serbia 145

Table 32. Overview of the institutional and administrative policy framework in Serbia 146

Table 33. Major new policy instruments/measures introduced in Serbia in 2020 and 2021 151

Table 34. Main successes and failures of agricultural policy instruments and measures compared to the strategic objectives in Serbia in 2020 and 2021 152

Table 35. Overview of the measures, funds and number of applications in IPARD 2014-2020 in Serbia 153

Table 36. Key legal, strategic and programming documents in Türkiye 164

Table 37. Overview of the institutional and administrative policy framework in Türkiye 167

Table 38. Major new policy instruments/measures introduced in Türkiye in 2020 and 2021 170

Table 39. Overview of the measures, funds and number of applications in IPARD 2014-2020 in Türkiye 171

Table 40. Legal arrangements concerning the EU approximation in Türkiye 175

LIST OF FIGURES

Figure 1. Total budgetary transfers to agriculture in Western Balkan countries and Türkiye (2012-2021, EUR million) 18

Figure 2. Total budgetary support to agriculture (2017-2019 and 2020-2021, figures in bars expressed in EUR million) 19

Figure 3. Market and direct producer support versus structural and rural development support ratio (%) 19

Figure 4. Total budgetary transfers to agriculture per hectare, in million EUR 20

Figure 5. Total budgetary transfers to agriculture per inhabitant, in million EUR 21

Figure 6. Total budgetary support in GDP, national expenditure and agricultural GVA, in % (2017-2019, left, and 2020-2021, right) 21

Figure 7. Direct producer support measures (figures in bars expressed in million EUR) 22

Figure 8. Structural and rural development measures (figures in bars expressed in million EUR) 23

Figure 9. IPARD II measures structure (figures in bars expressed in million EUR) 27

Figure 10. Pre-accession countries' approximation progress (2019 vs 2021) 33

Figure 11. Level of budgetary support for the agri-food sector in Albania during the period 2012–2021 45

Figure 12. Composition of budgetary support for the agri-food sector in Albania during the period 2012-2021 45

Figure 13. Market and direct producer support in Albania during the period 2012–2021 46

Figure 14. Budgetary support for structural and rural development during the period 2012–2021 47

Figure 15. Breakdown of other measures related to agriculture in Albania during the period 2012–2021 47

Figure 16. Breakdown of budgetary expenditure for agri-food sector and rural areas, 2012-2021, Bosnia and Herzegovina, in million EUR 69

Figure 17. Budgetary transfers for market and direct producer support measures in Bosnia and Herzegovina, 2012-2021, in million EUR 71

Figure 18. Budgetary transfers for structural and rural development measures in Bosnia and Herzegovina, 2012-2021, in million EUR 72

Figure 19. Three pillars of total budgetary support measures, in million EUR and %, 2012-20 90

Figure 20. Market and direct producer support in Kosovo*, in mill. EUR and %, 2012-20 91

Figure 21. Structural and rural development measures, in million EUR and %, 2012-2020 91

Figure 22. Total agricultural budgetary support in Montenegro, 2012–2021 106

Figure 23. Total agricultural budgetary support in Montenegro by sources, 2012–2021 107

Figure 24. Market and direct producer support measures, 2012–2021 108

Figure 25. Budgetary support for structural and rural development, 2012–2021 108

Figure 26. Other measures related to agriculture, 2012–2021 109
Figure 27. Linkages between NARDS strategic goals 119
Figure 28. Total budgetary transfers to agriculture in North Macedonia (2012-2021) 124
Figure 29. Market and direct producer support measures in North Macedonia (2012–2021)..... 125
Figure 30. Direct payments to producers in North Macedonia (2012-2021) 125
Figure 31. Variable input subsidies in North Macedonia (2012-2021)..... 125
Figure 32. Direct producer support measures in North Macedonia, by main sector (2012-2021) 126
Figure 33. Direct producer support measures in North Macedonia, by commodity (2012-2021) 126
Figure 34. Structural and rural development support in North Macedonia (2012-2021) 127
Figure 35. Supporting rural economy and population in North Macedonia (2012-2021) 127
Figure 36. Other measures related to agriculture (2012-2021) 129
Figure 37. Total budgetary support in North Macedonia, by sources (2012-2021) ... 132
Figure 38. Level of North Macedonia's preparedness in the EU approximation process 137
Figure 39. Total budgetary transfers to agriculture in Serbia, in mill. EUR and %, 2012-2021 147
Figure 40. Market and direct producer support measures, in mill. EUR and %, 2012-2021 148
Figure 41. Direct producer support measures, in mill. EUR and %, 2012-2021 149
Figure 42. Direct producer support measures by main sectors, in mill. EUR and %, 2012-2021 149
Figure 43. Structural and rural development, in mill. EUR and %, 2012-2021 150
Figure 44. Other measures related to agriculture, in mill. EUR and %, 2012-2021 .. 150
Figure 45. Total budgetary transfers to agriculture in Türkiye, in mill. EUR and %, 2012-2021 167
Figure 46. Market and direct producer support measures, in mill. EUR and %, 2012-2021 168
Figure 47. Structural and rural develoment measures, in mill. EUR and %, 2012-2021 170

CHAPTER 1. AGRICULTURAL POLICY DEVELOPMENTS IN EU PRE-ACCESSION COUNTRIES

Aleksandra Martinovska Stojcheska, Ana Kotevska, Ivana Janeska Stamenovska and Dragi Dimitrievski[1]

1.1. Introduction

The project "Comparative analysis of agricultural sectors and rural areas in the pre-accession countries: Agricultural policy developments, situation of the agri- food sector and economic context" is financed by Directorate-General Agriculture and Rural Development of the European Commission and implemented by a consortium comprised of Stichting Wageningen Research (Wageningen Economic Research - WECR) and the Regional Rural Development Standing Working Group in South Eastern Europe (SWG).

The overall aim of the project is to gain more knowledge on the progress of development of the agri-food sector in the Western Balkan countries/territories (WB) and Türkiye as well as on the approximation of agriculture and rural development policies with the CAP, to be able to better design the instrument for the application of pre-accession assistance for rural development (IPARD) in the candidate countries.

To address the overall aim of the project, two research objectives were identified: (1) to carry out the analyses and data collection on agricultural policy developments in pre-accession countries, based on the methodology applied in the report of 2021[2]; and (2) to carry out comparative analysis of the socio-economic development and competitiveness of the agri-food sector at a sectoral and macro level in the pre-accession countries.

Having in mind the comprehensiveness of the aim and the two research objectives, in the proposal stage of the project it was decided to conduct two stand-alone studies corresponding to the two objectives. Objective 1 is implemented by the Regional Rural Development Standing Working Group (SWG) by involving regional experts and national experts from the WB countries/territories and Türkiye, as well as international advisory support. While the Objective 2 is mainly done by the WECR, with the support of the same national experts from WB countries/territories and Türkiye.

This study focuses on Objective 1 through an analysis of the agricultural policy developments in the EU pre-accession countries, with emphasis on the recent changes in 2020 and 2021. It further aims to evaluate the EU approximation process of the WB countries/territories and Türkiye, and draw policy recommendations. A special emphasis is placed on the greening aspects of the agricultural policies in the region, as well as the implications of the Covid-19 tackling measures. The WB countries/territories included in the study are Albania (AL), Bosnia and Herzegovina (BA), North Macedonia (MK), Kosovo* (XK), Montenegro (ME), Serbia (RS), alongside, to the extent possible, Türkiye (TR). An additional valuable output of this project is the country level and cross-country level harmonised and consistent agricultural policy databases.

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[2] Martinovska Stojcheska, A. et al. (2021) Recent agricultural policy developments in the context of the EU approximation process in the pre-accession countries.

* This designation is without prejudice to positions on status, and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

The study includes a cross-country comparative analysis on the policy developments and individual country case studies, divided into eight chapters. Chapter 1 provides a comparative cross-country analysis of the agricultural policy developments in the Western Balkans countries/territories and Türkiye and their state of harmonisation with the EU CAP. It is structured as follows: after the introduction, briefly describing the objectives, the second section presents the methods applied and data sources. The third section focuses on the WB countries'/territories' and Türkiye's agricultural policy framework, highlighting the strategical goals and objective and the institutional and administrative capacity to carry them out, with emphasis on recent policy changes. The fourth section elaborates the measures, financing and budgetary transfers to agriculture and rural development. The fifth section provides an overview of the Covid-19 related agricultural policy interventions and implications, while the sixth section discusses the policy objectives, instruments and measures addressing the need for greener policy in view of the growing challenges related to the climate change, biodiversity loss and management of natural resources. The seventh section evaluates the state of harmonisation with the EU CAP and the approximation of agricultural policies in the candidate countries with the EU CAP. This chapter closes with the final section underlining the main conclusions and recommendations. Chapters 2 through 8 detail country case studies prepared by the national experts, following similar structure and methodology by describing recent developments of agricultural policy in each pre-accession country (the chapters are presented given the alphabetical order of countries/territories).

1.2. Methodological approach and data

The methodology takes into consideration relevant theoretical and empirical developments in the field of agricultural policy analysis and applications available for the WB countries/territories and Türkiye, following the achievements of the projects "Analysis of agricultural and rural development policies in Western Balkan countries", "National policy instruments and EU approximation process: effects on farm holdings in the Western Balkan countries", "Agricultural Policy Developments and EU Approximation Process in the Western Balkan Countries (APDAP-WB)", and "Study on the research, innovation and technology transfer capacities and on the recent agricultural policy developments in the context of the EU approximation process in the pre-accession countries", implemented by SWG and carried out by a group of regional and national experts[3]. More specifically, it updates the agricultural policy data and policy analyses for the WB countries/territories and Türkiye for the latest available years of 2020 and 2021, aiming to identify the recent changes introduced to the national agricultural policies in the pre-accession countries and their implications for the EU accession process.

The analytical framework is built along the assessment of the strategic policy framework and institutional setting, followed by the identification of the policy instruments, measures and corresponding financial resources that are applied in the respective agricultural policies in the Western Balkan counties. This framework enables qualitative and quantitative evaluations of the current state and advancement of national policies alignment in light of the shared objective of joining the EU and CAP. The priorities set by the EU's CAP, and the principles the pre-accession countries must follow in order for their respective agricultural policies to become harmonized with the CAP, are related to the strategic policy framework, the policy financial resources, including direct producer support, measures to improve competitiveness, policy for sustainability and public goods

[3] Studies available at: https://seerural.org/publications/. Summarized agricultural budgetary transfers and statistical databases are available at: http://app.seerural.org/agricultural-statistics/.

provision by the farming sector, and quality of life and employment (Erjavec et al., 2021).

The Agricultural Policy Measures Classification (APMC) tool is used for the quantitative part of the study. This tool extends upon previous work of Volk (2010), Rednak, Volk and Erjavec (2013), Volk, Erjavec and Mortensen (2014), Volk et al. (2016, 2017, 2019) and Erjavec et al. (2021). The database covers a ten-year time period from 2012 to 2021 for all WB countries/territories and Türkiye. The APMC tool provides a harmonized and consistent database of individual policy instruments for WB countries/territories and Türkiye (Rednak and Volk, 2018). The database contains data on realized budgetary transfers to agriculture and rural development. Two different classification systems are taken into account: the EU two-pillar concept (interventions in agricultural markets and direct payments to farmers - 1st pillar; measures within the framework of rural development programmes - 2nd pillar; and state aid), and the OECD's Producer Support Estimate (PSE) concept (transfers to producers individually (PSE), transfers to general services to agriculture collectively (GSSE) and transfers to consumers individually (CSE), OECD, 2016).

The APMC tool allows uniform classification of different policy measures among countries/territories. It enables systematic and standardized evaluation and, hence, comparative basis among the countries, with the EU's CAP. Predefined layouts allow organising data for substantive and comparative analysis. The APMC classification is built upon a hierarchical principle, which allows conducting analyses of agricultural policy instruments at different levels of aggregation. At the first level, the total agricultural support is grouped into three main areas: (1) market and direct producer support measures (pillar one), (2) structural and rural development measures (pillar two), and (3) other measures related to agriculture (pillar three). Each of these three broad types of budgetary support is then split further into specific sub-measures (Volk et al. 2019):

- **Market and direct producer support measures** - agricultural policy measures that are primarily targeted to increase income of agricultural producers - either through market measures or in the form of direct support to agricultural producers (on the output or input sides) implemented horizontally throughout the sector.
- **Structural and rural development measures** - measures with which agricultural policy supports sustainable development of agriculture and rural areas. It includes measures aimed at increasing competitiveness of agricultural production, processing and marketing of agri-food products, ensuring environmental and societal benefits, and increasing economic viability and quality of life in rural areas.
- **Other measures related to agriculture** - public financing of activities, services and projects in the field of knowledge generation and transfer, food safety and quality control and other institutional infrastructure that benefits primary agriculture, but does not depend on the activities of individual farmers.

The APMC scheme employs a 5-digit code system, with the first digit of the code defining the section (pillar) of agricultural policy, the second digit - the division, and each subsequent digit - a sub-category of the previous one. The most aggregate level of the APMC analytical presentation provides information on the evolution of total budgetary support related to agriculture over time, by pillars and also more analytically, within pillars with different levels of disaggregation. Each measure is allocated to one of the APMC codes based on its policy aspect, objective, beneficiary, and implementation criteria.

Additional macroeconomic and sectoral data allowed for different indicators to be derived and compared throughout the report, across the pre-accession countries and with EU as a benchmark. The EU CAP policy performance and context indicators are

taken from the European Commission portal (2020), as averages for the 27 Member States (EU-27).

Data were collected by the national experts from different sources: national statistics, formal policy documents, national systems for monitoring budgetary spending by individual agricultural policy measure, governmental budgetary plans, policy programmes (for detailed information of measures), reports on the implementation of agricultural policy measures from various ministries, aggregate budgetary data from the ministry of finance, local community transfers, donor organisations' reports, research studies, reports, and papers, and other sources - statistical offices, EC country progress reports, etc. A thorough review of policy strategic documents, policy milestones, strategic and operational framework of national policies was conducted to elaborate on the future development of policies in the country/territory and served as a basis for the cross-country analysis. Input from the key players in the governmental structures was used to fill in the data gaps, through interviews and personal communication. The analysis was supplemented with the expert assessment of the national developments and comparative analysis with the EU CAP framework. Some information was not publicly available, especially in the case of disaggregated monetary amounts of budgetary transfers, or at least it was not timely accessible. In this study, there is an issue in the case of Kosovo*, for which the realised payments for 2021 were not available at the time of the preparation of the report, and therefore the APMC and henceforth the analysis contains only data covering the period up to 2020.

1.3. Agricultural policy framework

The agricultural policy framework in the pre-accession countries is being supported by relevant legal and regulatory acts on agriculture and rural development. These laws have been adopted across the WB countries/territories and Türkiye in the period 2005-2010, with subsequent amendments in the following period. In addition to the basic laws on agriculture and rural development, in all countries/territories there is a comprehensive set of laws and by-laws regulating different specifics of the sector.

All countries/territories have adopted national strategies for agriculture and rural development, as long-term documents defining the future development of the sector. Most of them are recently adopted or in the process of adoption. Some cover the 2021-2027 seven-year period, following the EU programming period (Albania, North Macedonia, Bosnia and Herzegovina[4]), or the period 2022-2028 (Kosovo*, Montenegro[5]). The Serbian Strategy is a 10-year document for the period 2014-2024, whereas the Turkish document is a five-year document for the period 2019-2023. Besides these sector-specific documents, most of the countries/territories have overall country development strategies, or other cross-sectional strategies, covering the interactions between various sectors in the economies, including agriculture and rural development.

The IPARD countries (Albania, Montenegro, North Macedonia, Serbia and Türkiye) have adopted their third IPARD programme for the period 2021-2027.

The **strategic objectives** that the countries/territories have set for agriculture and rural development are strongly related to the EU CAP objectives, considering the countries' aspiration for joining the EU and the requirement to align their policies with the CAP. For instance, the Montenegrin strategic objectives are identically addressing nine out of ten key objectives of the new CAP (for the period 2023-2027), and likewise in North Macedonia,

[4] In process of preparation, expecting to be adopted in 2023 (See Chapter 3).

[5] Still in process of preparation/adoption.

following the CAP rationale, all ten CAP strategic aspects are addressed. The objectives contained in the respective countries' national strategies for agriculture and rural development are similar to each other. The common objectives present in all countries' strategic orientations are competitiveness, environmental protection and development of rural areas.

The EU objective 'to ensure fair income for farmers' as such is addressed in the Montenegrin objectives, whereas others focus on stability of producers' income (Bosnia and Herzegovina and Serbia), increasing the income of rural residents (Kosovo*), and sustainable income of agricultural holdings (North Macedonia). Albania and Türkiye do not address this issue specifically in their goals and objectives. Improving the position of farmers in the value chain, as a separate objective comparable to the CAP, appears as such only among Montenegro's and North Macedonia's objectives.

The EU objective of 'increasing competitiveness' is common for Western Balkan countries/territories and Türkiye. Albania adds sustainability to the competitiveness ("reinforce a sustainable and competitive agri-food sector"), Bosnia and Herzegovina adds marketability as an issue ("strengthening competitiveness and improving marketability"), whereas Türkiye defines it through "increasing yields and quality".

Having in mind the EU Green Agenda, the environmental aspects are mentioned among all countries/territories. Environmental benefits appear in all strategic objectives, although with some different wording, either as environmental protection (Albania, Kosovo*, Montenegro and Serbia), sustainable management of natural resources (Bosnia and Herzegovina, Kosovo*, Serbia and Türkiye) or as an efficient management of natural resources (North Macedonia). Actions required towards mitigation, adaptation and combating of climate change and its effects are included in the key objectives in Albania, Montenegro, North Macedonia, and Türkiye, whereas preservation of landscapes and biodiversity are mentioned only in North Macedonia, Montenegro and Türkiye. In some of the countries, these issues are covered by separate strategic documents, tackling climate action, resource use, biodiversity etc.

Support for generational renewal (Montenegro), or the attraction of young farmers (North Macedonia) are used to strengthen the 'socio-economic fabric of rural areas' (Albania). In addition, 'vibrant rural areas' as such are mentioned by Montenegro, whereas others focus on improved and better quality of life in rural areas (Kosovo*, Bosna and Herzegovina, Serbia), economic welfare in rural areas (Türkiye) or local development of rural areas (North Macedonia).

Food safety and health quality are mentioned as an objective by Montenegro, whereas Türkiye sets the objective to ensure food and feed safety, taking into account plant and animal health and animal welfare, and Kosovo* has food safety standards in their objectives. North Macedonia has tackled this issue by setting the objective 'to improve agriculture's response to societal demands for food safety, nutritional composition, food sustainability, food waste and animal welfare'.

Knowledge aspects are defined as objectives in Kosovo* (modern knowledge, technology and standards) and North Macedonia (as horizontal objectives - enhancing and sharing knowledge, innovation and digitalization in agriculture and rural areas). Knowledge transfer and innovation support have been recognized by most of the countries/territories, also taking into consideration their involvement in the Smart Specialization Strategy process (Table 1). Smart specialization strategies aim to boost the economic, research and development, and innovation potential in the countries/territories, using their comparative advantages and foster proactive and productive collaboration within the quadruple helix - the agri-food business sector and academia, supported by the government and civil society. Agriculture and the food industry have been recognized as key priority domains in the already adopted Serbian and Montenegrin Smart Specialization Strategies, as one of the four domains in the

pending North Macedonia strategy, as well as in the smart specialization process in Albania (Agri-tourism, Fishery development) and Kosovo* (Agri-food) (Table 1).

Table 1. Smart Specialization domains by country/territory

Country/territory	Agri-food related domain
Albania	Agri-tourism, Fishery development
Kosovo*	Agri-food
Montenegro	Sustainable agriculture and food value chain
North Macedonia	Smart agriculture and food with higher added value
Serbia	Food for the future

Source: National reports, Chapters 2 to 8.

In addition to the common objectives related to agriculture and rural development present in all pre-accession countries, Albania and Türkiye, as countries with significant coastline, have included sustainable maritime and aquaculture development (Albania), i.e., protection of aquaculture and fisheries resources (Türkiye), among their policy objectives.

Several countries (Bosnia and Herzegovina, Serbia and Türkiye) have recognized the need of improving institutional capacity and have listed it among the strategic objectives in order to achieve effective management of the agricultural and rural development policy.

The comparison of the EU key objectives with the strategic objectives in the Western Balkan countries/territories and Türkiye is elaborated in Table 2.

Table 2. Comparison of the EU key objectives with the strategic objectives in the Western Balkan countries/territories and Türkiye

No.	CAP 2023-2027 objectives	Objectives in WB countries/territories and Türkiye agricultural and RD policy strategies
1.	To ensure fair income for farmers	- fair income for farmers (MN) - stability of producers' income (BA, RS) - increased income of rural residents (XK) - sustainable income (MK)
2.	To increase competitiveness	- increasing competitiveness (all WBs) - plus sustainability (AL), marketability (BA) increasing yields and quality (TR)
3.	To improve the position of farmers in the food value chain	Improve the position of farmers in the food value chain (MN, MK)
4.	Climate change actions	- climate change actions (AL, MN) - to mitigate and adapt to (MK) to efficiently combat climate change, desertification and erosion (TR)
5.	Environmental care	- environmental protection (AL, XK, MN, RS), - efficient management of natural resources (MK) sustainable management of natural resources (BA, XK, RS, (land and water resources, TR).
6.	To preserve landscapes and biodiversity	- preservation of landscapes and biodiversity (MN, MK) protect biodiversity (TR)
7.	To support generational renewal	to support generational renewal (MN), or to attract young farmers (MK)
8.	Vibrant rural areas	- to strengthen socio-economic fabric of rural areas (AL) - vibrant rural areas (MN) - improved and better quality of life in rural areas (XK, BA, RS)

No.	CAP 2023-2027 objectives	Objectives in WB countries/territories and Türkiye agricultural and RD policy strategies
		- economic welfare in rural areas (TR) local development of rural areas (MK)
9.	To protect food and health quality	- to protect food and health quality (MN) - to ensure food and feed safety … plant and animal health and animal welfare (TR)
10.	To foster knowledge and innovation	- enhancing and sharing knowledge, innovation and digitalization in agriculture and rural areas (MK) knowledge, technology, and standards (XK)
	Other	- to improve institutional capacity (BA, RS, TR) and effective management of public policies and improved institutional framework (RS) - sustainable maritime and aquaculture development (AL) - to protect aquaculture and fisheries resources (TR)

Source: EU CAP objectives (EC, 2022); Country objectives (National reports, Chapters 2 to 8); authors' own assessment.

The UN General Assembly's Sustainable Development Goals, which serve as the blueprint for the far-sighted Agenda 2030, take into account the close ties that agricultural output has to the social, economic, and environmental facets of sustainability. The Western Balkans countries/territories perform reasonably well in terms of reducing poverty when compared to other countries globally; the goals related to nutrition, food production, and security improve moderately, but continue to be challenging for the region, as do the difficulties associated with access to affordable and clean energy; the issues that need immediate policy attention are climate mitigation and biotechnology. These objectives can be attained with the aid of targeted agricultural and rural development policies. Since the purpose of agriculture is to achieve food security and promote sustainable agriculture, SDG 2 (zero hunger) is the central goal. When linking the EU objectives with the sustainable development goals (Table 2) and the Western Balkan countries/territories' and Türkiye's objectives, it is noted that the environmental care and vibrant rural areas objectives are present among all countries/territories, thus linking to SDG 1 (no poverty), SDG 8 (decent work and economic growth) and SDG 6 (clean water and sanitation). In addition, most of the countries/territories have also addressed SDG 3 (good health and well-being), SDG 12 (responsible consumption and production), SDG 13 (climate action) and SDG 15 (life on land). SDGs 4 (quality education), 9 (industry, innovation and infrastructure), 14 (life below water) and 16 (peace, justice and strong institutions) are explicitly mentioned by only two-three countries.

Institutional setup. Agricultural policy design and implementation are the responsibility of relevant ministries, which, in addition to agriculture, also cover rural development, forestry and water management aspects. All countries/territories have such relevant ministries, but Bosnia and Herzegovina does not have such ministries at state level, but two institutions instead, one for each of the entities (Federation of Bosnia and Herzegovina and Republika Srpska). Bosnia and Herzegovina, Montenegro and Serbia recognise the need for further equipping the ministries in terms of human capacities. The identified need for capacity training is related to topics such as: faster harmonization with the EU *acquis*, policy impact analysis, reporting and forecasting, and the application of ICT tools for all these tasks.

The paying agencies in some countries are independent institutions (Albania, North Macedonia), whereas in others (Bosnia and Herzegovina, Montenegro, Serbia) they are within the line ministries of agriculture. These institutions (directorates) are understaffed in Albania, North Macedonia and Serbia. The Montenegrin directorate, although overstaffed, declared a need for capacity building of the staff, due to the lack

of experience in this field. IPARD managing authorities are adequately equipped in almost all IPARD countries (Albania, North Macedonia and Serbia), which is also confirmed in the national EU progress reports; Montenegro particularly stressed the need for additional staff for this body.

Policy monitoring and evaluation remain irregular and rather weak in all countries/territories. While the strategic planning component is strengthened, evident through the completed cycle of new strategic documents across the countries/territories, the monitoring and policy impact analyses are not systematically used, but rather sporadically.

A functional advisory service is very important for support of the sector, given the characteristics of the agricultural sectors in the EU pre-accession countries with a strong dual structure and the large number of beneficiaries. In that respect, the National extension agencies providing public advisory services are also understaffed in most of the countries (e.g. Albania, Montenegro, North Macedonia), and there is a recognised need for continuous capacity building of their staff in terms of applications of new technologies and approaches.

Overall, the WB countries/territories and Türkiye have enhanced the agricultural policy frameworks in recent years. All countries/territories have line ministries responsible for the agricultural policy design and implementation. The common challenge for most of these institutions, in almost all of the countries/territories, is the need for their further equipping with human capacities and continuous training. Strategic planning is strengthened, and all countries/territories have prepared and adopted national strategies for agriculture and rural development for the new mid-term strategic cycle, in which the strategic objectives are more or less strongly related to the EU CAP objectives. In addition, the IPARD countries have adopted the third IPARD programme for the period 2021-2027. Monitoring and evaluation systems and practices, and impact analyses of the agricultural policy remain weak and irregular.

1.4. Measures and budgetary support of agriculture and rural development

The commitment that governments make in relation to the development of the agricultural sector and rural areas is defined within the strategic objectives; however, actual budgetary transfers to the sector and rural areas visualize the real priorities countries/territories make (Figures 1 and 2). Although most of the strategic objectives are related to structural changes and rural development, the illustration of the budgetary transfers in the period 2012-2021, with exception of Albania and Montenegro (whose share of the budgetary transfers for structural and rural development measures is 83% and 50%, respectively), shows a reverse representation. Direct producer support to farmers is far more used as an agricultural policy instrument, thus increasing producers' income is a *de facto* priority objective and a safety net, compared to the other respective objectives.

The **total budgetary transfers to agriculture** vary significantly across pre-accession countries (Figure 1). The trend is generally upward in all WB countries/territories (albeit with some small setbacks in Kosovo*, Montenegro and Serbia in 2020), and continues to decrease in the case of Türkiye[6]. With almost EUR 32 million average budgetary

[6] Although the agricultural budget in Türkiye has steadily been increasing in terms of Turkish Lira, due to the depreciation of the Turkish Lira since mid-2017 that caused high inflation, it has actually been decreasing in terms of Euros. In parallel, its share in the national GDP has declined from 0.56% in 2012 to 0.40% in 2021, and the share allocated to agriculture in the total government expenditure has also declined from 2.45% in 2012 to 1.8% in 2021 (see Chapter 8).

transfers for the period 2020-2021, Montenegro remains the country with the lowest level of budgetary transfers, besides the increase of almost 40%, compared to the period 2017-2019. Albania's budgetary transfers show a significant increase of 66% and are now closer to Kosovo*'s average budgetary transfers, ranging between EUR 60 and 70 million per annum. Bosnia and Herzegovina increased the budgetary transfers in the period 2020-2021 by 35%, reaching close to EUR 118 million in 2021. North Macedonia continues to gradually increase its budgetary transfers by around 10% annually, reaching the level of EUR 163 million in 2021. Among the WB countries, Serbia consistently has the highest amount of budgetary transfers; with the increase of 35%, its budgetary transfers reached EUR 376 million as an average for 2020-2021. Due to the size of the country and the economy, Türkiye has a much higher level of budgetary transfers than the WB countries/territories, that is about 8-12 times of the Serbian budgetary transfers (as highest among WB countries/territories). During the last two years, Turkish budgetary transfers show a continuous decrease of about 15% relative to the period 2017-2019, with about EUR 2.6 billion in 2021.

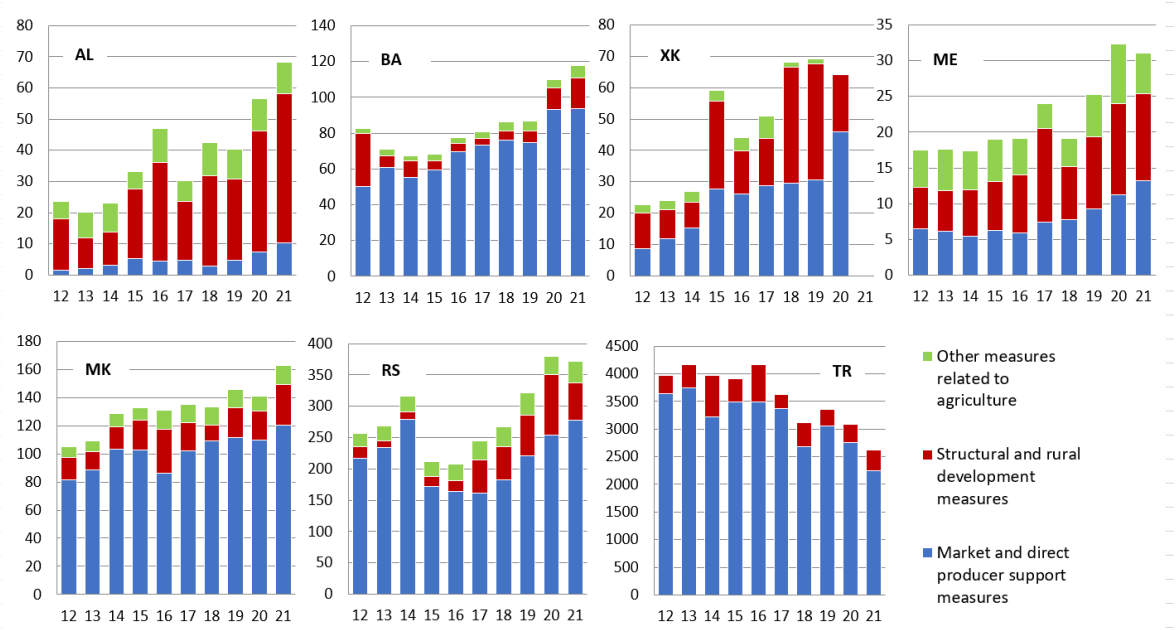

Figure 1. Total budgetary transfers to agriculture in Western Balkan countries/territories and Türkiye (2012-2021, EUR million)
Source: WBC&TR APMC databases.

Besides the increase in total budgetary transfers, there are no drastic changes in the implementation of the policy in most of the pre-accession countries in the period 2020-2021 (Figure 1 and 2). They continue with almost similar structure among the financial resources, dedicated to the different policy pillars. Overall, all countries, except for Albania and Montenegro, have an inter-pillar structure comparable to the average ratio present in the EU.

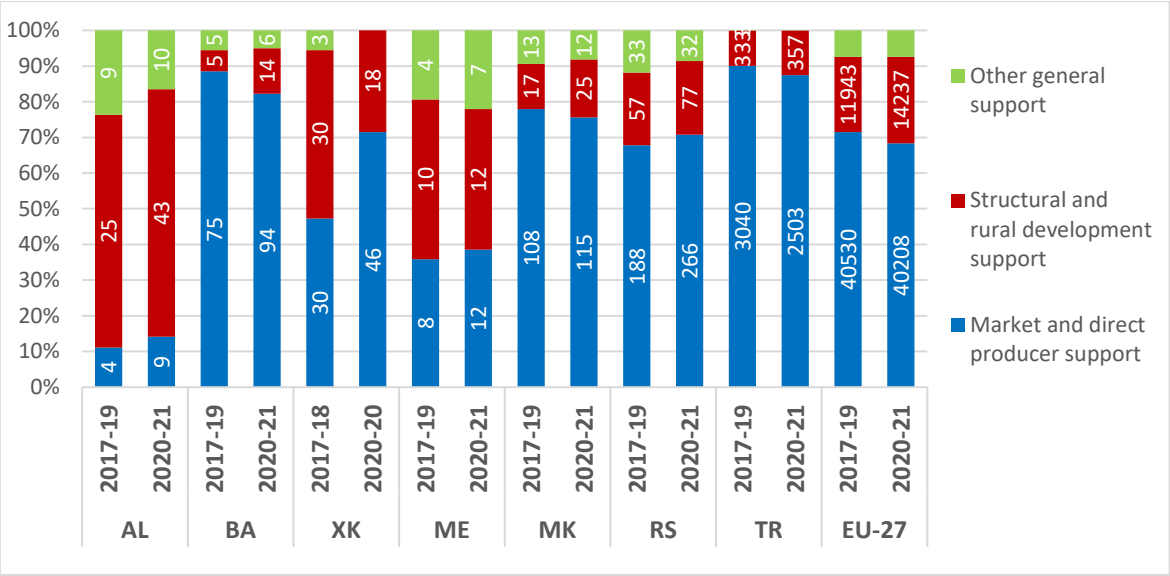

Figure 2. Total budgetary support to agriculture (2017-2019 and 2020-2021, figures in bars expressed in EUR million)
Source: WBC&TR APMC databases.

With the exception of Kosovo*, most countries retained a similar ratio between the budgetary transfers for the first and the second pillar (Figure 3). Kosovo* has increased the market and direct producer support; thus, the ratio first/second pillar has changed from 50:50 in the previous period (notably 2018 and 2019) to 71:29 in 2020, similar to the Serbian structure (77:23). Bosnia and Herzegovina increased the budgetary transfers for both pillars, with more noticeable amounts in the second pillar (from 6% in 2017-2019 to 13% in 2020-2021, or up to EUR 17 million in 2021). In contrast to the other pre-accession countries, Albania's ratio favours the second pillar with 83% in the budgetary transfers structure.

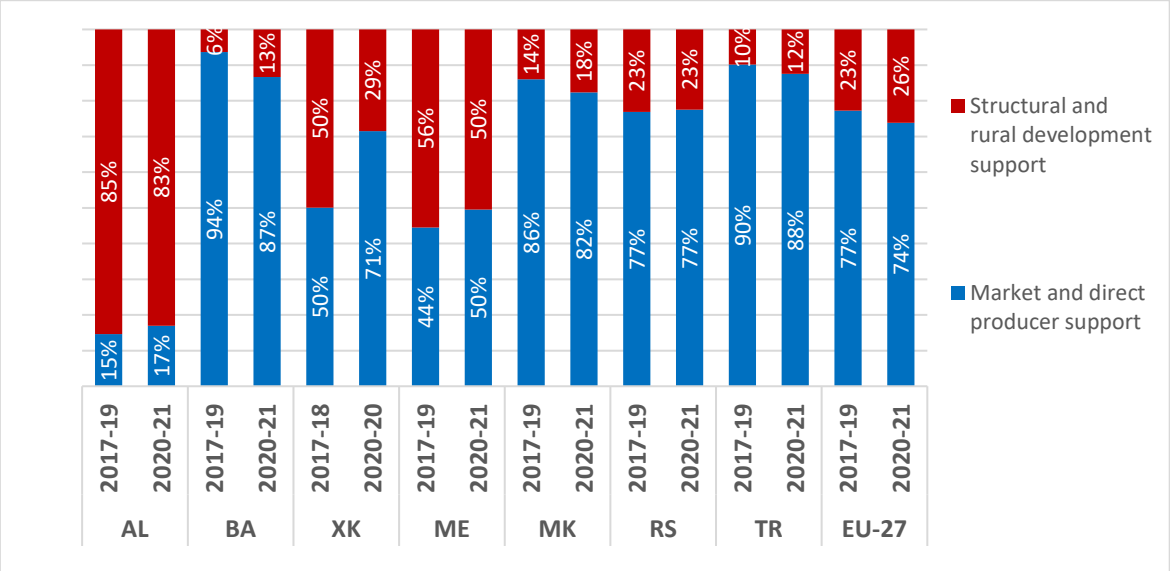

Figure 3. Market and direct producer support versus structural and rural development support ratio (%)
Source: WBC&TR APMC databases.

Due to country differences in size and available agricultural area, the total budgetary transfers comparison is further presented through payments per hectare of agricultural area, and relative to the country's population, i.e., per inhabitant.

Support per hectare. Some differences across the countries/territories that were noted in the period 2017-2019 have been flattened; for instance, the payments in North Macedonia of EUR 120 per hectare of utilised agricultural area (UAA) are comparable to Montenegro's support that has increased to EUR 123 per hectare of UAA (Figure 4)[7]. Albania, Montenegro, Serbia, and Bosnia and Herzegovina show considerable increase in payments as expressed through the optics of utilised agricultural area (+67%, +38%, +34% and +30% in the period 2020-2021 compared to 2017-2019, respectively), reaching a level of EUR 54, EUR 123, EUR 107 and EUR 62 per hectare. Türkiye shows a decline in this indicator (-15%) with EUR 75 per hectare of UAA in the period 2020-2021. With almost no changes, Kosovo* maintains the highest payments per hectare (EUR 153 in 2020). Budgetary transfers in all pre-accession countries are still far behind the EU average (363 EUR/ha UAA).

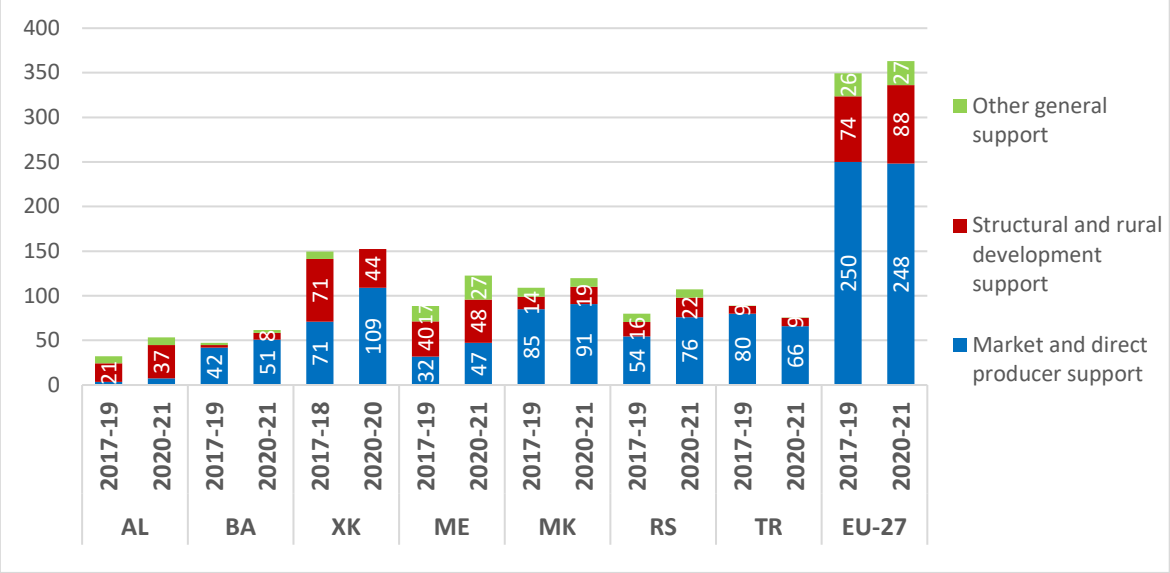

Figure 4. Total budgetary transfers to agriculture per hectare, in million EUR
Source: WBC&TR APMC databases.

Support per inhabitant. Payments per inhabitant have increased, relative to the increased budgetary transfers. Albania still has the least costly policy per inhabitant (EUR 22), whereas North Macedonia has the highest payments when expressed per inhabitant (EUR 78), which is almost double the other pre-accession countries (Bosnia and Herzegovina, Kosovo* and Türkiye with EUR 33 to 34). Montenegro and Serbia payments per inhabitant amount to EUR 51 and EUR 55, respectively. All WB countries/territories and Türkiye have significantly lower budgetary transfers per inhabitant compared to the EU (EUR 114), which has almost double budgetary transfers per inhabitant than North Macedonia, as the pre-accession country with the highest transfers per inhabitant (Figure 5).

[7] The support per hectare is derived per utilised agricultural area in the EU pre-accession countries and EU-27, using APMC WBC&TR dataset and EUROSTAT Utilised agricultural area by categories dataset (2022).

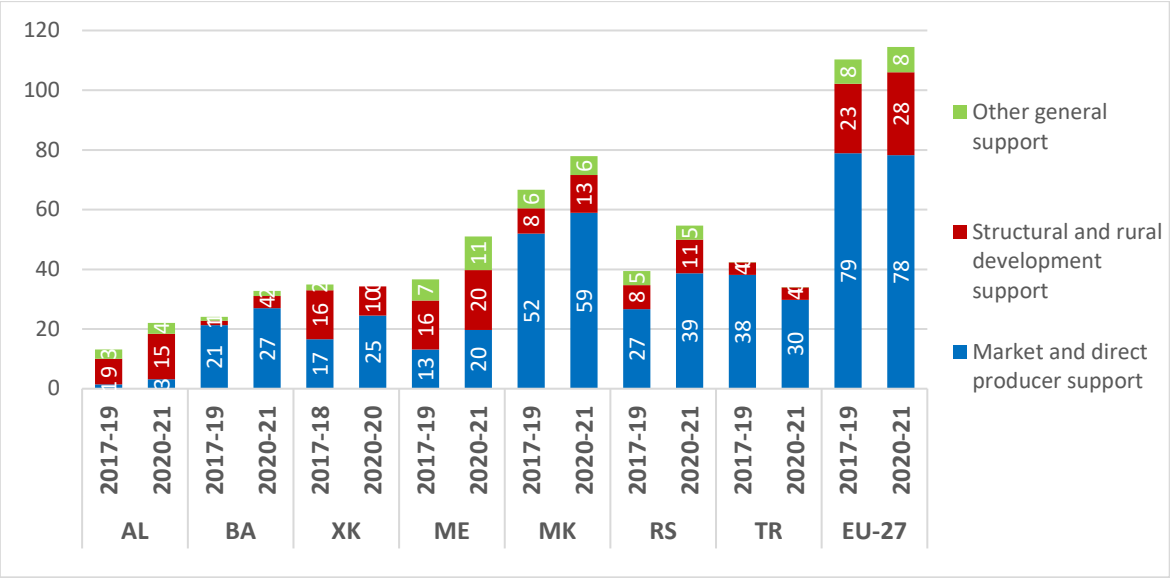

Figure 5. Total budgetary transfers to agriculture per inhabitant, in million EUR
Source: WBC&TR APMC databases.

Budgetary support to agriculture in the whole economy context. The importance of the agricultural budgetary support in terms of its average share in the GDP, government spending and gross agricultural output is illustrated in Figure 6. The countries/territories allocated from 0.5% in Albania to 1.4% in North Macedonia of their GDP to support the agricultural sector. Increase from the period 2017-2019 is notable in Albania, decrease in Montenegro, while other allocations remained stable for the period 2020-2021. The share of the agricultural support in the total governmental spending varies between 1.2% in Montenegro, 1.4% in Albania and Türkiye, 2% in Bosnia and Herzegovina, around 2.5% in Kosovo* and Serbia, and up to 3.7% in North Macedonia. Apart from Albania and Bosnia and Herzegovina, all other pre-accession countries have lower shares of the agricultural budget in national expenditures than in the previous period. That, given the increasing budgetary transfers to agriculture in monetary terms, indicates expanded government spending during the Covid-19 pandemic years. The relative share of total support in the gross agricultural output is another indication showing variation of the level of the support among the countries/territories, and it ranges from 1.8% in Albania to 16.8% in North Macedonia (Figure 6).

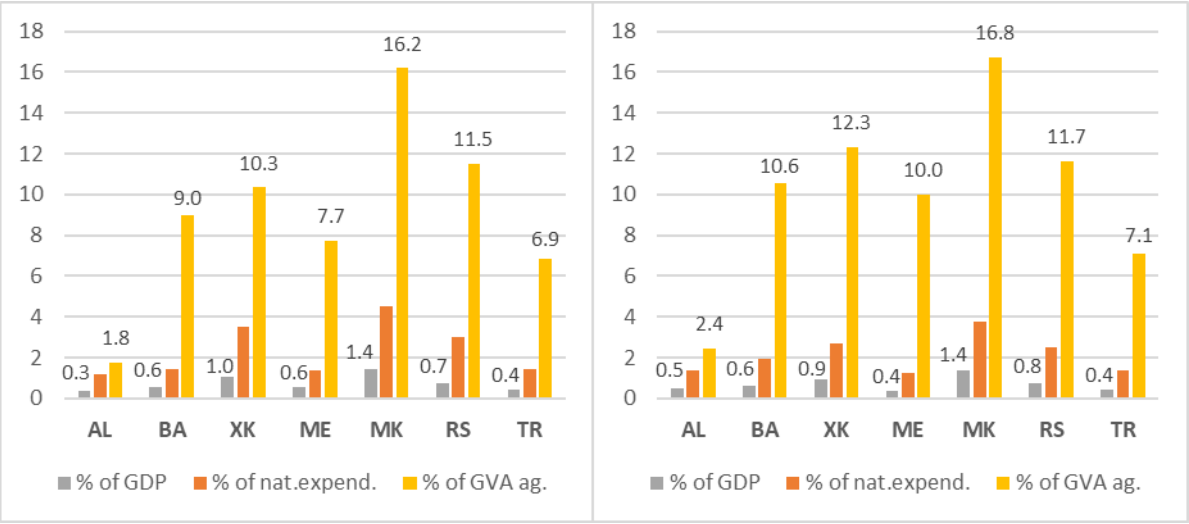

Figure 6. Total budgetary support in GDP, national expenditure and agricultural GVA, in % (2017-2019, left, and 2020-2021, right)
Source: WBC&TR APMC databases.

Direct producer support has been dominant in all WB countries/territories, taking more than 90% of the budgetary transfers, and taking half in the case of Türkiye. In its structure, the largest share goes to coupled direct payments, either based on current area or animal number, or based on output (Figure 7). Albania's and Kosovo*'s direct payments are entirely, or almost entirely, based on capacity (area or animal heads), and this approach is also significant in Serbia (75%). Output payments are used in the other WB countries, taking share of about 37-50%, compared to the payments based on area or animal head. Decoupled payments have only been used in North Macedonia in 2021 (taking up 3% of the direct producer support), however the other countries/territories have not yet applied such measures. Variable input subsidies take significant share in the Turkish budgetary transfers (45%). Due to Covid-19, all countries/territories have applied intervention measures, such as disaster and other compensation to producers, but due to the size of the support, it is not visible in all countries/territories.

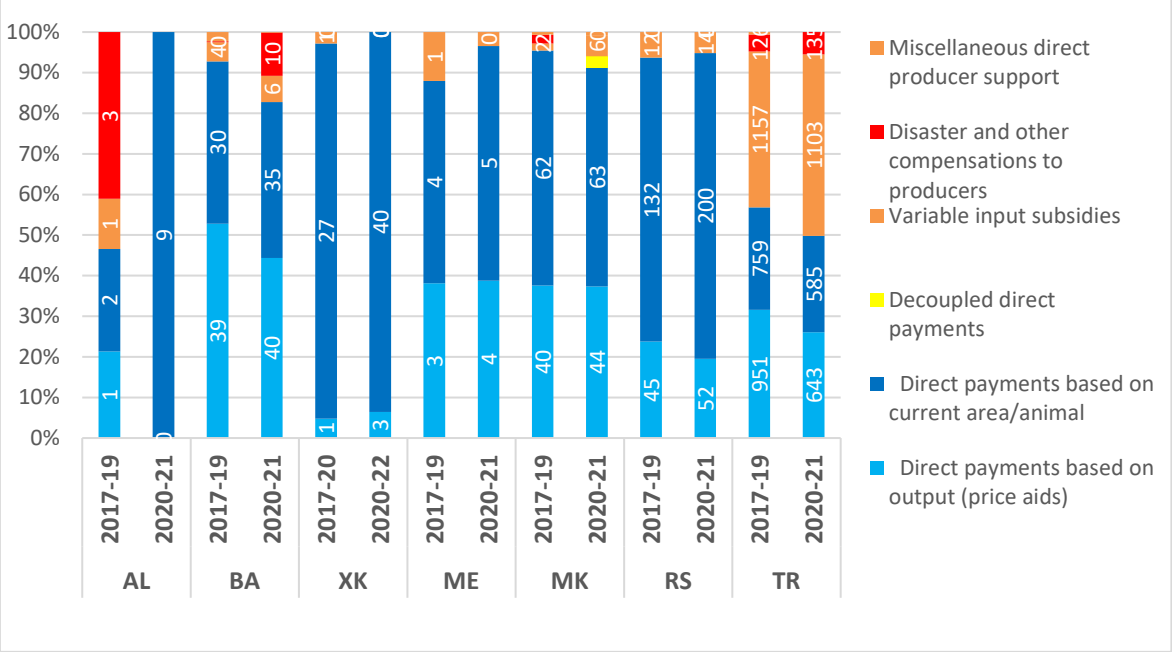

Figure 7. Direct producer support measures (figures in bars expressed in million EUR)
Source: WBC&TR APMC databases.

Structural and rural development measures show increase in the last two years in almost all pre-accession countries (only Kosovo* has decreased the total budgetary transfers for structural and rural development measures in 2020) (Figure 8). Beside the increase, there is a slight change in the structure of these measures across the countries/territories.

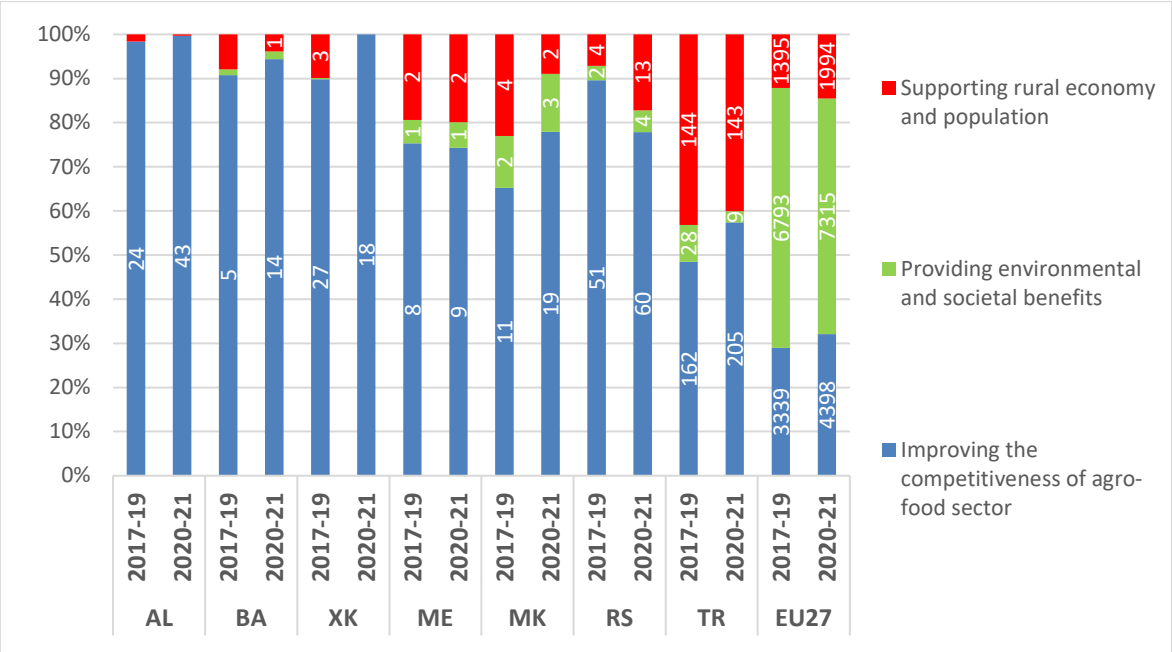

Figure 8. Structural and rural development measures (figures in bars expressed in million EUR)
Source: WBC&TR APMC databases.

In general, the implemented structural and rural development support mostly comprises of measures aimed to improve the competitiveness of the agri-food sector (from 57% in Türkiye to 100% in Albania and Kosovo* in the period 2020-2021) (Table 3). This confirms the associated strategic objective that was common for all analysed countries/territories. Within the measures aimed at improving the competitiveness, most popular is the on-farm investment and restructuring support, notably in Bosnia and Herzegovina, Kosovo*, Montenegro and Serbia. Off-farm storage, processing, marketing and promotion measures have drastically increased in Türkiye over the period 2020-2021, partly on account of on-farm investment measures. Agricultural infrastructure measures are most present and with an increasing trend in Albania and North Macedonia.

Table 3. Competitiveness measures breakdown and share in total support

Country/ territory	Period	Budgetary transfers (EUR mill.)				Proportion (%)	
		On-farm investment and restructuring support	Agricultural infrastructure	Off-farm storage, processing, marketing and promotion	Improving the competitiveness of agri-food sector	In Structural and rural development measures	In total agricultural budgetary transfers
AL	2017-2019	2.2	19.3	2.8	**24.3**	99	64
	2020-2021	11.0	22.3	9.8	**43.2**	100	69
BA	2017-2019	3.7	0.2	0.6	**4.6**	91	5
	2020-2021	12.0	0.5	1.2	**13.6**	94	12
XK	2017-2019	21.3	2.7	3.5	**26.6**	90	42
	2020	16.8	1.5	-	**18.3**	100	29
ME	2017-2019	6.7	0.1	0.9	**7.7**	75	34
	2020-2021	8.7	0.0	0.5	**9.3**	74	29
MK	2017-2019	4.5	5.0	1.9	**11.3**	65	8
	2020-2021	5.3	11.1	2.9	**19.3**	78	13
RS	2017-2019	49.3	1.5	0.0	**50.8**	90	18
	2020-2021	58.4	1.7	0.0	**60.2**	78	16
TR	2017-2019	150.9	-	10.6	**161.5**	48	5
	2020-2021	99.8	-	104.9	**204.8**	57	7

Source: WBC&TR APMC databases.

In contrast, although all countries/territories have some form of environmental related strategic objectives, the implementation of such measures is lacking (for instance, in Albania, and Kosovo* in 2020) or is insignificant (maximum up to 13% share in the structural and rural development support in North Macedonia) (Table 4). This indicates that there is still not enough awareness for the actual need of such measures in the countries/territories. In comparison to the period 2017-2019, North Macedonia and Serbia have put additional EUR 1-2 million for the environmental measures, while Türkiye has cut it to one-third during 2020-2021. Most of the support in the countries/territories is dedicated to agro-environment, organic and animal welfare payments to farmers, apart from North Macedonia, where a larger share from 2020-2021 is transferred through payments to farmers in areas with natural and environmental constraints.

Table 4. Environmental protection measures breakdown and share in total support

Country/ territory	Period	Budgetary transfers (EUR mill.)			Proportion (%)	
		Payments to farmers in areas with natural & environmental constraints	Agro-environment, organic and animal welfare payments to farmers	Providing environmental and societal benefits	In Structural and rural development measures	In total agricultural budgetary transfers
AL	2017-2019	-	-	**-**	-	-
	2020-2021	-	-	**-**	-	-
BA	2017-2019	0.03	0.10	**0.07**	1.32	0.08
	2020-2021	0.05	0.15	**0.25**	1.73	0.22
XK	2017-2019	-	0.08	**0.08**	0.25	0.12
	2020	-	-	**-**	-	-
ME	2017-2019	-	0.54	**0.54**	5.30	2.37
	2020-2021	-	0.72	**0.72**	5.80	2.28
MK	2017-2019	0.90	1.43	**2.03**	11.66	1.47
	2020-2021	2.90	1.75	**3.25**	13.16	2.14
RS	2017-2019	-	1.84	**1.84**	3.25	0.66
	2020-2021	-	3.85	**3.85**	4.98	1.02
TR	2017-2019	-	27.78	**27.78**	8.34	0.82
	2020-2021	-	9.01	**9.01**	2.53	0.31

Source: WBC&TR APMC databases.

Rural economy and rural population support is most extensively applied in Türkiye (EUR 143 million, 40%), followed by North Macedonia, with 23% in the period 2020-2021, whereas other countries/territories' budgetary transfers for such measures is minor (see Figure 8). Creation and development of non-agricultural activities in rural areas and rural infrastructure measures are prevalent, although building local capacity with LEADER-type measures are modestly emerging in North Macedonia and Serbia, and are supported in Türkiye with 15% of the structural and rural development budgetary transfers in 2020-2021.

There are some **newly introduced measures** during the last two years, both as part of the first and the second pillar. Albania has introduced a dozen of new measures, half of which are direct payment and input subsidies, and half are structural measures, such as digital farming, vessels modernization, establishment of greenhouses, centres of excellence and innovation, etc. Serbia has also introduced six new rural development measures as subsidies of investments for improvement of competitiveness. Bosnia and Herzegovina introduced new measures related to loans and interest rates, whereas decoupled payments and women targeted measures written in a gender sensitive wording are novelties in North Macedonia's policy.

Budgetary transfers for **other measures** related to agriculture that do not belong neither in the first nor the second pillar of measures are highest in Serbia with EUR 32 million (e.g. public financing of activities, services and projects in the field of knowledge generation and transfer, food safety and quality control and other institutional infrastructure that benefit primary agriculture). Considering the lower amounts of total budgetary transfers in Albania and Montenegro, these payments make

up about 16-22%, whereas in Bosnia and Herzegovina, North Macedonia and Serbia - it is about 8-9% share (Kosovo* and Türkiye have insignificant amounts) (see Figure 1).

The contribution of the EU **Instrument for Pre-Accession Assistance in Rural Development (IPARD)** to the total agricultural support in WBs and Türkiye has increased in 2020-2021. During this period, the final calls were being carried out for the IPARD II programming cycle. IPARD funds are included in the second pillar (Structural and rural development measures); however, due to its specificities and future EU CAP funds preparatory function, more details regarding its structure and utilization are presented separately.

The indicative budget from EU for the IPARD II programme is allocated from EUR 39 million for Montenegro, to EUR 801 million for Türkiye (Table 5). Funds for already approved projects vary among countries/territories, from EUR 29.3 million in Montenegro to EUR 478.8 million in Turkey. North Macedonia has been most successful in approving projects within the allocated EU funds, followed by Albania. The whole process, following the approval of the projects, then involves signing of contracts, realising the projects, claiming the amount of the realised investments and finally authorisation of the payments by the paying agency. Significant portion of the approved projects have already signed contracts, claimed the expenses and got authorized for payment. Some countries, such as Albania, Serbia and North Macedonia, also allow for pre-financing.

Table 5. IPARD II (2014-2020) approved projects, in million EUR

	AL	ME	MK	RS	TR
No. of project applications	1 057	805	4 173	2 521	6 690
No. of approved project applications	408	416	2 327	834	5 774
Rate of approved project applications	39%	52%	56%	33%	86%
Total approved funds *	70.9	29.3	79.1	88.1	478.8
- National contribution	17.7	7.4	19.7	22.1	119.4
- EU part	53.2	22.1	59.3	66.0	359.4
Indicative EU funds	71.0	39.0	60.0	175.0	801.0

Source: Country case studies (Chapters 2 to 8), WBC&TR APMC databases. Note: * For MK, data available as of 07.03.2022, other countries by end 2021.

The three most frequently used measures in all countries are M1 (Investments in physical assets of agricultural holdings), M3 (Investments in physical assets concerning processing and marketing of agricultural and fishery products) and M7 (Farm diversification and business development, not implemented only in Montenegro) (Figure 9). The funding of these three measures is most equally distributed in North Macedonia and in Türkiye. M4 (agri-environment, climate and organic farming) is only present in Türkiye, with modest funding.

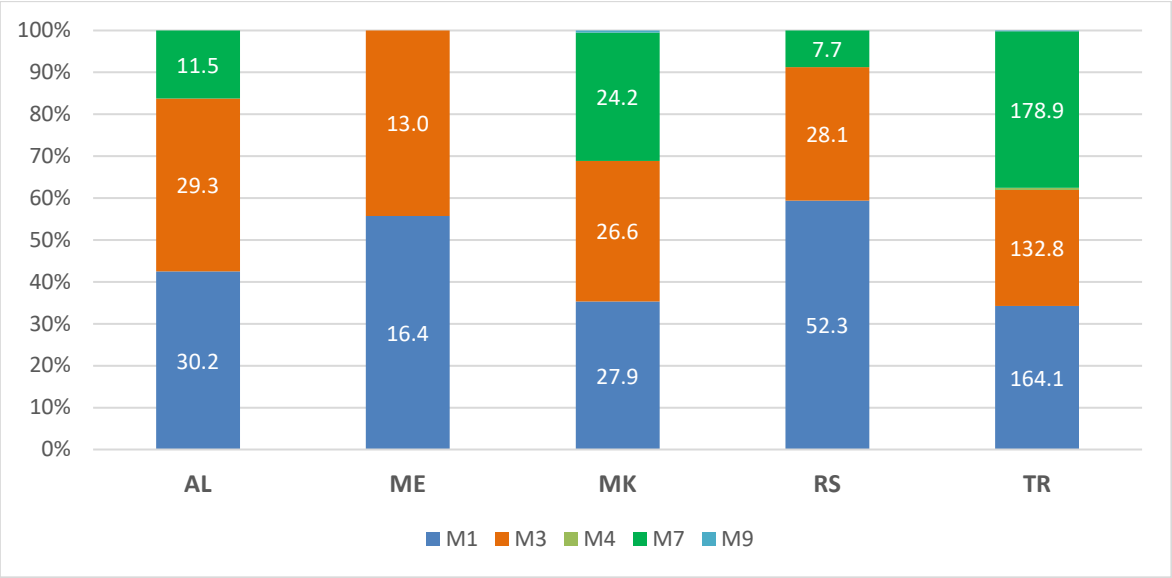

Figure 9. IPARD II measures structure (figures in bars expressed in million EUR)
Source: Country case studies (Chapters 2 to 8).

There are new measures to be implemented, as foreseen in the recently adopted IPARD III 2021-2027 in the pre-accession countries, such as: agri-environment, climate and organic farming (M4), implementation of local development strategies – LEADER approach (M5), investments in rural public infrastructure (M6), improvement of skills and competences (M8), advisory services (M10), and establishment and protection of forests (M11).

Overall, IPARD II implementation and absorption, as well as adoption of the IPARD III have been identified as successes in Albania, Montenegro, North Macedonia and Serbia. This programme has also supported the administrational set-up and the capacity building process.

In summary to this section, the budgetary transfers in the period 2012-2021 continue the trend of direct producer support to farmers, mostly in a coupled form, as a dominant agricultural policy instrument in almost all countries. The increase of the budget for the structural and rural development measures in the past two years in almost all pre-accession countries has not been enough to trigger drastic change in its share in the total budgetary support, and still addresses mostly the competitiveness of the agri-food sector. The IPARD contribution to the total agricultural support has increased in the last two years, when the final calls from the IPARD II programme have been implemented.

1.5. Covid-19 interventions

The Covid-19 pandemic has led to strong disruptions in all Western Balkans economies, being even more pronounced when the restriction measures were introduced since March 2020. All countries/territories reduced their trade, the supply chains were disrupted and the investments reduced. As a result of the declined economic activity at the beginning of the Covid-19 outbreak, the unemployment increased, but also the fiscal deficit and the accumulation of debts in most of the Western Balkan countries/territories (Bogdanov et al., 2022). As all other sectors, agriculture has been also affected, although in North Macedonia and Serbia it succeeded to record growth even during the pandemic.

In order to mitigate the negative consequences of the Covid-19 pandemic, almost all countries/territories have introduced a **set of economic measures** to support citizens,

companies, affected sectors (including agriculture), and the economy as a whole. These measures mostly aimed to maintain the liquidity of the companies, as in the case of North Macedonia, Bosnia and Hercegovina, Kosovo* and Montenegro, to reduce the unemployment, i.e., to stimulate job creation (Albania, North Macedonia, Kosovo*, Montenegro). Also, there were measures related to the postponement and/or annulment of debts, and introduction of new credit lines (North Macedonia, Montenegro, Serbia, Türkiye).

Considering the negative consequences for the agricultural sector, in addition to the general economic measures, all Western Balkan countries/territories applied different **agricultural sector specific measures**.

In **Albania**, there were no sector-specific measures, except for the support of employees' wages, which, in the case of agriculture, mostly referred to the agri-food processing companies. Considering that the majority of the Albanian farms are small family semi-subsistence farms, less than 1% of them benefited from this measure. On the other hand, the access to public services has still been operational through increased availability of services online.

In the case of **Bosnia and Hercegovina**, in the Federation of Bosnia and Herzegovina, a significant part of the funds has been directed to support the purchase of raw materials for spring and autumn sowing, in the amount of EUR 3.65 million. An additional EUR 4.2 million has also been allocated as financial support to export-oriented economic entities from the agri-food sector, in order to alleviate disturbances in the international market from the budget of the Federation of Bosnia and Herzegovina. Regarding Republika Srpska, extraordinary allocations also sought to mitigate the negative consequences of Covid-19, and this has been done through the so-called compensation funds. In 2020, this fund amounted to EUR 5.0 million and in 2021 - to EUR 6.7 million. Part of these funds have been related to investments in farms, while in a slightly smaller part - towards intervention purchase of meat and vegetables. In 2021, most of the EUR 3.4 million EUR went to support production, and slightly less than EUR 3.1 million - to invest in farms. Nevertheless, there were no such additional budget allocations in the Brčko District.

North Macedonia has also introduced different specific measures aimed at supporting the agricultural sector, such as: (i) 100 percent exemption of customs duties on flour and wheat products, sunflower oil, white sugar, as well as other products in high demand during the pandemic, and limiting the export of wheat and wheat flour; (ii) Subsidies to stimulate grape growers (wineries) to produce alcoholic distillate to be used by domestic chemical companies to produce disinfectants; (iii) An export subsidy for exported wine (depending on the quantity of exported wine and transportation costs); (iv) Support for wine grape producers who have delivered their grapes to registered wineries, as well as wineries for transportation costs; (v) Extra subsidy of 3 MKD/kg for spring cabbage producers, for beneficiary farms of sub-measure 1.4 that have delivered the cabbage to registered buyer (Buzarovska, 2020). The identified sector-specific financial transfers included EUR 4.6 million spent for subsidizing 50% of the green oil for farmers, EUR 5 million support provided through the Development Bank, and EUR 7.7 million were spent to support the purchase of grape from 2020 harvest (MOF, 2021).

In **Montenegro**, within the Special governmental programme for the suppression of the Covid-19 Pandemic, in the agriculture and fisheries sectors, a special programme of market interventions in 2020 was implemented, with an aim to maintain the stability of agricultural production and of farmers' incomes, to provide production continuity and to remedy the negative consequences of the Covid-19 pandemic on those sectors that were most vulnerable and most affected. The Special program of market interventions has had 12 components directed to the following sectors: dairies and cheese factories, production and purchase of lamb, piglets and cattle - cattle, poultry meat production and egg production, in plant production – aronia, potatoes and cereals, in aquaculture

- trout production, and support of marine fisheries, with total expenditures in 2020 of EUR 1 347 000. In addition, in 2021, the Government of Montenegro adopted the Support program for agriculture and fisheries, aimed at maintaining the existing level of production and market stability, both in terms of prices and quantities offered on the market of agricultural products (live animals, milk and dairy products, fruits and vegetables, etc.). In the scope of this programme, the ministry initiated market interventions in the crop production sector, for potatoes and watermelon, while in the livestock sector it intervened in chicken meat production, procurement of concentrated animal feed, procurement of feed for bees, marine farming, commercial fishing, procurement of chickens and turkeys, pig farming, lamb, aquaculture etc. Total expenditures in a scope of this program in 2021 were EUR 2 712 000.

In **Serbia**, different measures applied: (i) financial support to vegetable production in protected areas as well as for livestock production through payments per area/animal; (ii) a special credit line was introduced to provide easier access to credit for agricultural holdings during the pandemic, especially for livestock production development; development of crop, fruit, vegetable and flower production and viticulture; investments in agricultural mechanization and equipment; procurement of feed; and liquidity of holdings; (iii) financial support has been provided for livestock producers engaged in cattle breeding through the purchase of market surplus of fattening cattle in difficult economic conditions due to the pandemic; and (iv) in order to avoid physical contact between administration and beneficiaries and among beneficiaries themselves, basic subsidies in plant production in 2020 have been paid directly to the agricultural holding's account (without beneficiaries' applications).

The agricultural sector in **Türkiye** has been also affected, due to which Türkiye's Ministry of Agriculture and Forestry adopted several measures to cope with Covid-19. Farmers and other seasonal labour have been allowed to travel to agricultural areas to continue agricultural activities with housing and transportation of seasonal workers being regulated. Principal and interest payments of the producers on concessional loans were postponed by six months in April 2020 and interest-free loans were granted to food enterprises and small farmers. In addition, the "Crop Production Improvement Project" was developed in order to stimulate additional summer planting and to improve the food security. In this case, 75% of the seed costs was provided as a grant. Also, the state lands not currently in use and suitable for agricultural activities were progressively opened for agricultural production, so in total 970 hectares of state land has been planted with cereals, legumes, oilseeds and feed crops in the first stage of this project.

1.6. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources

The pre-accession countries continue to experience difficulties due to low competitiveness, high unemployment, and a large brain-drain. It is therefore critical to increase convergence efforts by enacting structural reforms, addressing structural weaknesses, boosting innovation potential, and accelerating the green and digital transition, also taking into consideration their future in the EU. The Covid-19 pandemic additionally disrupted the Western Balkan countries/territories' economies, which were already lagging behind in terms of economic convergence with the EU (EC, 2020a).

With the latest reform, CAP focuses on ten specific objectives, linked to the EU's common goals for social, environmental and economic sustainability in agriculture and rural areas, advocating a 'greener' and 'fairer' approach. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources are further reinforced and central to the strategic direction. Agriculture and rural areas are at the core of the European Green Deal, and the new CAP is a key tool for achieving the ambitions of the Farm to Fork Strategy and the Biodiversity Strategy.

The Western Balkans is one of the regions in Europe most heavily affected by the impact of climate change. This trend is projected to continue, with estimated temperature increases of 1.7 – 4.0°C, or even over 5.0°C by 2100, depending on the global effort in greenhouse gasses emissions reduction, coupled with less rainfall and more frequent occurrence of natural hazards, such as floods, droughts, hail etc. (RCC, 2018). The sectors that will experience the biggest impacts are agriculture (e.g., decrease in quantity and quality of agricultural products); forestry (e.g., higher risk of widespread forest degradation, forest fires); and natural resources (e.g., deficiency in water for irrigation, land erosion and degradation).

All Western Balkan countries/territories and Türkiye are signatories of the Paris Agreement. As candidates and potential candidates for the accession to the EU, all pre-accession countries are driven to uphold the Paris Agreement, meet the EU2030 goals for reducing greenhouse gas emissions, improving energy efficiency, and boosting renewable energy production. The Paris Agreement and tight links with the EU provide the countries/territories with more aspirational reasons to work more vigorously at bolstering domestic low-carbon development pathways.

This is particularly enhanced by the EU's Economic and Investment Plan for the WBs (EC, 2020a) and the adjacent Western Balkan Green Agenda ((EC, 2020b). The goal of the Economic and Investment Plan is to accelerate the long-term recovery of the region, severely disrupted by the Covid-19 pandemic (and followed by the implications from the war in Ukraine) and to support it by a green and digital transition, resulting in sustained economic growth. The plan supports implementing the reforms necessary to advance on the EU path and bring the Western Balkans closer to the EU Single Market. It aspires to maximize the region's tremendous potential for enhanced intra-regional economic cooperation and commerce as well as its untapped economic potential. The Economic and investment plan is supported by a significant investment package and strengthened mechanisms to encourage both public and private investment. The Commission proposed to mobilize up to EUR 9 billion of IPA III funding for the years 2021–2027, subject to the adoption of the subsequent Multi-Annual Financial Framework and the related legal bases, to support economic convergence with the EU, primarily through investments and support for competitiveness and inclusive growth, sustainable connectivity, and the twin green and digital transition.

The European Green Deal provides a framework for coordinated action to address the problems of the green transition, climate change, biodiversity loss, excessive resource usage, and pollution, providing for greener economic growth protecting from environmental degradation and resource use. The countries/territories in the region will need to step up their efforts in this area with the help from the EU, in light of this objective and their potential membership in the EU. The Western Balkans will need to work towards achieving the Paris Climate Agreement, the Sustainable Development Goals of the 2030 Agenda for Sustainable Development, and the internationally recognized biodiversity targets. Following this agenda diligently and cooperatively would boost the competitiveness potential in the expanding global markets for sustainable and green technologies.

The Economic and Investment Plan is accompanied by the Green Agenda for the Western Balkans (GAWB), based on the European Green Deal approach. GAWB outlines pertinent recommendations and activities, such as adherence to the *acquis* and EU standards. It is structured around five pillars: (1) climate action, including decarbonisation, energy and mobility, (2) circular economy, addressing in particular waste, recycling, sustainable production and efficient use of resources, (3) biodiversity, aiming to protect and restore the natural wealth of the region, (4) fighting pollution of air, water and soil, and (5) sustainable food systems and rural areas. In keeping with the idea of the dual green and digital transformation, the focus is placed on digitalization as a crucial enabler for the aforementioned five pillars. These goals should be actively pursued with concrete actions and adequate instruments and financial resources.

From the overview of agricultural and rural policy framework in the Western Balkan countries/territories and Türkiye, we observe that sustainable development, climate and environmental aspects are increasingly present to a certain extent in all, including the national strategies for agriculture and rural development, which act as the cornerstone of the respective policy in all countries/territories. References to the greener economy concept are contained in many of the strategies, related specifically to agriculture and rural development as an area that is recognized as vital to the greening concept, and also as a cross-cutting issue in other sectors. What is missing in practice, is the pursuing of the defined strategical priorities and objectives and often a lack of realistic action plans and appropriate tools/indicators to control and evaluate the implementation process. Some of the pre-accession countries, for instance Bosnia and Herzegovina (see Chapter 3), have stated that although declarative compliance exists, operationalization of the goals is missing, since the need for greening of agriculture is not considered a priority. The sector is facing major challenges in producing enough food, hence, continuing to focus on increasing the volume and productivity of agricultural production, which may contrast some greening efforts (for instance, to reduce the use of inputs that would enable higher yields). The food crisis due to the new geopolitical situation in the world is an additional pressure to increase domestic food production and assure food security and sovereignty. This is especially highlighted by the fact that most of the pre-accession countries, apart from Serbia and Türkiye, are net-importers of agri-food products.

The proportion of measures currently linked to greener policy in the Western Balkan countries/territories remains very modest, albeit with a slight upward trend in recent years. The environmental protection measures have taken up from 0.12% in Kosovo* - to 2.28% in North Macedonia as a share of the total agricultural budgetary support in the period 2020-2021 (see Table 4). This is contrary to the situation in the EU, where these measures are continuously on the rise, especially given the new CAP framework.

A recent study on the facilitation of the approximation process of the Western Balkan countries/territories to the EU CAP segment related to the green economy and entrepreneurship summarised the major potential driving forces towards the convergence to greener economy into (Martinovska Stojcheska et al., 2021): (i) raising the awareness about the greener economy paradigm and mainstreaming greener economy principles, initiatives and actions into agricultural development; (ii) establishing a clear concerted policy agenda, supported by achievable objectives and measurable indicators; (iii) strengthening institutions and building capacity (e.g. for implementation of RDP measures), which will in turn create conditions for more successful and prompter use of IPARD funds, implementing the 'green' objectives; (iv) a higher level of harmonization of national policies with the CAP and their alignment with the EU Green Deal and Farm-to-Fork strategy; and (v) encouraging and enabling private sector investments and greener business models. Still, the main hindrances to the process involve: (i) persisting structural deficiencies in the sector present in all respective countries/territories (smallholder farming, low skilled labour, depopulation of rural areas and lacking market participation); (ii) unbalanced use of the natural resources; (iii) low prioritization and political will dedicated to the shift to a green economy; (iv) insufficient monitoring and evaluation of the enforcement of relevant policies; (v) lack of coordination and intra-sectoral connections on cross-cutting issues; (vi) weak capacities of local communities in the context of natural resource management and solving environmental problems; (vii) complicated and demanding procedures hindering the application process for the applicants and administering of the policy measures.

The abovementioned increasing inclusion of sustainable development goals in the national strategic and programming documents provides grounds for promotion of novel practices aimed at economic, social and environmental benefits. In promoting the transition to greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources, Rural Development Programs can particularly play a major role by supporting resource-efficient, low-carbon, and

socially justifiable investments, as well as by encouraging sustainable management of natural resources. With the new IPARD 2021-2027 cycle to be implemented, emphasis should be placed on encouraging introduction and accreditation of new measures, which can greatly contribute to the green objectives (such as the agri-environmental, climate actions and the organic farming and forestry measures).

Nevertheless, it is important to stress that the Covid-19 crisis and the war in Ukraine have shed new light on these priorities, i.e., putting food security and sovereignty to the front line. However, the green approaches need to be integrated into the sector in order to ensure sustainable development in all three dimensions (economic, social and environmental) in the long run. Finding the right balance will pose challenges, not only in the regional policy, but also in the EU and wider.

1.7. EU approximation process

In the direction of the development of the sector, the agricultural policy supports the modernization of agricultural holdings, the increase of processing capacities, marketing, but the main challenges remain the large number of small holdings, with small capacities and fragmented land, insufficient association between producers (horizontally and vertically throughout the chain), the insufficient access to new knowledge and skills, and investments in new technologies and innovation.

The countries/territories' strategic priority is full EU membership, which implies functional market economy and functional markets, price liberalization, macroeconomic stability, as well as a developed capacity to deal with competitive pressure and market forces in the EU. The EU approximation is a long-term process of legislative harmonization and establishment of appropriate administrative setup, especially in the area of formulation, analysis, implementation and control of the agricultural policy. The Instrument for Pre-Accession Assistance for Rural Development – IPARD) is a key enabling mechanism for establishing an institutional framework and administrative capacity for further formulation and implementation of market and direct support measures and EU rural development programs.

Pre-accession countries, in essence, have the same main goal as the EU agricultural policy, aiming at providing enough food for all EU residents at affordable prices, while ensuring an adequate income for agricultural producers. In the area of rural development, key goals are ensuring the development of rural areas, as well as providing conditions for modernization and increasing food production. These policies are implemented through the Common Agricultural Policy of the European Union. The CAP includes a complex system of common rules and measures for income support, regulation of agri-food markets and rural development. The implementation of the CAP implies strong management and control systems.

According to the new methodology for the enlargement of the European Union, chapter 11 Agriculture and rural development is placed in the fifth cluster: Resources, agriculture and cohesion, together with food safety, veterinary and phytosanitary policy (chapter 12); fisheries (chapter 13); regional policy and coordination of structural instruments (chapter 22); financial and budgetary provisions (chapter 33). According to the latest reports of the European Commission (2022), all countries/territories still need to make significant progress to fulfil the requirements of the chapter. A summary of the progress made in the accession negotiations on agriculture & rural development and food safety, veterinary & phytosanitary policy chapters, comparatively for 2019 and 2021 is illustrated in Figure 10. In general, better progress is evident for the food safety, veterinary & phytosanitary policy than for the agriculture & rural development. Montenegro and North Macedonia remain the most advanced in both chapters. In the agriculture and rural development chapter, the progress is very heterogeneous across

the countries/territories – it varies from an early stage in Bosnia and Herzegovina, some level of preparation (Albania, Kosovo*, Serbia and Türkiye), to moderately prepared in Montenegro and North Macedonia. From 2019 to 2021, an important achievement was the improvement in the fisheries chapter to some level of preparation in Albania, Montenegro and Türkiye.

In order to strengthen the sectoral preparedness, further improvements are needed in all countries/territories - in the institutional setting, inter-institutional and inter-sectoral cooperation, as well as simplification of the administrative and control systems during the implementation of agricultural policy measures. Reports from the European Commission continuously emphasize the need for additional adequate human and financial resources needed to maintain the institutions. The various administrative and control systems need to be regularly updated, and their interconnection still remains a problem. An integrated administration and control system (IACS) is still lacking in some of the countries (Albania, Bosnia and Herzegovina) with elements of the land parcel identification system (LPIS) or the farm accountancy data network (FADN) needed to be established, or upgraded and continuously improved in the countries where they are already in place (North Macedonia, Serbia, Türkiye). In the coming period, progress is expected in further harmonizing the policy with EU law, employment of qualified staff in the institutions for effective implementation of policies and programs and effective use of available funds.

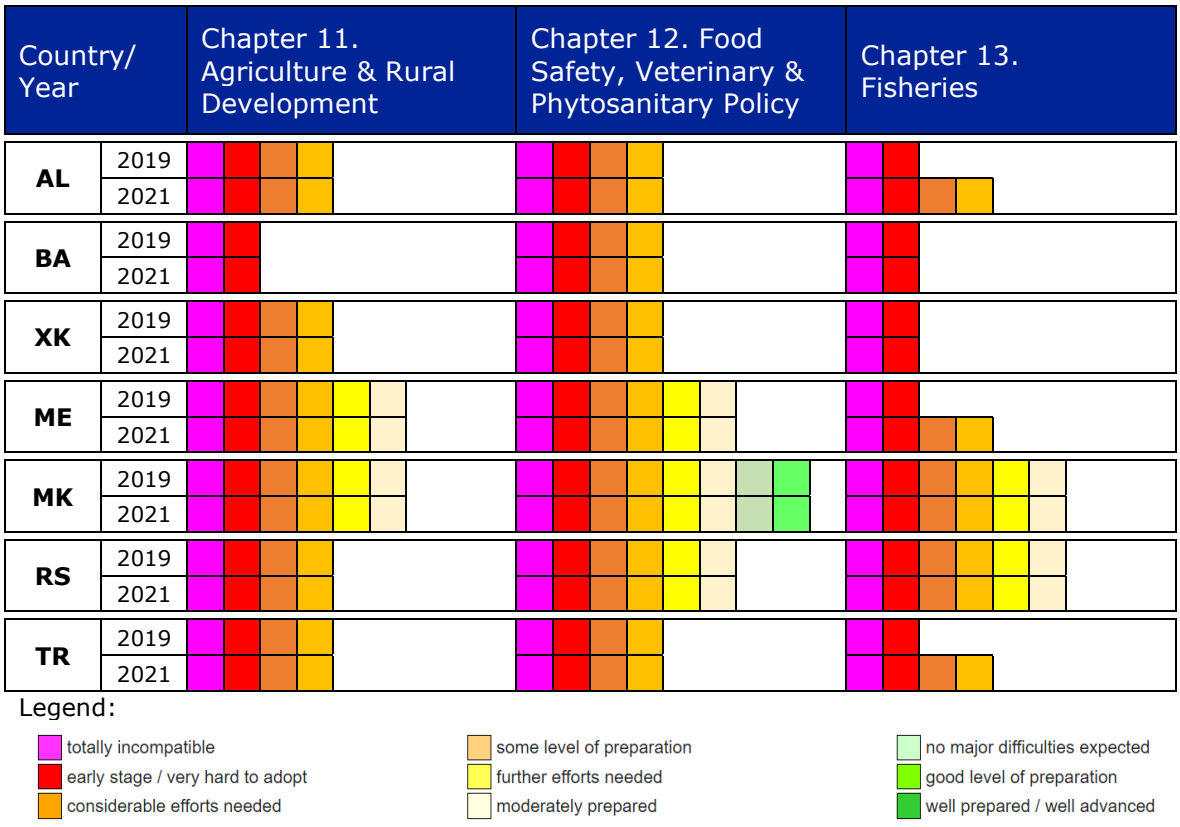

Figure 10. Pre-accession countries' approximation progress (2019 vs 2021)
Source: EU country progress reports, 2019 and 2021.

Special attention needs to be paid to adopting methodologies and defining the responsibilities and budgetary aspects of a future agricultural censuses, as a basis for accurate state-of-affairs of the agriculture and rural development in the pre-accession countries (in many of the countries, the last agricultural censuses are long outdated). This is especially reinforced in the current context; Covid-19 posed a serious threat to already weak national statistical systems and was a wake-up call to the need for

stronger statistical and ICT foundations, needed for all aspects of agricultural policy formulation, implementation, analysis, monitoring and evaluation.

1.8. Conclusions and policy recommendations

This study presents the results from the latest follow-up of the **state of agricultural and rural development policy in the Western Balkan countries/territories and Türkiye and their** approximation **with the EU CAP**, focusing on the years 2020 to 2021. To facilitate the analysis and comparison of the policy among pre-accession countries and the CAP, and following the EU two-pillar concept, these series of studies use the APMC tool as a uniform classification of different policy measures among countries/territories. Different indicators derived from additional macroeconomic and sectoral data allowed comparison of the pre-accession countries with the EU as a benchmark.

All Western Balkan countries/territories and Türkiye aspire to become full-fledged member states of the EU. **EU's CAP therefore represents the benchmark** for agricultural policies in pre-accession countries to be met upon accession: developing ability to take on the obligations of the EU membership, with strong reliable management and control systems to align with the EU legal, administrative set-up, and support system to facilitate integration of the agricultural sector into the EU's single market and political decision-making process.

All pre-accession countries have adopted, or are in the final process of adoption of **national strategies** for agriculture and rural development, as long-term documents defining the future development of the sector for the next programming period (in most cases aligned to 2021-2027). These documents defined their **strategic objectives,** in line with the EU key objectives, confirming the EU aspirations. Competitiveness, environmental protection and development of rural areas remained to be the common objectives for all of them, with measures for increasing the competitiveness being dominant. While the agricultural policy designs in pre-accession countries adhere to the CAP objectives, which is required for accession into the EU, these do not necessarily reflect an optimal policy choice from a local perspective. The uncertain date of EU accession slows down the process and motivation for enhanced harmonisation. The crises caused by Covid-19 and the war in Ukraine led to a new situation where the countries/territories diverge from their strategic planning and actually put into practice policies that are optimal from their own national standpoint and act to protect the domestic sectors.

All countries/territories have established **operational institutional structures**, from ministries to design the policy, paying agencies to implement this policy, and extension agencies to support this process. Still, many of these institutions lack human resources for their full functioning and need additional capacity building, especially regarding harmonization with the EU *acquis* and stronger use of digital solutions.

The **IPARD beneficiary countries** (Albania, Montenegro, North Macedonia, Serbia and Türkiye) have adopted the third IPARD programmes for the period 2021-2027. The IPARD II implementation and absorption, as well as adoption of the IPARD III have been identified and generally perceived as successful in Albania, Montenegro, North Macedonia and Serbia, which is also confirmed by the increasing number of applications and approved projects. This program has importantly supported the administrational infrastructure and capacity building process towards preparation for future implementation of the CAP. Continuous improvement is still required in enhancing the functionality of the institutional and administrative setup with adequate human and infrastructure capacities, increasing the number of entrusted measures and, where possible, simplifying the procedures for better absorption of the funds.

In order to strengthen the sectoral preparedness, **further improvements** are needed in all countries/territories - in the institutional setting, inter-institutional and inter-sectoral cooperation, as well as simplification of the administrative and control systems during the implementation of agricultural policy measures. The reports from the European Commission continuously emphasize the need for additional adequate human and financial resources needed to maintain the institutions. The various administrative and control systems need to be regularly updated, and their interconnection still remains a problem.

Pre-accession countries vary in their **budgetary spending for agriculture and rural development**. In the period 2020-2021, all WB countries/territories increased the amount of total budgetary transfers to agriculture, whereas Türkiye has decreased it, compared to the previous period. The annual budgetary transfers in the period 2020-2021 amount from around EUR 30 million in Montenegro, EUR 70 to 80 million in Kosovo* and Albania, EUR 120 million in Bosnia and Herzegovina, EUR 160 million in North Macedonia, EUR 370 million in Serbia, to over EUR 2500 million in Turkey. The countries/territories continued with almost similar structure and trend in the budgetary transfers to agriculture and rural development as the previous period 2017-2019. The total budgetary transfers presented per hectare and per inhabitant are still far below in all pre-accession countries, compared to the EU average. The share of GDP to support the agricultural sector and rural development remains stable or with some slight increase across the pre-accession countries in 2020-2021, as compared to 2017-2019. During the last two years, some countries/territories have introduced new measures, some driven by the economic situation caused by the Covid-19 crisis, whereas others to meet their strategic goals or harmonize more with the EU policy.

Almost all pre-accession countries, except for Kosovo*, increased their **budgetary transfers** for structural and rural development measures and retained a similar ratio between the market and direct producer support, and the structure and rural development support (the first pillar dominating in all countries/territories, except for Albania and Montenegro). The actual execution of agricultural policies remains with almost exclusively sectorial focus, and the highest priority is directed towards increasing producers' income (support that is production-oriented), followed by the support for on-farm investments.

In the structure of **market and producer support measures**, the largest share goes to coupled direct payments, either per area or animal number or per output. North Macedonia is the only country that introduced some initial decoupled measures in recent years. Further alignment with EU policies is expected for linking payments to cross-compliance standards. In particular, EU continuously stresses the requirement for decoupling of direct payments from production in all countries/territories. Since the countries/territories still face the effects of a long period of insufficient investments and diminished use of the resources, resulting into low productivity and competitiveness, decoupling has not yet become a priority shift in any of the countries/territories. The inclination to implement such payments should be enhanced by a deeper analysis, simulating the potential impact of this scheme on the agricultural sector and its subsectors, taking into consideration each country's specifics.

The budget for **structural and rural development measures** should be more substantial; the needed investments in the agri-food sector are essential to modernise and restructure the sectors towards increased competitiveness. However, adequate support also needs to be dedicated to promoting quality of life and employment in rural areas, and in particular, to promoting the delivery of environmental and agricultural public goods.

Boosting **knowledge transfer and collaboration** within the quadruple helix (farming/agri-business sector, academia, government and civil society) towards enhanced innovation and new technology transfer is a pathway that is increasingly emphasized in the countries/territories, especially by the ongoing smart specialization

strategies, in which the agri-food sector is among the key priorities in all countries/territories. Interregional links might be further investigated in order to utilize the available resources and competencies to their fullest. These should be supported by adequate budget and measures.

Agriculture is the only sector that produces food and meets the needs of the population, as a function of the general development and stability of the country. Recently, this has been emphasized by the crisis caused by the Covid-19 pandemic that started in 2020, and further deepened by the global crisis, resulting from the war in Ukraine in 2022. Changes in food production, along with other factors, affect food prices, that is, the availability of food to various categories of consumers. The effects of climate change that affect food security are increasingly present: the availability, access, stability and utilization of natural resources. The overall availability of food is also affected by changes in agricultural yields, productivity, as well as changes in the availability of arable land.

The **crisis caused by the Covid-19 pandemic,** and the ongoing crisis with the war in Ukraine have prompted and re-emphasized the importance and need for a stable food system that functions in all circumstances and is able to provide consumers with a sufficient and continuous supply of quality food at affordable prices. The increased awareness of the importance of sustainable systems implies a greater commitment to achieve sustainable development while simultaneously dealing with economic, social and environmental challenges. Finding the right balance is the key challenge; pre-accession countries are still lagging behind in productivity and efficiency behind the EU. Most of the countries/territories (except for Serbia and Türkiye) are net importers of agri-food products. Besides the competitiveness component that needs to be enhanced, food security and sovereignty become an imminent priority in light of the Covid-19 and now Ukraine crisis, requiring for supply of enough, nutritious and affordable food. Several avenues not yet extensively explored might come to contribute to this goal: use of abandoned and uncultivated land, change in production structures towards producing crops to satisfy the required nutritional demands of the population (e.g., increased cereals, pulses, oil crops production), expansion of storage capacities, interventions in food reserves. However, it is important to take precautions to ensure that some measures, such as increased land use, do not compromise environmental sustainability and that land is distributed fairly and transparently. One of the issues that needs immediate attention is food waste, which significantly affects the agricultural output and food availability along the whole supply chain: from production (e.g., pre-harvest, during harvest), post-harvest activities (e.g., sorting, storage, transport), during processing (e.g., canning, packaging), distribution network (e.g., transport, logistics, wholesale, retail), to the end consumers.

Achieving higher productivity and improved competitiveness, while also ensuring food security, diminish the prioritization and commitment to the **greening aspects**. Instruments and measures linked to climate change, biodiversity loss and management of natural resources, despite being declaratively present in the countries/territories' strategic frameworks, are not high on the implementation side. The countries/territories still have relatively extensive forms of agricultural production (apart for perhaps more intensive models applied mostly in vegetable and fruit production). The awareness and the recognition of the need for greener practices is still low in the pre-accession countries. The ambitious Economic and Investment Plan set by the EU, accompanied by the Western Balkans Green Agenda, will provide a framework to tackle the growing challenges related to climate change, biodiversity loss and management of natural resources, and support the green and digital transition in the region in the forthcoming period. In that respect, besides national level actions, the countries/territories need to enhance their resources and capacities, focusing on regional cooperation in order to resolve cross-border issues, such as climate change.

Having in mind the 2030 Agenda **Sustainable Development Goals**, the region performs reasonably well in reducing poverty, although moderately improving nutrition, food production and security are still challenging, but face difficulties in access to affordable and clean energy. As agriculture contributes directly to eight SDGs, and indirectly to all of them, further changes are needed in order to eradicate poverty, improve food and nutrition security, and support rural development, while protecting the environment. Business as usual is not an option if we wish to meet these targets simultaneously. Agri-food systems transformation is required so they work better with nature and for the climate.

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CHAPTER 2. AGRICULTURAL POLICY DEVELOPMENTS IN ALBANIA

Edvin Zhllima[8]

2.1. Agricultural policy framework

The agricultural sector in Albania is the largest in terms of importance to the overall economy among all countries/territories of the Western Balkans (Martinovska Stojcheska et al, 2021) and remains the main source of income and food for a major share of the rural population. Therefore, agricultural policies in Albania play a crucial role in promoting the sector growth and achieving a better livelihood in rural areas. Several challenges remain for the Albanian agriculture, both in structural and institutional terms, which mainly consist of: (i.) strengthening market orientation and competitiveness of the agri-food sector, (ii.) increasing the sector's response to social demands for safe, healthy, nutritious food and animal welfare (iii.) enhance farmers' position in the food chain, (iv.) support climate change mitigation, (v.) foster sustainable management of natural resources and (vi.) guarantee community development and social capital in rural areas (MoARD, 2022).

The Albanian policy framework in agriculture and rural development is already consolidated. The National Strategy for Development and Integration 2021-2027 and the Programme of the Albanian Government (2021-2025) are the reference documents for setting the overall goals and general objectives for the agricultural and rural development policies. The policy objectives for agriculture and rural development are stated in the Strategy for Agriculture, Rural Development and Fishery (SARDF) 2021-2027 (MoARD, 2022) as the following: (i.) to reinforce a sustainable and competitive agri-food sector (ii.) to strengthen environmental protection and climate actions, (iii.) to strengthen the socio-economic fabric of rural areas and (iv.) to foster sustainable maritime and aquaculture development. These objectives as well as the specific objectives of the SARDF 2021-2027[9] are also reflected in the National Plan for European Integration (PKIE) 2021-2023, within cluster 5 and in relation to Chapter 11, 12, 13 and the relevant horizontal legislation of Chapter 27 (Environment and Climate Change). The SARDF 2021-2027 is also in line with Sustainable Development Goals (SDGs) 2, 5, 12, 13, 15, 15 and 17) (RCC, 2020). SARDF 2021-2027 preparation has been guided to embrace the concepts and requirements emerging from the most recent EU Common Agriculture Policy (CAP)[10].

A very important policy framework is also the adoption of the Instrument for Pre-Accession Assistance for Rural Development Programme (IPARD III) for the period 2021-2027 (EC, 2022b). As expected, the prioritisation of objectives[11], the specific objectives and the areas of policy intervention of the IPARD III programme are connected with the main objectives of the SARDF 2021-2027.

SARDF 2021-2027 is an umbrella strategy, while other policy objectives in Albania are underlined in other strategic documents, including those related to water, land and forests, namely (i) the Albanian National land consolidation strategy, approved by Decision of

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[9] Main specific objectives of SARDF 2021-2027 are to: i. Continue to improve the quality of life in rural areas and diversification of spaces and opportunities for economic activities. ii. Reduce the inequalities in terms of living conditions between rural and urban areas iii. Increase exports through investments in the processing sector, facilitating capital enhancing investments and increasing access to new markets. V. Development of rural tourism by providing support mechanisms for women, youth and returned migrants. vi. Increase support for agriculture, livestock and rural development through direct support and IPARD III financing.

[10] Namely, the Green Agenda for the Western Balkan (RCC, 2020), the EU "Farm to Fork" Strategy (EC, 2019) for a sustainable agri-food sector, the strategy on Biodiversity 2030 (EC, 2020), the objectives settled at the Economic and Investment Plan (PEI) for the Western Balkans, (EC, 2022a) as well as the EU Strategy for the Adriatic and Ionian Region (EU, 2014).

[11] The overall objectives are derived by linking the objectives of IPA III assistance within IPA III Strategic Response, under Window 4 – Competitiveness and inclusive growth rural development programmes in Thematic Priority 3: Agriculture and Rural Development.

council of Ministers (DCM) No 700, (GoA, 2016); (ii) the Strategy for Irrigation and Drainage (2018–2030) (MoARD, 2019); (iii) the National strategy on climate change and National plans for greenhouse gas mitigation and adaptation to climate change (WFD, 2019); and (iv) the National strategy of integrated energy and climate (USAID, 2018), etc.

One programme which has been highly promoted in 2018, but which is vaguely related to the existing policy framework, is the Integrated Programme for Rural Development - The 100+ villages initiative (GoA, 2018). The approach of the programme was to provide financial support for infrastructural, economic development (mainly agri-tourism) and social cohesion in 100 villages. During the period 2019-2020, multidisciplinary research was carried to prepare thematic maps, record cultural inheritance and prepare development plans in order to support area based integrated development for the targeted villages and surrounding areas. However, the programme operationalisation/ implementation and the achieved results have been subjects of concern in terms of transparency (ANRD, 2020), especially after the year 2020.

An additional crosscutting strategy with contribution to agriculture and rural development is the Smart Specialization Strategy, where agri-tourism and fishery development are strategic priorities. The Smart Specialisation Platform (S3P) in Albania aims to contribute to the Research and Innovation investments in ICT, tourism (including blue growth) and agri-tourism and energy (especially renewable energies – water, solar) (Haxhi, 2019). A road map for the smart specialisation strategy has been drafted with TAIEX support (EC, 2017) and further steps are taken for data collection and the Entrepreneurial Discovery Process (EDP).

Table 6. Overview of the key legal, strategic and programming framework in Albania

Key legal, strategic and programming document	Key goal and objectives	Notes/remarks
Law on Agriculture and Rural Development (No 9817/22.10.2007	The Law defines the objectives of agricultural policies and rural development programmes and asserts the rules on agricultural public services, research and training.	Update needed
National Strategy for Agriculture, Rural Development and Fishery 2021-2027	Reinforce a sustainable and competitive agri-food sector as well as maritime and aquaculture development, achieve effective environmental protection and climate actions and maintain the socio-economic fabric of rural areas.	Strategy is being adopted through a DCM in 2022. No Action Plan available.
IPARD III programme 2021-2027	Reinforce a sustainable and competitive agri-food sector, strengthen environmental protection and climate actions and the socio-economic fabric of rural areas.	Programme to be launched at the beginning of 2023
Albanian National Land Consolidation Strategy (2016-2028)	Assist farmers to improve farm structures by providing opportunities to reduce land fragmentation and enlarge farm size by developing conditions for land consolidation.	In process of implementation. No clear indicative monitoring framework.
Law on LAGs (Local Action Groups)	Provide basic principles, criteria, responsibilities, and processes for organizing and functioning of LAGs, drafting and implementation of community-led development strategies .	Adopted through Law No.36 of 2022. Preparatory work for the establishment of LAGs has started.
Integrated Water Resources Management Strategy 2018-2027	Achieve a sustainable use of water resources, attainment of good water quality in all water resources, disaster risk reduction and management of drought and floods, increase of sound scientific knowledge on water and climate issues, appliance of inclusive and sustainable water management practices.	Linked with the land and water management policies.
Smart Specialisation Platform (S3P)	Contribute to the Research and Innovation investments	Yet not strongly related with other frameworks.
Integrated Programme for Rural Development-The 100+ villages initiative	Coordinate development interventions in the rural area of 100 villages according to the crosscutting and multi-stakeholder approach.	Yet not strongly related with other frameworks. Programme implementation and the results achieved are unclear, especially related to changes after 2020.

Source: Authors' own elaboration.

The implementation of the policy and the institutional and administrative set up in Albania has slightly changed during the period 2020-2021 (Table 7). MoARD still is the responsible institution for implementation, monitoring, and evaluation of agricultural and rural development policy measures. However, several changes have been observed in terms of administrative structures inside the MoARD and capacities, but also on the logical division

of analytical support for policy formulation and monitoring systems[12]. The policy management process, starting from the strategic planning and the formulation of policy priorities, is led by the Council of Ministers and Ministry of Agriculture and Rural Development (MoARD).

The Agriculture and Rural Development Agency (ARDA)[13], is an independent public body, operating under the direct responsibility of the Minister of MARD and responsible for the implementation of the IPARD III programme (as well as national schemes). Despite the very good performance in absorbing IPARD II finding, an evaluation performed by the Government Audit Agency (KLSH, 2021) identified that institutional capacities of the agency need to be extended in order to meet the new requirements and implement the increasing number of activities in the near future.

The Managing Authority (MA) is the Directorate for Programming and Monitoring IPARD (DPMI) within MARD, which is responsible for preparing the steps for the implementation of the IPARD programme within the scope of the responsibilities, defined in the Sectoral Agreement. The IPLS (2021) provides proposals on the reorganization of this Directorate into a Directorate of Policies and Programmes and on reallocation of the workload. Interviewed experts propose to restructure the divisions according to the respective chapters of the EU *acquis* dealt in the Stabilization and Association Agreement. Despite the progress made in the programming period for IPARD III, the number of new measures to be adopted is still high and the speed of absorption and the milestones for adopting them give no clear indication if they will be adopted before 2025 (see next section).

The Albanian National Extension Service (ANES) is organised and managed within MoARD's authority. Extension service provides free of charge information, advice and training to farmers and agri-business. Other important dependent entities are the Agriculture Technology Transfer Centres, which are responsible for adopting applied research activities and transferring knowledge to farmers' communities. Both these entities need capacity building for the staff, premises and logistic upgrading (NIRAS, 2019) and a new arrangement of relations with other components in the framework of Agriculture Knowledge and Innovation System (AKIS).

In 2021, the National Authority of Veterinary and Plant Protection (NVPPA) was established. The entity is responsible for the monitoring and verification of the phytosanitary condition for any plant pests in the country as well as issuing phytosanitary certificates for export. The staffing of the structure is not yet complete (EC, 2021).

[12] A report of IPLS (2021) found that the restructuring of the MoARD structure made possible the "treatment of each policy in a separate structural unit, separated from that of programs or projects which…. brought a distortion first in the division of concrete tasks to be addressed by each unit and …. A lack of authorship and responsibility in the formulation of the policy". For instance, according to the same report, reforms made in the sphere of food safety, and responsibility for the work expected to be done remained dispersed and without authorship. The restructuring, according to the same report, was "not well-thought-out and oriented division of sectors" and "did not take into consideration human resources capacities and the totality of the issues and their nature".

[13] Designated as an IPARD Agency by an Order No 108/16.04.2013 of MARDWA (former name of MoARD), it was established under the provisions of the *Law on Agriculture and Rural Development* (No 9817/22.10.2007) with a Council of Ministers Decision (CoMD) No 1443/31.10.2008.

Table 7. Overview of the institutional and administrative policy framework in Albania

Key institutions and administrative bodies	Key role and responsibilities in Ag. and RD policy	Human capaci-ties	Human capacities' competences needed upgrade	Other capacities needed upgrade	Other challenges
Ministry of Agriculture and Rural De-velopment	Responsible for policy formulation, execution and monitoring.	Well-staffed	Needed in direction of policy formulation	Needs in terms of logistics	Negotiations prep work for Chapters 11. 12 and 13.
IPARD managing authority (within MoARD)	Responsible for IPARD preparation and monitoring. Selection of measures, Programme monitoring, Evaluation Coordination, Publicity	Well-staffed	Needed in direction of policy monitoring and assessment	Needs in terms of premises	Needs in direction of application procedure.
Agriculture and Rural Development Agency	Implementation of financial support measures, Reporting, Authorisation and control of commitments and payments, Execution of payments, Accounting for commitment and payment, Debt management, Selection of projects Publicity, Internal audit	Under-staffed	Needed in direction to quality checks and monitoring	Needs in terms of logistics and premises	
Albanian National Extension Service (ANES)	Provision of advisory services and assistance for the farmers on applying for budgetary transfers.	Under-staffed	Needed in terms of covering new technologies and new approaches for providing services	Needs in terms of logistics	
Agriculture Technology Transfer Centres (ATTC)	Transfer of technologies, research and advisory services including also farm management and climate change mitigation/adaptation	Under-staffed	Needed in terms of new knowledge and innovative learning practices for providing services	Need investments in laboratorial and logistics	
National Food Authority	Inspection of food safety	Well-staffed	Needed in terms of knowledge and inspection capacities	Need investments in laboratorial and logistics	
National Authority of Veterinary and Plant Protection	Inspection of veterinary and plant protection	Under-staffed	Needed in terms of new technologies and inspection capacities.	Need investments in laboratorial and logistics	

Source: Authors' own elaboration based on notes to EC (2021), NIRAS (219), IPLS, 2021 and reports of Audit Agency (KLSH, 2021).

The policy cycle management remains the same for the years 2020-2021. The SARDF 2021-2027 is planned to be transposed into the Agriculture, Rural Development and Fishery National Action Plan (for the same period), which should be detailed in the annual action plans. The annual action plan is reported by the MoARD to the Council of Ministers (CoM), more specifically, to the Department for Monitoring of Legislation and Programmes (within CoM). Each activity described in the yearly MoARD action plan is coded, assigned to a responsible body and aligned to a specific paragraph in the national plan for European Integration for 2021–2023. The annual action plan, in line with the SARDF 2021 - 2027, provides the framework for setting up the Agriculture and Rural Development Programme Fund (ARDPF). It establishes the specific measures available to the agricultural sector in a given year.

Despite the fact that the policy management process is clearly structured, there are gaps between policy formulation and its implementation, monitoring and evaluation during the period 2020 - 2021. For instance, during 2020 and 2021, the link between the Intersectoral Strategy for Agriculture and Rural Development (ISARD) objectives for 2014–2020 and the objectives stated by the Agriculture and Rural Development Programme Fund (ARDPF), was not always clear. The stated objectives of ARDPF also continued to change during this period.

Albania continues to have a weak level of capacities to monitor and adjust the policy design and its implementation. An economic analyses unit was recently established within MoARD. However, the agriculture information systems and sectoral statistics are yet not progressing both in terms of methodologies and statistical activities. The statistical activities, although carried by MoARD, are not finalised within this institution in terms of output. INSTAT is responsible for the generation of agriculture statistics, but does not transfer to MoRD the results of the statistical activities. For instance, the Annual Farm Survey is not available for public use and it is not clear if farm based collected data are used in the context of policy-making design and monitoring. There is no comprehensive Market Information System used covering a wide range of products. In addition, agriculture data emerging from the Census of Agriculture Holdings will be not available before 2025, considering that the Census would start in end of 2024 and the preliminary data will be prepared in a year time (UN, 2022). Last but not least, indicators are hardly existing for rural areas, due to yet not existing rural-urban statistical classification on a regional level[14].

2.2. Measures and budgetary support of agriculture and rural development

During the period 2020-2021, the overall budgetary support for agriculture in Albania has been increasing notably in the recent two years. In 2021, support allocated to agriculture reached 2.6% of GVA, with EUR 68.3 million (Figure 11). Despite the rapidly increasing trend, this support represents a limited contribution to foster market orientation and competitiveness of the agri-food sector, to secure the sector's response to climate change and to fulfil the demand for community development and social capital in rural areas. Albania is far from the *de minimis* principle, which states that candidates' agricultural budget should amount to at least a third of the funds that a country can expect from the EU upon accession, and at least 10% of agricultural output (see Volk et al., 2019). This implies that, to be compatible, the level of support in Albania should increase fourfold compared to the current levels.

[14] By definition, rural areas include the territory of all municipalities with population, as established by the Population Census 2011, below 50,000 people (INSTAT, 2014).

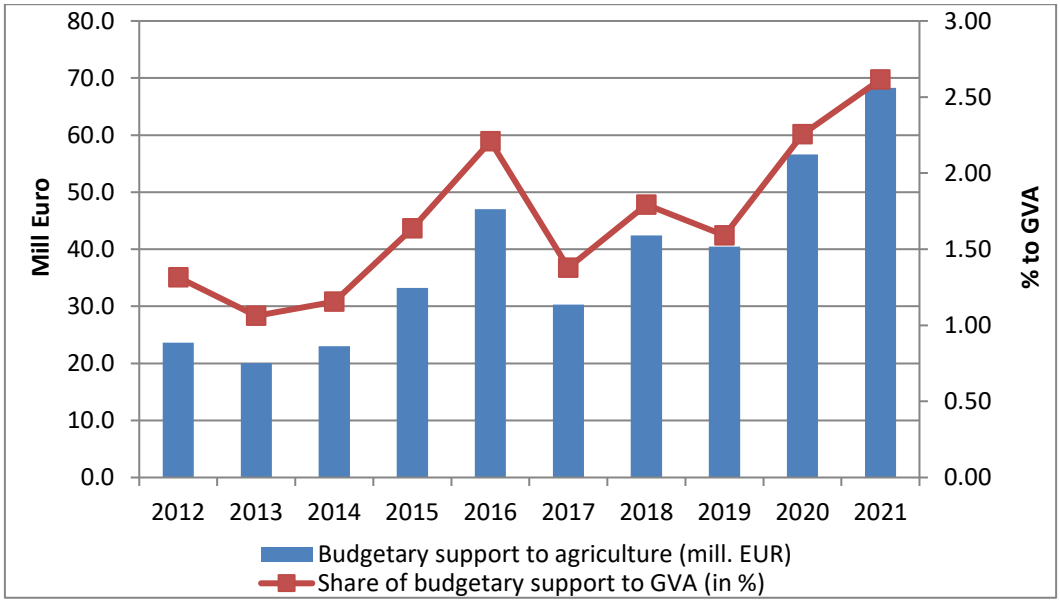

Figure 11. Level of budgetary support for the agri-food sector in Albania during the period 2012–2021
Source: AL APMC database (2022), AL StatDatabase (2022).

Figure 12 presents the structure of agricultural support according to the three pillars. In 2020 and 2021, Albania's support structure remained heavily oriented towards structural and rural development measures (second pillar). Unlike in other WB countries/territories, market and direct producer support (first pillar) are deemed of low importance, 15% of the overall budgetary support in Albania. Slightly more than 40% of the support is provided to single commodities, with focus on livestock commodities. This is rational, considering the value of output and major part of food security in Albania is achieved by livestock. However, the provision of direct payments for support of the production of animal feed and cereals is scarce.

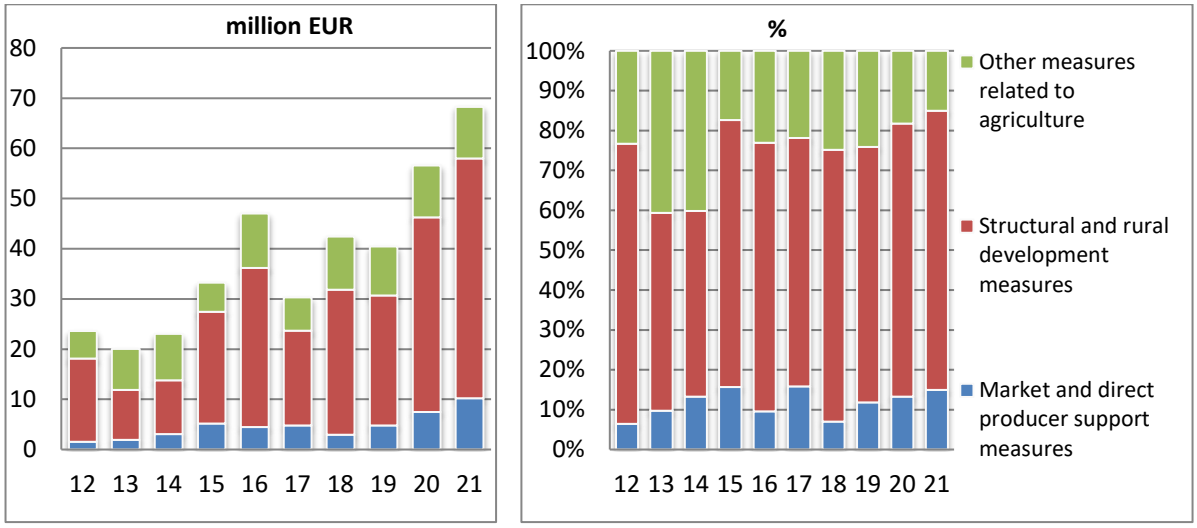

Figure 12. Composition of budgetary support for the agri-food sector in Albania during the period 2012-2021
Source: AL APMC database (2022).

Although there are increasing trends, Albania still has a low level of direct support compared to other WB countries/territories (slightly more than EUR 10 million). Direct support in Albania before 2021 was solely based on payments based on the number of animals (sheep and goats, dairy cows, bees). There is a strong attention from the Albanian farmers in direction to the use and increase of direct support funding. The increasing demand for more support (especially livestock farmers) is high due to the increasing

challenges from the pandemic and international market shocks, but also the relatively low level of access and support benefited if compared with their counterparts in close Balkan neighbouring countries/territories, namely Macedonia and Kosovo* as well as international trade EU members, namely Greece and Italy.

The trend of the direct support is dynamic. Progress is noted in this direction, since the overall value has been doubled in the recent two years (Figure 13). In 2021, the proportion of total support made up of direct payments increased. In addition, the number of sectors subject to this type of support increased due to the introduction of a new measure which follows an area-payments-like approach, based on coupled principles. The entire structure of direct payments is based mainly on per-heads and very modest per-area payment. Before 2021, in Albania, no area payments were provided (as it is the case in the majority of other WB countries/territories). In 2021, ARDPF provided diesel as equivalent value to overall fuel tax exemption required for mechanical works on land, according to the area principles. In 2022, this measure was increased in terms of amount for compensating the additional costs emerging from the increase of fuel prices from the Russia-Ukraine war (CM, 2022). In addition, a direct payment per ha, in order to support farms planting more than one ha of grain, was adopted in July 2022. Last but not least, the year 2022 witnessed an alteration of the measure for the support of medicinal and aromatic plants (MAPs) where payment is based on ha of new planted area and not anymore in number of seedlings purchased. Although a few of the recently implemented measures are area based, they do not yet comply with area support. The disaster and other compensation payments as well as input subsidies are not present in the recent years.

Despite this development, the monitoring capacities of the area support are still not in place, owing to the limited development of Integrated Administration and Control System (IACS) components. Due to this absence, decoupled payments are missing (as the CAP urges) and the control toward the implementation of the recent measures namely fuel provision, payment per newly planted MAPs and payment for grain remain of high concern. The 2021 Albania report by the European Commission noted repeatedly that there has been limited progress in building IACS in Albania (EC, 2022).

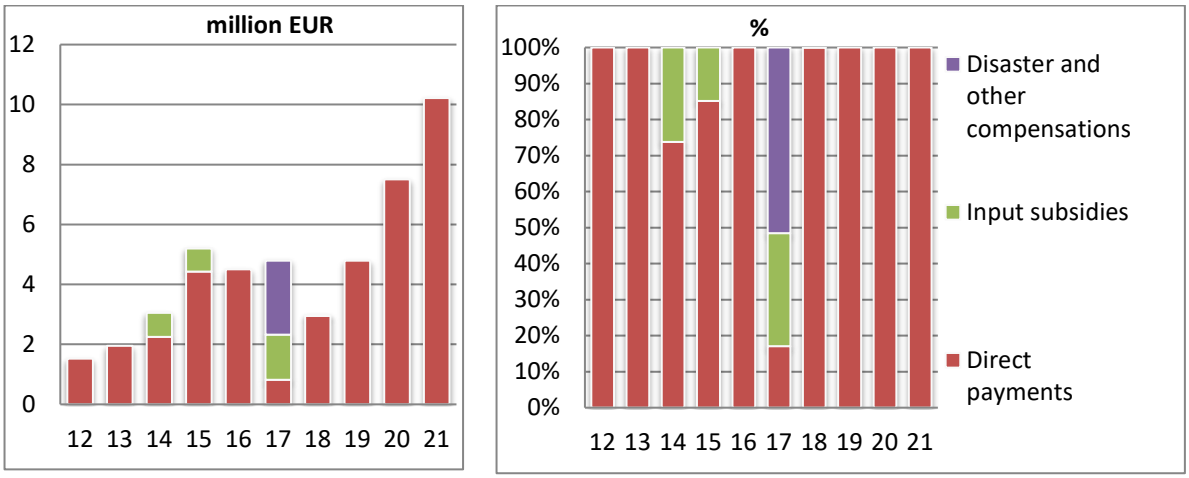

Figure 13. Market and direct producer support in Albania during the period 2012–2021
Source: AL APMC database (2022).

The funding for structural and rural development measures (second pillar) has nearly doubled in the period 2020-2021 (Figure 14), achieving EUR 48 million. The continuous high share of the second pillar is well argued in terms of the level and scope of funding, considering the necessary investments required to maintain the rural infrastructure, farm modernisation and maintenance of the social fabric in the country. However, the spending share oriented for supporting the rural economy and population still is very low, while payments for environmental and social services are not yet available.

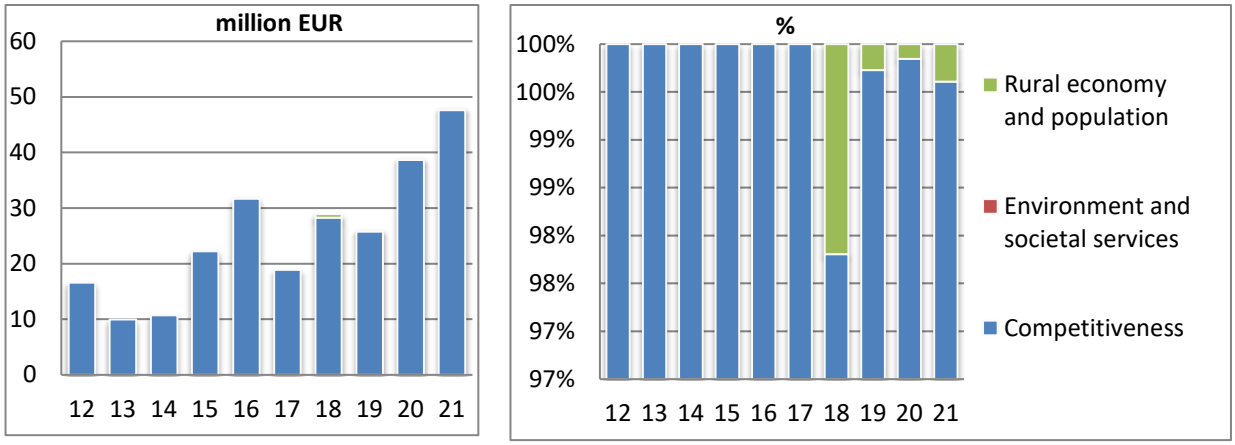

Figure 14. Budgetary support for structural and rural development in Albania during the period 2012–2021
Source: AL APMC database (2022).

The importance of other measures related to agriculture have been stable over the years (Figure 15). Payments remained stable, as part of the budgetary expenditures of the Ministry of Agriculture and Rural Development and were equally divided between payments for food safety and funding for research and development, advisory and expert services.

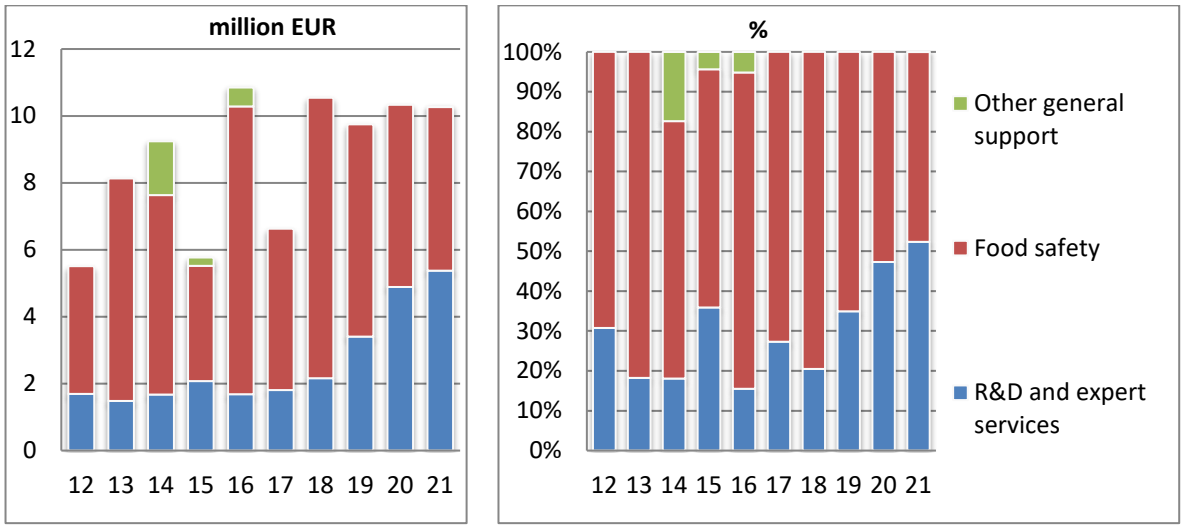

Figure 15. Breakdown of other measures related to agriculture in Albania during the period 2012–2021
Source: AL APMC database (2020).

In the period 2019-2021, approximately 77% of Albania's financing is based on national sources. Therefore, the formulation and implementation of the Agriculture and Rural Development Programme Fund (ARDPF) remains a cornerstone of the overall budgetary support. The main objective of the ARDPF is to increase the competitiveness of livestock products, agricultural products in the environment protected and reduction of production costs, increase of areas planted with medicinal and aromatic plants (MAPs), certification of agricultural products and organic farms and supporting the diversification of economic activities in rural areas.

In the past, ARDPF has supported a large number of sectors and the support for these sectors has not been consistent over the years. Decisions on measures formulation were scarcely based on impact assessment (ex-ante or ex-post) but were depended mainly on

budgetary availability. The period 2020-2021 witnessed some improvements. In year 2019, with the support of FAO, a thorough impact assessment of the ARDPF for the period 2015-2018 was conducted (FAO, 2022). The results of the impact assessment served for adjusting the measures and criteria for the years 2019-2021. A simplification of the scheme was done, with a reduced number of measures, accompanied by a reduction of minimum criteria for beneficiaries (Table 9). However, the exercise (analysis) has not been repeated systematically, despite the availability of local research capacities. In addition, a rule of not changing the ARDPF in short term (3 years) was not followed, mainly due to necessities emerging from the recent crises.

Currently, the support is concentrated in a few sectors, such as greenhouses (plastic cover replacements for greenhouses and tunnels), dairy (payments per head and output), beekeeping, MAPs and organic certification, as well as agri-tourism and fishery. In 2022, fishery sector modernisation was added, which was not benefiting a direct support, except fuel tax refund, since year 2018.

Table 8. Agriculture and Rural Development Programme sectors and products supported in Albania during the period 2017–2022[15]

Year	Number of measures	Sectors/products supported
2017	17	Five sectors: vineyards, fruits and nuts, MAPs, livestock and beekeeping and aquaculture, greenhouses
2018	52	Twelve sectors: fruits, nuts, citrus, MAPs, olives, vineyards, greenhouse vegetables, melon and strawberry in tunnels, fishing and aquaculture, production with GlobalG.A.P. certification and other certifications, organic production, livestock and its by products and beekeeping
2019	10	Five sectors: livestock (cattle and small ruminants), fishery (anchovies and sardines), olives/olive oil, beekeeping breeding, rural tourism/agri-tourism/diversification of economic activities in rural areas.
2020	7	Five sectors and one cross-sector: livestock (cattle and small ruminants), greenhouse vegetables, organic, beekeeping breeding, GlobalG.A.P. certification (vegetable, fruits and MAPs), rural tourism/agri-tourism/diversification of economic activities in rural areas.
2021	8	Five sectors and one cross-sector: livestock (cattle and small ruminants), greenhouse vegetables, organic, beekeeping breeding, GlobalG.A.P. certification (vegetable, fruits and MAPs), rural tourism/agri-tourism/diversification of economic activities in rural areas.
2022	9	Six sectors and one cross-sector: livestock (cattle and small ruminants), greenhouse vegetables, organic, beekeeping breeding, GlobalG.A.P. certification (vegetable, fruits and MAPs), rural tourism/agri-tourism and fishery.

Source: Author's own elaboration based on a review of the content of the DCMs.

Considering that the Albanian farming system is dual to a large extent; on one side cluster areas of farming with greenhouse vegetables, citrus and MAP are being integrated into modernised value chains, being export-oriented and aiming for higher competitiveness, while a remaining share (vast majority of the farms) striving at self-sustenance limits, highly endangered by rural population ageing and urbanization. Further considerations should be done when designing the measures and level of minimal criteria considering this dual structure. Therefore, it is important to observe the accessibility of budgetary support by smallholder farmers.

Since there are no data on the size of beneficiaries in the recent years, one way was to explore the accessibility is to observe measures according to the number of beneficiaries.

[15] The main measures of the national scheme during the years 2020 - 2021 are: i) headage support for the registered herd (cattle / small); ii) support for beekeeping (payment per unit); iii) support for plastic replacement for greenhouses and tunnels (payments as a share of costs); iv) support for the cultivation of medicinal and aromatic plants (MAPs); v) support for organic farms in the certification process and those certified; vi) support for investments in lines, machinery or equipment; vii) support for investments in agri-tourism; viii) support for Global GAP certification of entities.

During the period 2020-2021 the measure that has attracted more beneficiary farmers has been the measure for the matriculated base herd. In total about 7 800 entities (livestock farms) have benefited from this scheme. The second scheme in terms of the number of beneficiaries is the measure of support for beekeeping, with a total of two years with about 3 500 beneficiaries. Both measures have experienced an increase of more than 35% from 2020 to 2021 in terms of number of beneficiaries as well as the amounts disbursed to beneficiary entities. On the other hand, both measures have increased in terms of access, due to reducing minimal criteria. However, pessimist projections are expected for the future, due to an increase again of the minimal size criteria for beneficiaries in the year 2022 and the decreasing number of operators, due to rural population migration. In 2022, the minimal criteria of herds' size for farmers applying for per-head payments has increased (ARDPF 2021).

Another weakness in terms of accessibility is the process of disbursement. The headage support for livestock is still provided based on the principle "first apply, first served". The principle brings chaos to the implementation because, in the first phase, all applicants sending the application documents are named as winners, then, in the second phase, those who send the documents first are named beneficiaries. Considering the remoteness and distances, smallholder farmers might risk not being informed to bring in time the required documentation, thus failing to benefit from disbursement.

The accessibility is noted also in terms of support provided for the improvement of the environment and rural economy. For instance, a scheme that has experienced growth during 2020-2021 and has been stable in the recent years is the support measure for organic and certified organic farms (38%). This is a very positive development in terms of expansion of greening policies in Albania. In addition, for supporting rural fabric in the recent years, two measures were introduced for the establishment or reconstruction of spaces for rural tourism and investments in agri-tourism[16]. The measures have been expanding (investments in agri-tourism have increased in amount disbursed by about 89%, while investments in rural tourism increased in number of beneficiaries). However, a criticism remains for these measures, as they are slightly overlapping in terms of support destination, since they are oriented to cover investments demand for tourism operators.

Two schemes that have decreased in the number of beneficiaries during 2020-2021 are the support measure for cultivation of Medicinal and Aromatic Plants (MAPs) (-50%) and the measure for plastic replacement (-12%). While the first remained in year 2022, the plastic replacement was exempted in the year 2022, however, this measure is substituted by a specific measure for the establishment of the entire greenhouse.

For a summarised view of the new measures introduced during the period 2020-2021 see Table 9.

[16] Note that in 2019-2021 there were two measures: i. Support for the establishment or reconstruction of environments for rural tourism activities ranging from 6 to 10 rooms, up to 50% of the total value on the tax invoice, but no more than 5 000 000 ALL/subject (when not IPARD 2 beneficiaries) and ii. Support for investments in agri-tourism according to business plan, at 50% of the total value on tax invoice, but no more than 10 000 000 ALL/subject (when not IPARD 2 beneficiaries). There was no clear difference between these two types of entities, due to very close existing official definitions in Albania.

Table 9. Major new policy instruments/measures introduced in Albania in 2020 and 2021

Instrument/ programme	New measure and policy significance	Year of introduction
ARDPF	Global G.A.P. certification	2020
	Reactivation of payments for organic conversion	2020
	Payment for plantation of MAPs	2020
Value of support increased along 2022 with 40%	Provision of fuel as equivalent value to overall fuel tax exemption required for mechanical works on land.	2020
	Greenhouse establishment	2020
	Support of equipment and lines for the processing of olives, olive oil and medicinal and aromatic plants (MAPs)	2021
	Investments for vessels purchase and modernisation	2022
	Investments for the establishments of agriculture and live animal markets	2022
	Seedling payment for vegetables and vineyards	2022
	Support for digital farming	2022
	Support for plantation of MAPs (in ha).	2022
Added along the year 2022	Direct payment per ha in order to support farms planting more than one ha of grain.	2022
	Support for establishment of a Centre of Excellence and Innovation for Production Systems at Agricultural University of Tirana	2022
IPARD	Technical assistance	2020

Source: Author's own elaboration based on a review of the content of the DCMs.

In summary, based on the content of the ARDPF measures, a major impact is expected in terms of competitiveness and value chain strengthening. Some support measures might be also beneficial for the livelihood of the rural population, the diversification of and support for natural resources such as the cultivation of orchards and MAPs, support for small ruminants, dairy cows and beekeeping, support for certification (organic, Global G.A.P. and ISO 2001 certification). Main successes and pending achievements for agricultural policies in the last two years (2020 and 2021) are illustrated in Table 10.

Table 10. Main successes and pending achievements of agricultural policy instruments and measures compared to the strategic objectives in Albania

Successes	Pending achievements
Suspension of payments based on output (milk premium payments and fish output payments) in 2020	Formulation of measures which cover the same subsector, such as the coverage of agri-tourism with two separate measures (one for rural tourism and one for agri-tourism).
Reduction of number of support measures	Headage support for livestock is still provided based on the principle "first apply, first served".
Gradual increase of overall support in terms of value (not in percentage share to GVA).	Very low overall financing which does not cover the total number of successful applications.
Suspension on payments for plastic replacement in greenhouses in 2022 (input support).	There is still large support of single commodities measures (e.g. honey, olive oil, MAPs).
Introduction of area-based support (e.g. fuel).	Frequent change of minimum criteria for the headage support in livestock.
Introduction of an online application procedure.	Very slow progress on preparation of IACS components
Focus on increasing cross-compliance issues related to quality (support to Global G.A.P certification and Organic)	No payments for environmental services and still limited payments for the maintenance of rural economy and population
Very good absorption of IPARD funding.	Not consistent support for technology transfer structures
	No systematic impact assessment made to ARDPF.

Source: Author's own elaboration based on a review of the content of the DCMs.

Additional contributions to the total agricultural support in Albania are derived from the EU's rural development component of pre-accession assistance (before 2014 IPARD like and after 2014 IPARD I and II) (Table 11). The IPARD forms part of the instrument for pre-accession assistance (IPA), which supports reforms and agri-food development (Measure 1 and Measure 3, namely Investments in Physical Assets of Agricultural Holdings and Investments in Physical Assets related to the Processing and Trading of Agricultural, Livestock and Fishery Products) as well as rural areas diversification (Measure 7, namely Diversification of farms and business development).

The IPARD II programme 2014 - 2020 has provided high support. The amount of disbursements for 2018-2020 was EUR 11.9 million. The first payments were made in 2019 for a total amount of EUR 1.18 million, out of which EUR 0.88 million was EU contribution (measure 1, EUR 0.03 million; measure 3, EUR 1.05 million; and measure 7, EUR 0.10 million). By December 2021, 408 contracts were finalized in total for three calls where: 133 from the first call, with the EU grant amount EUR 23.2 million; 193 from the second call, with the amount of the grant EUR 24.2 million and 82 contracts in the third call, with the amount of the grant EUR 11.6 million. The overall value of total disbursed funds in the period 2020-2021 is EUR 36.8 million. Considering the indicative overall financing of EUR 71 million from the IPARD II Programme and based on the currently active contracts not finalised yet, a remaining amount of slightly more than EUR 35 million is expected to be yet disbursed in the year 2022.

Table 11. Overview of the measures, funds and number of applications in IPARD 2020-2021* in Albania

Indicator	M1	M3	M7	M9**	Total
No. of project applications	643	220	194		1057
No. of approved project applications	260	75	73		408
Total approved funds (mill. EUR)	30.6	29.26	11.53	0.139	71
- National contribution (mill. EUR)	7.5	7.3	2.88	0.020	17.76
- EU part (mill. EUR)	22.6	21.94	8.64	0.118	53.33
Total disbursed funds (mill. EUR)	15.45	17.33	3.92	0.06	36.8
- National contribution (mill. EUR)	11.59	13	2.94	0.050	27.6
- EU part (mill. EUR)	3.86	4.33	0.98	0.01	9.20

Source: ARDA 2021; Note: * 31.12.2021.** Reallocated for measure 7.

2.3. Covid-19 interventions in policy and implications

The Albanian economy, as with that of other countries in the region, has been hit hard by the Covid-19 pandemic, accompanied with recession, increased seasonal unemployment and deterioration of market conditions, due to disruption to the main economic activities. Covid-19 also affected the Albanian agriculture sector. Comparing to other key sectors of the economy, the agriculture sector is reported to be the least affected sector (Albania Investment Council, 2020). At the onset of the pandemic, food supply chains suffered disruptions, changing market demands and increasing transaction costs. In Albania, disrupted supply chains were identified in some sectors with increased food losses, leading to product waste (Musabelliu, 2020), increased costs for wholesalers to access wholesale markets, especially those working in informal activities WV (2021), reduced revenues at accommodation and services units (HoReCA), which caused price shocks for high value products, and losses especially for food and wine processors affected (Xhoxhi et al, 2022). Short delays were observed for routine agriculture services, and small farmers faced more difficult access to markets, especially in the case of field vegetables(ibid). In general, there took place a reduction in income for off-farm labour and increased food security constraints, especially for staple foods. The study of Xhoxhi et al (2022) identified direct effects for producers (in terms of sales and experienced losses) and indirect effects for

rural households dependent on remittances (in terms of access to labour, seasonal migration, inputs and credit). In general, the agri-food sectors that rely on exports and sales to tourism operators and restaurants were more exposed to the Covid-19 impacts. For instance, access to market for commodities sold (e.g., fresh greenhouse vegetables) fluctuated due to limited access on markets from high income countries and early disruptions to sales resulted in serious price drops. Limited labour mobility and the effect of the pandemic on health affected agricultural operations negatively. Diversity and quality of inputs were affected by border closures. During the pandemic, arrears were the same as usual. The uncollected debts of farmers by inputs suppliers increased. Also, in 2020, there was a halt in trainings provided by inputs suppliers, while public institutions and donor projects reduced their capacity building activities due to Covid-19 restrictions. Disruptions in the export supply chains reduced investment prospects for farmers and processors.

There was no special support provided for the pandemic, except the support on wages for employees, which mainly affected the formalised channels / actors within the agri-food sector, typically the agri-food processing companies. More than EUR 514 million were spent for Covid-19 remedies in Albania, EUR 347 million of which were used to address economic and social shocks with support for wage subsidies, tax deferrals and credit guarantee measures. Considering that the vast majority of Albanian farms are family/smallholdings, semi-subsistence and informal, it can be estimated that less than 1% or approximately 3000 thousand units could have directly benefited from this support.

Box 1. Government spending as a policy response to Covid-19

The government interventions in 2020 were assessed as a budgetary expenditure of 2.8 percent of GDP (*circa* EUR 372 million), consisting of budget spending, sovereign guarantees and tax deferrals. The GoA provided a fund to pay for a one-off transfer of 40 000 lek (330 EUR to employees of small businesses affected by the pandemic not covered in the first package, employees of large businesses laid off due to the pandemic, and employees in the tourism sector and a sovereign guarantee to provide loans for working capital for all private companies that were tax-compliant and solvent before the pandemic. The government guaranteed 60 percent of the loans, and interests are capped at 5 percent. The government has also adopted tax deferral measures, allowing small businesses not paying profit tax for the remainder of 2021. In September 2020, the government launched an employment promotion programme, that aims to cover part of reemployment costs of those who lost their jobs during the lockdown. For formal sector employees, the government covered half of the wages (at the legal minimum level) and the full employers' share of social contributions for the duration of the programme (4 or 8 months). Informal sector employees who lost their jobs during the lockdown, will have the full cost of social contributions (employees and employers share) covered for one year if they formalize. The 2021 budget adopted by parliament 0.8 percent of GDP in Covid-19 related spending (*circa* EUR 142 million). These included, among others, a temporary increase in the payments for social assistance (until June 2021) and unemployment benefits. Total of Covid-19 related spending in the 2021 budget was 1 percent of GDP.

Source: IMF, 2022

Access to public services was still operational due to promptness to make services available to farmers online. For instance, the procedure for application for the fuel support measure was entirely designed to be provided based on e-services. In order to face Covid-19 effects on agriculture operators' ability to fulfil IPARD procedures, MoARD responded quickly by reallocating financing. Albania made use of the short-term actions made available by the Commission. The 2020 funds were used through a validity extension granted by the Commission and through national capacity mobilisation. In this way, time lags and losses of IPARD II programme funding at the end of 2020 were avoided (EC, 2021).

2.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources

The green economy concept was not thoroughly applied in any strategic framework in Albania before 2021, although its concepts have been widely used as reference in various documents (Zhllima, 2021). Albania has no National Green Economy or Sustainable Development Strategy. Commitments to the international agenda related to sustainable development and climate change – EU's Green Deal requirements into CAP 2030 imply the necessity to introduce more green measures. SDGs shape common objectives for all developed and developing countries through green and inclusive economy. The Paris Agreement on Climate Change reinforces mitigation and adaptation actions especially in the energy sector, while providing a robust framework on climate finance. The main components of green economy such as sustainable use of resources and use of agro-environmental schemes are foreseen at the National Strategy for Development and Integration (NSDI III) 2021-2027. Ultimately, SARDF 2021-2027 provides special focus on activities related to green economy development. This implies, for the future, a further expansion of measures related to green economy in agriculture and rural development is influenced by the reforms linked to Agriculture and Rural Development Programme Fund and in the Instrument of Pre-Accession in Agriculture and Rural Development (IPARD).

Currently, the level of commitment of central government/public administration is high due to the continuing pressure for alignment with EU CAP 2030 as well as motivation to fulfil requirements present in the 2030 Agenda. Legal amendments and institutional development in other sectors such as energy, infrastructure and tourism are creating a stimulating environment for the green economy (for instance, photovoltaic investments in agriculture and rural development are expected to develop more in the future, with the legal improvement; new changes in the Law on Forest might enable activities of carbon footprint accumulation). However, the current legal framework, including national regulations and national strategic documents and action plans, provide conditions, but not a stimulus for greener approaches in the country. There is a high number of laws and other legal acts which are not integrated into a common legal framework, which can foster the country's ability to apply green economy concepts (Zhllima, 2021)[17].

Similar to the legal base, the institutional base is also fragmented, with no institution in the lead and a presence of high number of actors. Relevant institutional and legal components of green economy are implemented by several institutions functioning in separated and not well-connected domains with a highly different set of responsibilities and management tasks (Ministry of Agriculture and Rural Development, Ministry of Tourism and Environment, Ministry of Infrastructure and Energy as well Ministry of Economy and Finance are all dealing with components of green economy). In addition, local government units are yet not able to promote green economy due to limited budgetary and institutional capacities and high dependence from central government budgetary support. Last, but not least, due to limited awareness of business community and farming community on green economy, there are weak potentials for organizing bottom-up initiatives soon.

In terms of financing, there is limited budget and focus on sector-oriented support, which has not enabled consistent budgetary support measures for developing greener approaches. Albania does not earmark financial resources to green economy although there were some green-like interventions in the past[18]. These measures usually covered a

[17] The legal frame has been developed at sector basis, meaning that there are laws for use of renewable sources of energy, recycling of waste and ultimately capturing carbon in forests; or, the Law on Climate Change regulates the green investments and financing, but does not facilitate its interrelation with other laws related to energy conservation.

[18] Measures for the plantation of native seedlings in the vegetable sector were promoted, but scarcely used. A measure supporting transhumance was provided during 2017, which had no disbursement. In addition, measures for the use of biomass at heated greenhouses (see ARDA, 2018), or establishment of photovoltaic panels for guesthouses (see ARDA, 2019) were not very vast in terms of beneficiaries. During the period 2019-2021 there was also supported measure for the plantations of medicinal and aromatic plants (which contribute to excessive

modest fraction of funding designated to agriculture and rural development (less than 5%). Through IPARD II support, during the period 2014-2020, minor components of green economy projects were applied such as establishment of photovoltaic panels, animal treatment systems and investments for energy efficiency. At IPARD III, the potentials to apply greener approaches are related also with the potentials for introducing new measures, especially agri-environment, organic, forestry and climate change adaption and mitigation measures, measures related with forestry and those related with advisory services.

Additional financing has been provided by donors in the past, which activated funding for pilot initiatives - for example, water heating in dairy farms (GIZ and UNDP), use of plastic waste for recycling purpose and lately supporting investments in the residential sector to improve energy efficiency (provided by the Green Economy Financing Facility (GEFF) through the support of the European Union (EU), the Austrian Development and the Western Balkans Investment Framework). The donors' initiatives also enabled implementation of pilot initiatives which tested green economy practices, such as provision of photovoltaic panels, waste treatment systems and use of energy from biomass.

2.5. EU approximation process

EU approximation has been supported continually during the period 2020-2021. In March 2020, the European Council opened the accession negotiations of EU integration with Albania. The draft negotiating framework set out the directives and principles for membership negotiations with a new methodology for Albania as a candidate country. Since January 2022, the IPARD III programme has been officially released for adoption by the European Parliament.

On rural development, on 28 June 2020, the EU granted Albania full entrustment of the 'Technical Assistance' measure under the IPARD programme. The IPARD implementation in Albania continued in a satisfactory manner in terms of the number of contracts signed as well as their corresponding contracted value. The technical assistance measure (M9) was accredited in 2021.

With respect to other types of support provided by the rural development programme of the CAP, in Albania there was limited progress in the adoption of such support. If we compare the measures designed in the framework of the EAFRD with the measures formulated so far by the ARDPF, it can be seen that, of these[17] measures, the current ARDPF could quickly implement five measures in the near future. Some measures, such as support for areas with natural constraints, have not even progressed beyond the development of definitions. For example, the co-operation measure (M16), the measure on setting-up of producer groups (M09) can contribute to the management of green economy investments in groups, while the farm business development measure (M06) can facilitate product diversification and off-farm economic development. An increase of farmer awareness on green economy and also overall improved knowledge and innovation transfer can be substantially improved also through better knowledge and information (measure M01) and advice (measure M02).

Comparative analyses between EARDF and ARDFP (2020) shows that several measures commonly implemented in the EU are not in place currently in the Albanian ARDPF. Albania has already been accredited and implemented in the past Measure 1, Measure 3, Measure 7 and Measure 9. According to the progress report presented at the IPARD Planning Commission meeting on November 2021, it was stated that IPARD Authority has already completed the manuals for the procedure for M4. Leader and support of rural communities,

utilisation of wild MAPs in the remote areas). Measures related to conversion into organic agriculture as well as support for GlobalG.A.P. certification was established during 2020. New measures are established in the ARDPF 2022, as related with the support of the digitalisation of the economy.

M11. Establishment and protection of forests, M10. Advisory services and M5. Environment protection and Organic farming which should be accredited during the IPARD III programming period. M6. Rural public infrastructure is being designed and Terms of Reference are defined, while M8. Training Measure and M13. Innovation Measure are yet to be designed.

According to EC (2021), and the latest Progress Report of EC (2022) Albania has a certain level of preparation in agriculture and rural development, which implies the need for enhancement/improvement. Albania is urged to set up the IACS components, ensure administrative capacity required to prepare the IPARD III, make further efforts for completing the legal frameworks, ensure the institutional and administrative capacity on the areas related to quality assurance on vineyards and wine, quality schemes and organic production

In the coming period, Albania should particularly address the shortcomings on integrated administration and the control system (IACS). There is some progress towards the establishment of a farm register (MoARD is making concrete steps to populate the database), with still no progress on the Land Parcel identification System (LPIS). A fully functional farm register remains a key priority and should be established by the end of 2022 at the very latest. As mentioned in the previous section, this component is a pre-requisite for introducing decoupled payments. The initiative to establish the farm accountancy data network (FADN) is also progressing. FAO is providing support for the methodology design, while the work for the preparation of the first wave of the survey should commence within the end of 2022.

The Progress Report of EC (2021) provided evaluation also for chapter 12, with valid recommendations to be fulfilled for issues related to the design of a coherent sector policy, alignment of the EU *acquis* on official controls, animal health and plant health. In relation to Chapter 13, positive steps in the use of Vessel Monitoring System (VMS) were identified. Remarks are noted by EC (2021) in relation to the implementation of national policies in line with EU Common Fisheries Policy (CFP) and endorsement of a Regional Plan of Action for small-scale fisheries.

2.6. Conclusions and policy recommendations

Albania has a clear commitment to EU integration, which is reflected in the priorities given for the implementation of the EU legal framework in the field of agriculture and rural development and the relevant veterinary, food safety and phytosanitary standards. The government continues to work based on the national plan for European integration for 2021–2024, aiming to reach full legal approximation of the national legislation with the EU *acquis* and align all of its sectors with the standards set by the *acquis* chapters. Legal improvements have been witnessed in direction to the legislative related to quality and components for supporting Local Action groups. The country finalised the SSARDF 2021-2027 as well as the Instrument for Pre-Accession Assistance - Rural Development (IPARD III) Programme 2021-2027. Further progress has been witnessed in the capacity of ARDA to manage new measures (technical assistance measure) and to support fund absorption in the current measures. The level of support has been increasing in the period 2020-2021 with a clear trend of increase in the direct support. The number of measures in the ARDPF during the period 2019-2021 has been almost constant, while the accompanying criteria are still subject to frequent changes.

Despite the progress and the ongoing reforms, obvious gaps still exist in terms of the policy and institutional requirements for further alignment of Albania's agriculture and rural development policies with the CAP. MoARD should benefit from the opportunity given in the framework of implementing the SARDF for 2021–2027 in terms of addressing the main policy shortcomings and establishing a proper policy framework. Policy design should follow a standard policy cycle approach, which considers regulation for reducing policymakers'

discretion by explicitly reflecting the links between strategy vision, strategic objectives, the mid-term action plan, the annual action plan and the ARDPF. Changes to the ARDPF should be based on regular analytical work (e.g., impact evaluation) which implies also the need to collect and/or make available necessary data/statistics. Capacity building within the MoARD should be focused on policy analysis frameworks, based on close cooperation with academia.

ARDFP measures do not sufficiently cover key elements of agriculture and rural development policies, such as those related to the provision of environmental services, the support to rural economy and populations, and climate change. The ARDPF should be reviewed to ensure it is in line with CAP, by developing measures that support rural populations and disadvantaged areas, protect the environment and promote support that reduce adverse shocks from climate change and the food insecurity which might emerge due to the recent economic recension. The GoA should formulate in the near future additional support measures and insert premium criteria in the budgetary plan for ARDPF 2022 to support the green economy, by enhancing elements required by the Green Deal such as circular economy, introducing similar components of the EU Farm to Fork strategy related to green economy and enabling maintenance of ecosystems and biodiversity (EU Biodiversity Strategy).

The alarming speed of population ageing and emigration and the continual rise of urbanisation, calls for larger attention to agriculture and rural development policies in maintaining the social fabric in rural areas. Measures and funding rules in ARDPF should consider this fact, in order to address equally both competitiveness and social cohesion in the overall budgetary support programme. Therefore, budgetary rules which weaken discretionary power of the policymakers (minimum 30% to be addressed for measures covering very small farms) and premium criteria should provide impetus for the small farmers. In order to support the very small farms, there should be more focus on the livestock sector, continual support on small scale agri-tourism and diversification and overall expansion of investments in rural infrastructure interventions (rural road network, irrigation projects and water management).

MoARD has a limited supporting policy environment in terms of institutional preparation. The main crucial reform is to put in place functional management and control system, compliant to IACS. There is slow progress made in establishing an Integrated Administration and Control System (IACS). IACS elements should be a priority for the MoARD, therefore administrative capacities and allocation of workload should be prioritised in this direction. In addition, further resources should be provided for increasing administrative capacities both in terms of human resources and institutional development. In order to use efficiently the opportunities provided by IPARD III, a proper use of Technical Assistance measure (9) should be done as soon as the IPARD III programme starts.

Extra efforts should be made in terms of inter-institutional coordination, especially in direction to new efforts required for adopting policy actions in response to the climate change, adopting and institutionalizing the Agriculture and Knowledge and Innovation Systems, supporting Greening policies and adopting the Smart Specialisation strategy. In this direction, it is not required only to provide a flexible regulatory base by adopting a specific legislation, but also to enable a proper institutional framework in order to respond to the new challenges, followed by concrete action plan, terms of work and budgeting. In addition, more efforts are required in order to make functional the missing monitoring and evaluation frameworks in order to be better able to respond to the changing policy environment.

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CHAPTER 3. AGRICULTURAL POLICY DEVELOPMENTS IN BOSNIA AND HERZEGOVINA

Sabahudin Bajramović[19] and Željko Vaško[20]

3.1. Agricultural policy framework

The agricultural policy in Bosnia and Herzegovina (BiH), due to the complexity of the political system[21], is carried out at several levels. The entity level of creation and implementation of agricultural policy consists of separate ministries of agriculture, water management and forestry of the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS) which, together with the Department of Agriculture of the Brčko District (BD) Government, are the most important institutions in charge of agricultural policy in BiH. In addition to the entity level in the FBiH, there are ten cantonal levels, whose agricultural policy significantly determines the overall position of agricultural producers and the sector as a whole. Support to the agriculture sector also comes from the municipal/city level in both BiH entities, but without any major significance. The amount of budget transfers, agricultural and rural development policy measures, criteria for providing support to producers are only part of the policy that is the exclusive competence of the entity/cantonal ministries of agriculture, *i.e.,* the department of agriculture in the BD Government. The State Ministry of Foreign Trade and Economic Relations, using available instruments, acts on the agricultural policy of the country and the entities by regulating trade in agricultural and food products, as well as by defining and implementing rules regarding veterinary and plant health. This ministry and its Sector for Agriculture, Food and Rural Development, together with the Office for Harmonization of Payment Systems, are also in charge of coordinating activities between the entity ministries, as well as implementing and coordinating international projects related to agriculture and rural development (Bajramovic et al., 2014).

Although in the period of implementation of previous strategies of FBiH and RS there were some changes in the overall development of the agricultural sector and in the development of some subsectors, such as milk and fruit, there were significant difficulties in achieving the planned goals, especially in rural development and farm investment. It should be added that the last years (2020 and 2021) were marked by the Covid-19 pandemic and, in this regard, forced, crisis interventions in the agricultural and food production sectors. So, for example, in RS in 2020, 10 000 free sowing packages (mostly vegetables) were distributed to vulnerable families to produce vegetables for their own needs. Apart to regular incentives (which farmers are already used to), additional funds were approved for co-financing investments of agricultural farms. The intervention purchases of surplus cattle, pigs and vegetables were also financially supported. Some other financial and non-financial incentives were given to farmers to overcome the pandemic period more easily.

A general characteristic of 2020 and 2021 in the context of agricultural policy framework at the level of all administrative units in BiH was the development of new strategic documents for the development of the agricultural sector and rural areas. In Republika Srpska, this process was completed in 2021 with the adoption of the Strategy by the RS Government, and implementation began in the same year. In the Federation of Bosnia and Herzegovina and the Brčko District, the processes of drafting strategic documents has not yet been completed. The Federation of Bosnia and Herzegovina lacks a step related to ex-

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[21] According to the General Framework Agreement for Peace in BiH, signed at the end of 1995 in Dayton BiH is a state with two entities (the Federation of Bosnia and Herzegovina and the Republika Srpska) and Brčko District of BiH, asymmetrically constitutionally organized (10 cantons make up FBiH) i), with different levels of government. In FBiH there are four vertical levels of government (municipality, city, canton and Federation), and in RS only two (municipality and entity level).

ante evaluation and adoption by the Parliament, while in the Brčko District the strategic document has not been submitted for adoption by the Government of the Brčko District. The process of drafting a strategic plan for the development of agriculture and rural development at the state level in BiH is still in the preparatory phase and the finalization of the document is expected in mid-2023. The method and principles of drafting this state document will be the same as the previous one, an aggregate of defined strategic proposals (goals and measures) of the entities and the Brčko District.

At the state level of **Bosnia and Herzegovina** there is the umbrella Law on Agriculture, Food and Rural Development (2008), which represents the framework for institutional structures, competences, responsibilities, reporting lines, regulations, coordination mechanisms, consultation processes, rights, obligations and the implementation of measures at all levels of government in BiH, which are involved in the development of the agriculture, food and rural development sectors. The previous Strategic Plan of Rural Development of BiH for the period 2018-2021 expired, and in 2022, the process of drafting the new Plan of Rural Development of BiH for the period 2022-2027 began. The drafting of this document is in the preparatory phase and the final version, which should go to the Council of Ministers of BiH for adoption, is expected in mid-2023.

The legal framework for agricultural and rural development policies in the **Federation of Bosnia and Herzegovina** is the Law on Agriculture (2007) and the Law on Financial Incentives in Agriculture and Rural Development (2010). These are two systemic laws that were adopted on the basis of EU regulations from the programming cycle for the period 2007-2014, and which, despite certain amendments in the previous period, can no longer respond to the necessary strategic commitments and solutions and will have to be changed. The agricultural policy of the Federation of Bosnia and Herzegovina in 2020 and 2021, in the absence of a new strategy, was formally based on the previous sector development strategy for period 2015-2019 (legally the strategy may be valid for up to two years after its expiration), and its more important features will be given in the next sub-chapter. The Federation of Bosnia and Herzegovina is late with the new strategic document for the agriculture and rural development sector, among other things due to the delay in adopting the general development strategy of this entity as a precondition for drafting any sector strategy. The draft Strategy of Agriculture and Rural Development of the Federation of Bosnia and Herzegovina for the period 2021-2027 is in the phase of submission to ex-ante evaluation and is expected to be adopted by the Parliament in September 2022. The strategy defines four strategic objectives, nine priorities and 20 well-defined measures[22]. The four strategic objectives are: (i) supporting the smart, resilient and diversified agricultural sector with guaranteed increased food security; (ii) strengthening the application of environmental practices in production that adapt to and mitigate the impact of climate change; (iii) strengthening the socio-economic structure - sustainable development of rural areas; and (iv) modernizing the agricultural sector by encouraging and exchanging knowledge, innovation and digitalization in agriculture and rural areas and promoting their use. The strategy seeks to take over new solutions from the relevant EU regulations, which means introduction of new measures that will require adoption of new laws on agriculture and financial incentives in agriculture. The strategy is adopted in conditions of the new legal framework, which connects it with three-year and annual planning and provides direct sectorial actors with a safer and more predictable environment with a clear insight into the types of measures and ways of their implementation. In this way, producers, purchasers, processors and other sectorial actors are in a position to plan production, sales and investments more thoroughly and with better quality, which should result in a more sustainable development of the agricultural sector as a whole, which has not been the practice so far. The new Strategy introduces a completely new concept of cooperation in terms of establishing producer groups and producer organizations that

[22] Source: Federal Ministry of Agriculture, Water Management and Forestry (2022). Strategy of Agriculture and Rural Development of the Federation of Bosnia and Herzegovina for Period 2021-2027, Draft, Sarajevo.

connect primary agricultural producers more strongly with purchasers and processors. The emphasis is on raising the quality of agricultural and food products, and reducing the negative impact on the environment. Also, the new Strategy prioritizes the development of agricultural cooperatives and the organization of farmers within the cooperative organization. Direct payments are simplified and converted into single payments per hectare and head, which leaves room for cantonal ministries to further support their specific production from their budgets, and for all producers in the Federation to have as uniform production conditions as possible given the level of support. The new Strategy significantly focuses on the development and improvement of knowledge and information transfer, the development of the advisory service and AKIS in general. Finally, due to the obvious problem of the population leaving the rural areas of the entities, the focus is on young farmers who are just taking over the management of agricultural farms and have designed special measures to stabilize income and support investment in restructuring their farms. All goals, priorities and measures of the new Strategy have clear monitoring indicators, and the defined budget transfers for each measure will greatly facilitate the Federal Ministry of Agriculture, Water Management and Forestry (FMAWMF) in the preparation of annual programmes. The total seven-year budget is EUR 581 million (annually EUR 83 million) and is significantly higher than in the previous agricultural policy cycle. 85% of this budget are from government sources and 15% are credited loans from international institutions.

The Law on Agriculture (adopted in 2006, updated in 2007 and 2009) of **Republika Srpska** determines the goals and measures of the agricultural policy, as well as the ways of its implementation and monitoring. In addition to this law are the Law on Financial Incentives for Agriculture and Rural Development (adopted in 2002, updated in 2007) and the annual rulebooks on the conditions and manner of realizing financial incentives for agriculture and rural development, which regulates the implementation of incentives. The new law on financial incentives for agriculture and rural development is in the drafting phase, which will replace the previous one. RS has entered a new cycle of strategic planning and, with the expiration of the previous strategy adopted in 2021, a new Strategy for the development of agriculture and rural areas for the period 2021-2027. Its preparations took place in the circumstances of the pandemic and at a time when elements of the EU Green Deal and the Farm to Fork strategy were still being discussed. The direction and goals of agricultural and rural development policy in RS have not changed significantly compared to the previous period. Direct payments (still coupled to certain agricultural products) remained in the incentives support programme, with a plan to be gradually replaced by payments per unit area and animal head by 2027. It is also projected that direct payments will gradually decrease and investment support (so-called capital investments) will gradually increase in the structure of the agrarian budget. The strategy retained most of the main objectives from the previous period, with some new priorities and measures. The status quo in the process of aligning the incentive programme with the EU CAP model is a compromise between the intentions of policy makers and the expectations of farmers, where neither side was ready for major reforms. This is partly due to the lack of preconditions for an efficient transition to the payment system per head and hectare (missing LPIS and other necessary databases) and the unwillingness of farmers to accept the reduction of subsidies (primarily milk producers), and partly due to disappointment with the slow progress of EU integration. The five basic goals of agricultural development in RS[23] are: (i) increasing the volume and productivity of agricultural production; (ii) increasing competitiveness and developing value chains in the agri-food sector; (iii) environment protection and sustainable use of natural resources; (iv) revitalization of rural areas; and (v) improving the institutional and legislative environment for agricultural development. These five strategic objectives are further dispersed into 28 specific priorities and 3 cross-priorities and 78 measures. No significant increase in the agricultural budget is planned (EUR 43.5 million in 2027 compared to EUR 38 million in 2021). The plan is the

[23] Source: Ministry of Agriculture, Forestry and Water Management of Republika Srpska (2021). Strategy of Agriculture Development and Rural Areas of Republika Srpska for period 2021-2027. Banja Luka.

new strategy to be followed by the new Law on Agriculture and the new Law on Incentives in Agriculture, the adoption of which is expected by the end of 2022.

The legal framework of the agricultural policy of the **Brčko District** is the Law on Financial Incentives in Agricultural Production from 2006, which has been amended several times to date. The last time was in 2021, when an article of the Law was removed, which creates the obligation to adopt the Rulebook (on the manner and conditions for incentives) every year after the adoption of the budget. In this way, it is assumed that the receipt of applications begins immediately at the beginning of the fiscal year, and not when the budget is adopted[24]. This administrative unit of BiH has not had an officially adopted strategic document for the development of agriculture and its rural areas since its inception. As a result of the FAO support, another document was prepared - the Strategy for the Development of Agriculture and Rural Areas of the Brčko District BiH for the period 2021-2027, which is awaiting its adoption by the BD Government. The Strategy defines four strategic goals[25]: (i) improving the sustainability and competitiveness of agriculture and food processing; (ii) support through advisory services and technology transfer to agriculture and agricultural processing; (iii) promoting quality of life through social inclusion, poverty reduction and balanced economic development through investments in income diversification activities, including tourism; and (iv) restoration, conservation and improvement of ecosystems dependent on agriculture and forestry. The strategic goals are related to nine priorities, and the implementation of the strategy in the seven-year period 2021-2027 implies the implementation of 19 measures for which it is necessary to provide budget of EUR 50 million.

Table 12 provides an overview of key legal, strategic and programming documents that regulate the agriculture and rural development sector at the level of BiH and its administrative units.

Table 12. Overview of the key legal, strategic and programming framework of Bosnia and Herzegovina and its administrative units

Key legal, strategic and programming document	Key goals and objectives	Notes/ Remarks
Bosnia and Herzegovina		
Law on Agriculture, Food and Rural Development of Bosnia and Herzegovina (2008)	A Law that provides a framework for creating preconditions for the functioning of the sector and subsector of agriculture, food production and rural development in BiH.	The current umbrella law on agriculture at the level of BiH.
Strategic Plan of Rural Development of Bosnia and Herzegovina 2018-2021 (2018)	6 strategic goals have been defined (income stability, strengthening competitiveness, improving marketability, sustainable resource management, better life in rural areas, improving institutional capacity) as a result of the synthesis of entity strategy	The document is an aggregate of entity (Brčko District) rural development strategies created as a need to meet the conditions for obtaining IPARD funds. The document does not provide for implementation, monitoring and evaluation (rural development policies

[24] In most cases, the Decision on temporary financing is made at the end of March, followed by the procedure of adopting the Rulebook for the current year, which lasts 4-5 months, since the adopted Rulebook has no expiration date - valid until changes are made by the Government of Brcko District BiH. In that way, the Department has time and space to receive requests on time, commissions to go out on field and determine the factual situation, and finally to pay and realize requests by the end of the fiscal year without transferring to the next year.

[25] Source: Government of Brcko District BiH - Department for Agriculture, Forestry and Water Management (2022). Strategy of Agriculture Development and Rural Areas for the period 2021-2027. Draft. Brcko.

Key legal, strategic and programming document	Key goals and objectives	Notes/ Remarks
	goals. It includes 11 measures and 66 sub-measures.	are at the entity level), ending in 2021.
Strategic Plan of Rural Development of Bosnia and Herzegovina 2021-2027		Document in the preparatory phase - Expected completion of the document - mid 2023
The Federation of Bosnia and Herzegovina		
Law on agriculture of the Federation of Bosnia and Herzegovina (2007)	Define agricultural policy, goals and measures	Obsolete and outdated document (based on EU regulations from the cycle 2007-2014) that needs to be supplemented or changed in accordance with the new situation and new EU commitments and guidelines (Farm to Fork Strategy, Green Deal).
Law on Financial incentives in agriculture and rural development (2010)	Document defining budget support measures in agriculture and rural development. The law is accompanied by rulebook which prescribe the conditions for exercising the right to support	The document will need to be updated or a new one to be adopted in accordance with the amended Law on Agriculture and the new agricultural policy for the period 2021-2017.
Strategy of Agriculture and Rural Development of the Federation of Bosnia and Herzegovina for the period 2021-2027 (draft, expected 2022)	The strategy defines four strategic objectives, nine priorities and 20 measures. Strategic goals: (i) supporting the smart, resilient and diversified agricultural sector with guaranteed increased food security; (ii) strengthening the application of environmental practices in production that adapt to and mitigate the impact of climate change; (iii) strengthening the socio-economic structure - sustainable development of rural areas; and (iv) modernizing the agricultural sector by encouraging and exchanging knowledge, innovation and digitalization in agriculture and rural areas and promoting their use.	A new strategic document that is in the final stage of drafting, which remains the ex-ante evaluation and adoption of the Parliament (expected date at the end of June 2022).
Republika Srpska		
Law on Agriculture (adopted in 2006, updated in 2007 and 2009)	The law regulates the goals and measures of agricultural policy, beneficiaries of rights, family farms, institutional support in agriculture, keeping registers, monitoring and reporting in agriculture, and administrative and inspection supervision.	Due to changes in the environment and the intention to adjust the Law on agriculture to the expectations in the process of BiH's accession to the EU, drafting a new Law on Agriculture were started, temporarily suspended by the pandemic. An adaptation of new Law on Agriculture in RS is expected by the end of 2022.
Law on financial incentives for agriculture and rural development (adopted in 2002, updated in 2007)	This law, general and brief, defined that incentives will be approved in accordance with the Strategy for Agricultural Development (of which there have been four so far) and the	The law passed in 2002, and it is mostly outdated. Incentives were awarded on the basis of annual rulebooks for agricultural incentives

Key legal, strategic and programming document	Key goals and objectives	Notes/ Remarks
	ambitious goal of using at least 4% of domestic revenues of the RS budget for incentives in agriculture.	over time with significant deviations from this law. The new law on financial incentives for agriculture and rural development is in the drafting phase, which will replace the previous one.
Strategy for the Development of Agriculture and Rural Areas in Republika Srpska 2021-2027	The strategy was adopted in 2021 and contains five strategic goals: (1) increasing the volume and productivity of agricultural production; (2) increasing competitiveness and developing value chains in the agri-food sector; (3) environment protection and sustainable use of natural resources; (4) revitalization of rural areas, and (5) improving the institutional and legislative environment for agricultural development.	The strategy follows the continuity of the previous strategy, with certain steps towards the introduction of new measures, especially in terms of increasing the competitiveness of the agricultural sector and greater respect to the need of environment protection and rural development.
Brčko District BiH		
Law on financial incentives in agricultural production (2006)	A document prescribing budget support measures in agriculture and rural development accompanied by annual regulations.	From 2021, the Rulebook is not related to the adoption of the BD budget.
Strategy for the Development of Agriculture and Rural Areas of the Brčko District BiH for the period 2021-2027	Defined 4 strategic goals (income stability and strengthening competitiveness, support for here we should focus agricultural advice, quality of life and social inclusion, preservation of ecosystems) 9 priorities and 19 measures.	The draft document has been completed, and the last step, adoption by Brčko District Government is awaited.

Source: Strategic documents and official gazette of BiH, FBiH, RS and BDBiH.

The current state of important sectorial institutions and bodies related to human capacities and other types of capacities (equipment, facilities, etc.) at the level of BiH and its administrative units can be seen in the following Table 13 overview.

Table 13. Overview of the institutional and administrative policy framework of Bosnia and Herzegovina and its administrative units

Key institutions and administrative bodies	Key role and responsibilities in Ag. and RD policy	Human capacities and competences	Other capacities	Other challenges for the institution
Bosnia and Herzegovina				
Ministry of Foreign Trade and Economic Relations (MOFTER) - Division for Agriculture, Food and Rural Development	Responsible for trade policy on state level and coordination of agricultural policy	Understaffed. For current activities the number of people is less than optimal. In the case of commitments in the context of EU integration, additional employment and		Insufficient cooperation and support of entity institutions. Burdened with political views. Poor coordination with a number of institutions

Key institutions and administrative bodies	Key role and responsibilities in Ag. and RD policy	Human capacities and competences	Other capacities	Other challenges for the institution
		capacity building are needed.		
MOFTER - Office for Harmonization	Harmonization of agricultural policy and rural development policy in BiH, and its gradual harmonization with the EU CAP.	Understaffed. The Rulebook on Internal Organization and Systematization is not harmonized with the needs of human resources for performing the tasks assigned to the Office by the Law on Agriculture of BiH (OG BiH No 50/08). Needs change and additional recruitment and training of staff.		Lack of will for effective coordination and cooperation of institutions at lower levels of government (RS entity) in BiH, exclusion of the Office from activities that according to the Law belong to this institution
Agency for Food Security	Responsible for policy creating, coordinating and implementation in the field of food safety	Understaffed. It is necessary to fill the human capacities provided by the Rulebook on Internal Systematization of the Agency.	Not needed	The Agency uses available EU tools (TAIEX and Twinning) as well as FAO and WHO to upgrade its human capacity. This needs to continue, especially in the context of EU accession
The Federation of Bosnia and Herzegovina				
Federal Ministry of Agriculture, Water Management and Forestry	Responsible for policy creation and coordination in FBiH, monitoring, implementation and reporting of federal and cantonal policies	Understaffed. It is necessary to fill the organizational units for programming direct payment measures, and rural development measures and land policy. Additional staffing in the Agricultural Payments Sector is also needed.	It is necessary to modernize IT systems, strengthen the agricultural advisory service and the reporting and forecasting service. It is important to establish an organizational unit for monitoring and analysing policies, and	

Key institutions and administrative bodies	Key role and responsibilities in Ag. and RD policy	Human capacities and competences	Other capacities	Other challenges for the institution
			to ensure their regular evaluation.	
Republika Srpska				
Ministry of Agriculture, Forestry and Water Management	Planning and implementation of agricultural and rural development policy, as well as forestry and partly water management policy.	Understaffed. Staff needs further training in all areas, in particular with regard to better monitoring and evaluation of policies and EU integration.	Better premises and technical equipment are needed.	Reorganization of the ministry in terms of changing the competencies and harmonizing the organizational structure with the new functional competencies.
Paying Agency	Planning, payment and control of the use of incentives in agriculture and rural development	Well-staffed. Staff need additional training, especially in the direction of readiness for the implementation of IPARD measures.	Further digitization of work and control processes is needed, as well as the renewal of ITC equipment.	Willingness to transition on payments per head and area unit.
Brčko District BiH				
Government of Brčko district BiH - Department for Agriculture, Forestry and Water management	Responsible for creating, implementing, coordinating and monitoring agricultural and rural development policy	Well-staffed. Most staff administer financial incentives and lack more time for other activities including agricultural advisory work.	It is necessary to strengthen the IT system, as well as to provide better equipment for field work (car purchase)	

Source: Personal communication with representatives of FMAWMF, Ministry of Agriculture, Forestry and Water Management of the RS and Department for Agriculture of BD.

The Smart Specialisation (S3) process in Bosnia and Herzegovina is currently in preparation. The S3 working group of Bosnia and Herzegovina has been recently formed. The S3 of Bosnia and Herzegovina will be developed by taking into consideration the country's governance architecture including the state level, the two entities of the Federation of Bosnia and Herzegovina and Republika Srpska, and Brčko District. At the moment, on the state level, the government approved its revised Science and Technology Development Strategy 2018-2022. Republika Srpska has a Strategy and Policy of Industrial Development 2016-2020 that includes innovation policy measures as well as a Strategy for Scientific and Technological Development. A draft strategy for the Federation of Bosnia and Herzegovina was published in 2012. It is not known to what extent the agricultural and rural sector is a strategic priority of the future smart specialization strategy.

3.2. Measures and budgetary support of agriculture and rural development

Bosnia and Herzegovina and its entities in their strategic documents for the period up to 2019 (FBiH) and 2020 (RS) emphasized a clear commitment to European integration and harmonization with the EU CAP. The general impression is that at the end of the validity of these documents in both BiH entities, the necessary reform courage was missing, which would have made the necessary step forward when it comes to approaching the CAP to the EU. This means that a significant part of direct payments to producers based on output was retained, there was no planned increase in total budget allocations for the agricultural sector, there was no support for the second pillar of agricultural policy - structural and rural development measures, and for general support for agriculture there is still insufficient attention, both qualitatively and budgetary. The new disturbances in the sector caused by the Covid-19 pandemic in 2020 and 2021 and crisis interventions in the sector of agriculture and food production should be added to this general assessment.

The total budget for agriculture in **Bosnia and Herzegovina** is constantly increasing since 2014, when it had the lowest level (EUR 67.4 million), and in 2021 it reached the highest value of EUR 117.7 million. In the structure of the budget for 2021, the largest part (EUR 93.8 million, or 79.7%) are direct support measures to producers, rural development measures participated with EUR 16.9 million or 14.4%, while general measures in agriculture participated with EUR 6.9 million or 5.9%.

In the **Federation of Bosnia and Herzegovina,** the total budget allocations (from the level of FMAWMF and cantons)[26] were quite uniform in the period 2016-2019 and ranged around EUR 44 million, to increase significantly in 2020 and 2021, reaching EUR 58.9 million (2020) and EUR 58.3 million (2021). In 2020, the increase was due to significant investments in farms (rural development measures) and interventions in the sector to mitigate the effects of the Covid-19 pandemic, whereas in 2021 the increase in support to the sector is a result of higher budget allocations for direct support to producers and investment in farms. In 2021, although significant funds (EUR 7.8 million) were approved, there was no support for mitigating the effects of Covid-19. The main feature of agricultural policy throughout the implementation of the sectorial strategy is the dominant support to producers through direct payments, especially until 2019, whereas support for rural development was almost completely absent (participation in total support ranged between 3-5%). In 2020 and 2021, there are significantly higher budget transfers for rural development through measures related to support for investments in agricultural holdings and plants for food industry, with EUR 12.0 million in 2020 and EUR 16.9 million in 2021. With these amounts, the second pillar of the agricultural policy of this BiH entity participates significantly more in the total budget allocations. Even with this share of the second pillar in 2021 (15.8%), the ratio with the first pillar did not even come close to the planned and defined by the Strategy (first pillar 55%: second pillar 45% of budget allocations). Budget allocations for the third pillar and measures of general services in agriculture are still not of great importance in this entity and with the exception of 2021 it does not exceed the amount of EUR 0.6 million per year.

In Republika Srpska, there was also a significant increase in total budget allocations for the agricultural sector, which increased from an average of EUR 36 million (2018-2019) to EUR 42.5 million (2020) and EUR 51.3 million (2021). This increase was due to intervention measures and the compensation fund due to Covid-19 (2020) and higher investments in farms (rural development measures) from the mentioned compensation fund (2021). In this entity, too, the largest budget allocations relate to the first pillar and direct support to producers, which continued in 2020 and 2021 (increased by the mentioned compensation funds). Support for rural development has been growing since 2017, but the amounts are modest and in 2021 they reach the level of EUR 6.9 million, which is 13.5% of the total

[26] In the Federation of Bosnia and Herzegovina, budgetary support for the agriculture sector comes from two administrative levels of government - the entity (FMAWMF) and the cantons (cantonal line ministry).

budget allocations. Support for general measures in agriculture recorded a slight increase in the period 2016-2021 and ranged from 10-13% of all budget allocations.

Brčko District achieves the growth of total budget allocations in the period 2016-2021, which reached EUR 4.6 million in 2016, reaching EUR 8.6 million in 2020 and EUR 8.1 million in 2021. The support structure has been retained, dominated by the share of direct support to producers, whereas rural development measures participate with 9-14%. There is no support for general measures in the agricultural sector in this BiH administrative unit.

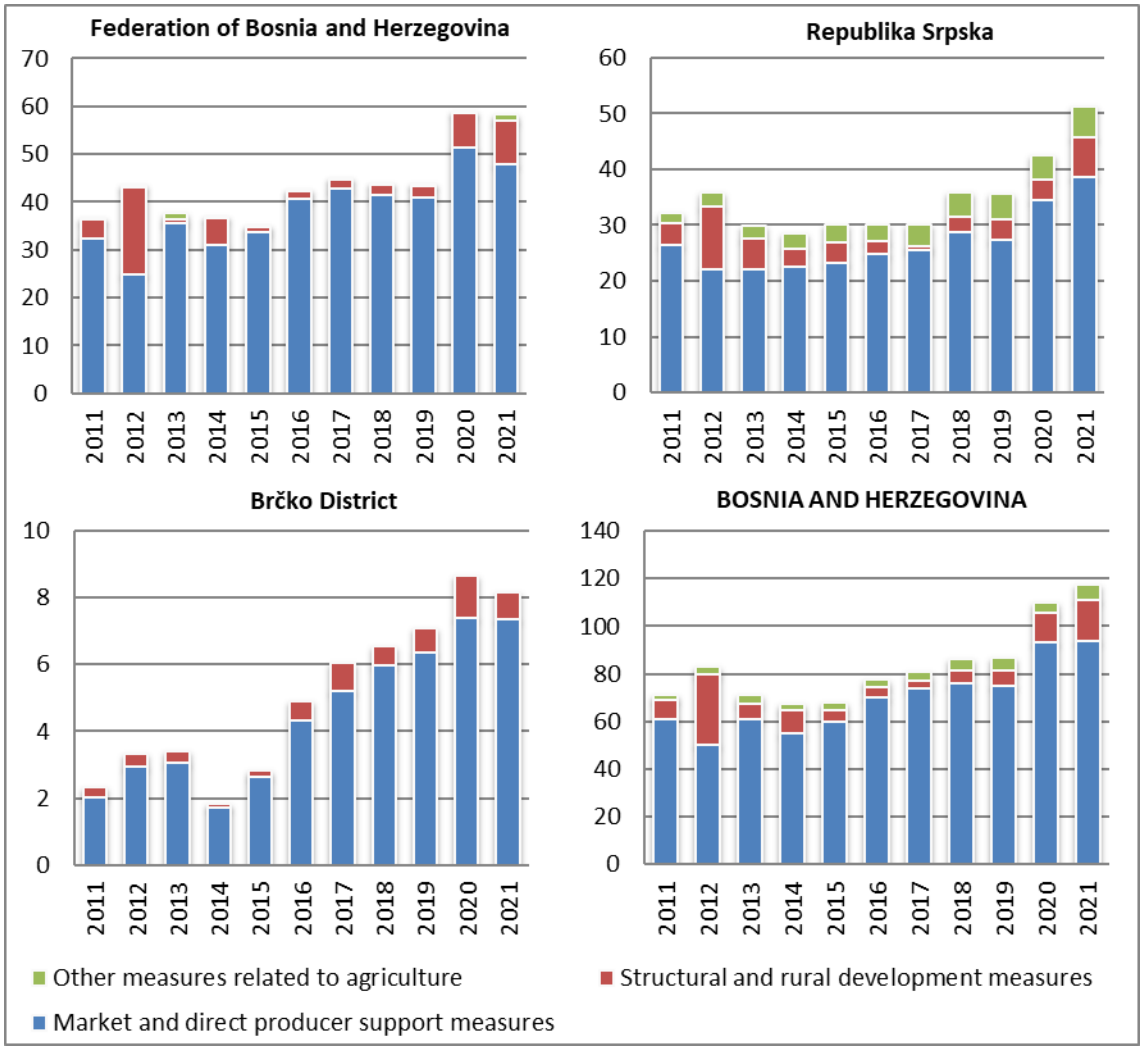

Figure 16. Breakdown of budgetary expenditure for agri-food sector and rural areas, 2012-2021, Bosnia and Herzegovina, in million EUR
Source: BA APMC database.

Market and direct producer support measures. Market measures and direct support to producers are the most important measures of agricultural policy in **Bosnia and Herzegovina**. In the period 2014-2021, the total allocations for this group of measures were constantly growing, and from EUR 55.2 million in 2014, they have risen to the level of EUR 93.8 million in 2021. Direct payments to agricultural producers are the most important type of measures from this group of measures (Pillar I) and with their amounts they participate in an average of 90% of its total allocations. The exception is the year 2020, when this participation was reduced (78%), as a result of financial support to producers to eliminate the negative consequences of Covid-19 (disaster and other compensation measures). In the period 2014-2020, total allocations for direct payments to agricultural producers in BiH ranged between EUR 47.1 million (2014) and EUR 78.0 million (2021), with a larger part related to output-based payments and a smaller

part to payments per ha/head. Schemes of direct payments per output mainly refer to milk producers, and in RS it also includes fruit and vegetable producers.

The most important measures of budget support in the **Federation of Bosnia and Herzegovina** are direct producer support measures. This group of measures can be said to have contributed to achieving the strategic goal of ensuring a sustainable income, especially in certain sub-sectors such as milk production. Total direct payments in the period 2016-2021 range between EUR 39 million (2016) and EUR 46.6 million in 2021. Until 2020, direct payments based on output had a larger share, and in 2021, for the first time, the ratio of payments based on output and per ha/head was almost identical (EUR 23.4 million: EUR 23.2 million). The payment based on output is exclusively contributed by the support to milk production, which was maintained during the entire period of implementation of the Strategy, although the proposed measures did not define it (gradual transformation into payment per head). The largest number of direct payment schemes per ha / head in 2020 and 2021 was maintained compared to the previous three-year period, with the retention of support criteria. There was an increase in the amount per ha (wheat, oilseeds, vegetables, permanent crops) and per head (breeding sheep - domestic breeds, fattening cattle, fattening lambs), which is also one of the reasons for higher budget allocations for direct support to producers. In 2020, within the framework of the Programme of financial support for agriculture and rural development, an additional measure of support for the procurement of inputs for spring and autumn sowing was introduced in order to increase the level of security of food supply from domestic sources.

Market measures and direct support to producers are the most important measures of agricultural policy in Republika Srpska**.** In the period 2016-2021, the total allocations for direct payments to agricultural producers ranged between EUR 20.6 million and EUR 24.0 million, with an average of almost two thirds being paid on the basis of output, and in 2021 the share of these payments reached 75%. In 2020 and 2021, direct payment schemes by output were maintained, and in addition to milk, the scheme of these types of payments also includes the production of fruits and vegetables and the production of seed material. Implementation in 2020 and 2021 is increased support to milk producers per litter which can go up to EUR 0.20. Republika Srpska still differs from the Federation of Bosnia and Herzegovina when it comes to supporting variable inputs, which in 2020 (EUR 4.3 million) and 2021 (EUR 5.2 million) were at a slightly higher level than in previous years.

In the **Brčko District**, the most important group of measures refers to direct payments per ha/head. A number of plant and animal productions are supported and payment schemes have been largely the same in recent years. The continuous growth of the support since 2014 is considered as positive development, and in 2021 it reached the value of EUR 7.3 million.

A significant budgetary amount of direct payments in the Federation of Bosnia and Herzegovina and Republika Srpska relate to payments based on output, which does not contribute to the adjustment of BiH to the EU CAP. Although the largest number of direct payment schemes in both BiH entities is per ha/head, support to milk producers per litre makes the dominant payment per output. The Brčko District has fully adapted to the EU CAP and all payments are per ha/head. As in EU countries, farmers in Bosnia and Herzegovina generally receive income support through direct payments, which depends on the size of the farm, i.e., the quantity of agricultural products produced. Unlike EU CAP, in both BiH entities and Brčko district agricultural policies, there are still no direct payments to support sustainable agriculture methods ('greening') and payments for young farmers.

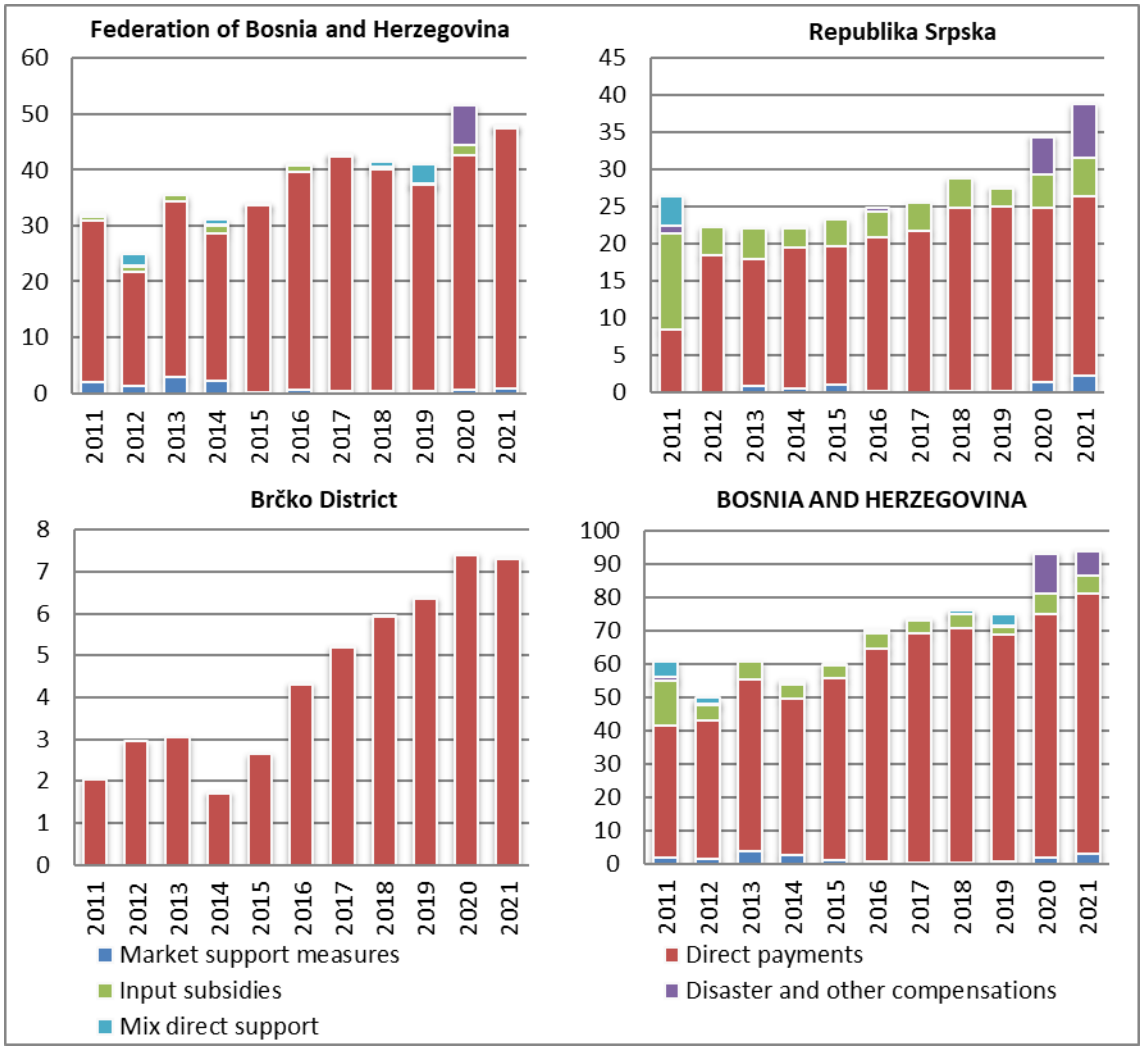

Figure 17. Budgetary transfers for market and direct producer support measures in Bosnia and Herzegovina, 2012-2021, in million EUR
Source: BA APMC database.

Structural and rural development measures. Support for rural development in the previous cycle of agricultural policy was almost completely absent **in Bosnia and Herzegovina** and its entities and Brčko District. This is one of the characteristics of the implementation of strategic documents of all administrative units in Bosnia and Herzegovina. Total allocations for rural development vary a lot from year to year and do not show any significant trend. In general, it can be said that the allocations for rural development are quite modest, especially considering that this is the most important development group of measures. Only in 2020 are the allocations for rural development more significant and amount to EUR 16.9 million, where EUR 15.6 million or 96% refer to increasing the competitiveness of agricultural production, while insufficient attention is paid to environmental measures and rural economy development measures.

In the **Federation of Bosnia and Herzegovina,** one of the biggest weaknesses in the implementation of the strategic (programming) document for the development of the agricultural sector in the period 2015-2019 (extended until 2021) was the big difference between the planned and implemented amount for measures to support rural development. Goals such as increasing the competitiveness of the agriculture and food sectors, introducing new environmental measures, preserving the environment or better managing natural resources have not been achieved. Budgetary support for rural development and the second pillar of agricultural policy from the level of FMAWMF was completely absent in the period 2014-2017, and significant support can be seen only in 2020 (EUR 6.9 million) and 2021 (EUR 8.4 million). The Mid-term Strategy of Development of the Agricultural

Sector for the period 2015-2019 [27] planned in 2019 the allocation ratio of direct payments to structural and rural development measures to be 55%: 45% at the budget level of about EUR 100 million, which is not even close. This is certainly part of the policy that will have to change in the next 2021-2027 cycle. The draft of the new strategy points out the importance of this segment of the agricultural policy. Support for rural development coming from the federal and cantonal levels is mainly used to improve competitiveness and support investments on farms (procurement of machinery, procurement of basic herds, equipping facilities, orchards), whereas support for environmental and rural economy measures is almost non-existent. In 2020 and 2021, as part of the Credit Guarantee Programme for Agriculture and the Food Industry of the Government of the Federation of Bosnia and Herzegovina, support for current business and investment projects was provided to economic entities from the field of agriculture and the food industry (i) through the issuance of guarantees for loans from commercial banks up to 50% of the loan (2020) and (ii) through the payment of subsidies for interest on loans from commercial banks for which guarantees from the Guarantee Fund for Agriculture and the Food Industry were granted (2021).

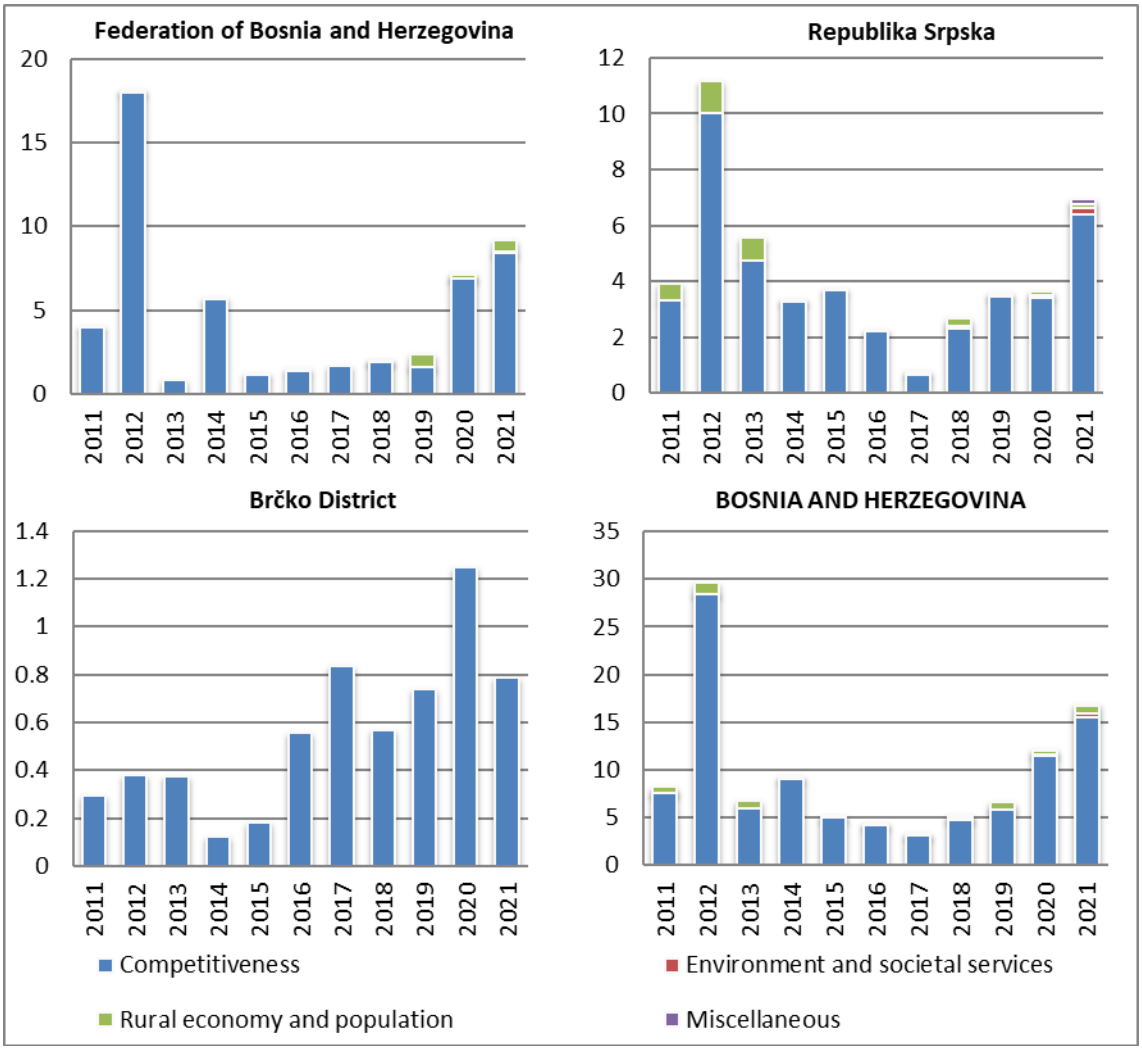

Figure 18. Budgetary transfers for structural and rural development measures in Bosnia and Herzegovina, 2012-2021, in million EUR
Source: BA APMC database.

In **Republika Srpska,** unlike in 2017, when the budget support for rural development amounted only EUR 0.8 million, from 2018 to 2021 the allocations are continuously increasing and in 2021 reached the level of EUR 6.9 million. As stated for the Federation

[27] Source: Federal Ministry of Agriculture, Water Management and Forestry (2014). Mid-term Strategy of Development of Agricultural Sector in the Federation of BiH for the Period 2015-2019.

of Bosnia and Herzegovina, RS also is far from strategically set goals when it comes to this pillar of agricultural policy. Structural and rural development measures are strategically recognized as the most important development measures and the budget structure at the end of the implementation of the strategy is planned to be in the ratio of 60:40 between direct support measures and rural development measures. The analysis of the budget from 2020, with the formal end of the Strategy, shows that the level of 85:15 has been reached and that it will take a long time to reach the planned goal. There is a wide range of measures that are within the framework of rural development, with the largest part belonging to the measures of the so-called capital investment, i.e., measures to increase competitiveness (procurement of machinery, livestock, establishment of orchards, etc.) whose transfers of support amounted to EUR 6.4 million in 2021. Environmental measures are very modest (EUR 0.2 million 2021) and refer to support of organic production, as well as measures to improve the rural economy (EUR 0.1 million, 2021).

Structural and rural development measures in **Brčko District** have a very modest budget (averages EUR 0.7 million per year in the period 2016-2021, with the exception of 2020) and relates to improving competitiveness, i.e., equipping farms with machinery and other equipment, investing in irrigation systems, establishment of new orchards and others.

General measures to agriculture. Budgetary allocations for general measures to agriculture in **Bosnia and Herzegovina** are the smallest compared to the measures of the first two pillars of the agricultural policy and range from EUR 3.0 million (2014) to EUR 6.9 million (2021). The largest allocations of the third pillar are related to research and development support measures in 2021, amounted to EUR 3.5 million, while budgetary allocations for food safety measures were significantly lower and amounted to EUR 1.4 million in 2021. The largest contribution to the total budget transfers for the third pillar of agricultural policy in BiH, regarding participation of administrative units, comes from the RS entity (EUR 5.6 million, 2021), significantly less from the Federation of Bosnia and Herzegovina (EUR 1.4 million, 2021), while this type of support is absent in Brčko District.

In the **Federation of Bosnia and Herzegovina,** allocations for general measures to agriculture are almost symbolic and in the period 2014-2020 did not exceed the amount of EUR 0.5 million, i.e., in total support to the sector they did not exceed, with the exception of 2019, a participation of more than 1%. In 2021, the largest part (EUR 1.2 million) related to research and development support, and the rest of EUR 0.2 million to food safety measures. Given that it is a group of measures that has a significant impact on the development and security of the agricultural sector in the next cycle of agricultural policy (2021-2027), the current approach will have to be changed and more budget funds allocated for the III pillar if the path of European integration is to be continued and closer approximation of the CAP to the EU.

Unlike the Federation, in **Republika Srpska** there are significantly higher budgetary allocations for general measures in agriculture and in the period 2014-2021 they show a constant growth trend from EUR 2.7 million (2014) to EUR 5.6 million (2021). The participation of pillar III in the total support of the sector in the analysed period ranges from 10-13%. In 2021, allocations for research and development amounted to EUR 2.3 million, and EUR 1.3 million for food safety measures.

In the **Brčko District**, there is no allocation for the III pillar of the agricultural policy and for the support of general measures to agriculture.

The analysis of budgetary support to the agricultural sector at the level of both BiH entities showed unequal support in favour of direct payments, insufficient understanding of the importance of structural and rural development measures among decision makers and evident unwillingness for more serious reforms in context of harmonization with EU CAP (dominated by output-based payments that do not exist in the EU). In any of the entities, the goals set from the strategic documents have not been achieved. New strategic

documents are close ahead (in RS they are already being implemented) and they, like the previous ones, are ambitious, challenging, and promising in the context of EU integration.

Table 14 provides an overview of new measures or policies that were characteristic of 2020 and 2021 at the level of the BiH entities and the BD BiH.

Table 14. Major new policy instruments/measures introduced in 2020 and 2021 in Bosnia and Herzegovina and its entities and Brčko district BiH

Instrument/ Programme	New measure and policy significance	Year of introduction
The Federation of Bosnia and Herzegovina		
Programme of financial incentives in agriculture and rural development	Support for the procurement of inputs for spring and autumn sowing. Increasing the level of security of food supply from domestic sources.	2020
Credit-guarantee programme for agriculture and food industry of the FBiH Government - guarantees on loans of commercial banks	Providing guarantees for loans from commercial banks in the amount of up to 50% of the loan amount. Support for current business and investment projects of economic entities in the field of agriculture and food industry.	2020
Credit-guarantee programme for agriculture and food industry of the FBiH Government - interest rate subsidy	Payment of interest subsidy on loans of commercial banks for guarantees of the Guarantee Fund for agriculture and food industry. Easier access to credit and reduced costs of financing business and investment projects of economic entities in the field of agriculture and food industry.	2021
Brčko district BiH		
Law on Financial Incentives in Agriculture Production	The article on the obligation to adopt the Rulebook on the manner and conditions for incentives in agricultural production every year after the adoption of the Budget of the Brčko District has been removed.	2021

Source: Personal communication with representatives of FMAWMF, Ministry of Agriculture, Forestry and Water Management of the RS and Department for Agriculture of BD. Note: There were no new instruments/measures in Republika Srpska.

The following table provides an overview of the main successes and failures of agricultural policy instruments and measures in relation to the strategic objectives of the last two years (2020 and 2021).

Table 15. Main successes and failures of agricultural policy instruments and measures compared to the strategic objectives in Bosnia and Herzegovina in 2020 and 2021

Successes	Failures
The Federation of Bosnia and Herzegovina	
Increased production and level of food supply from own sources	Continuation of the trend of leaving rural areas, especially of young and educated people
Driven investment cycle in the agriculture and food sector (investment in farms)	Insufficient use of available natural and human resources for agricultural production and development of the rural economy
The Republika Srpska	
Extraordinary reactions to the challenges of the Covid-19 pandemic in order to increase food self-sufficiency and stabilize the market in conditions of supply disruption. Timely continued cycle of strategic planning.	Incentive payment reform not implemented. Insufficient use of agricultural land.
Brčko district BiH	
Maintained the level of agricultural production	Continuation of the trend of leaving rural areas, especially young and educated people

Source: Personal communication with representatives of FMAWMF, Ministry of Agriculture, Forestry and Water Management of the RS and Department for Agriculture of BD.

3.3. Covid-19 interventions in policy and implications

The pandemic caused by Covid-19 affected BiH at about the same time and in the same way as other European countries. The first case of coronavirus infection in BiH was recorded on March 5, 2020 and the pandemic lasted throughout 2020 and 2021, with oscillations in the number of infected and dead. The balance of BiH during 2021 and 2022 is 291 313 of confirmed cases of infection by the coronavirus, of which 13 442 ended in death (Worldmeter, www). Considering the modest financial and other resources for emergency situations and the complex administrative structure of BiH, reactions and measures to prevent and mitigate the consequences of Covid-19were delayed and had a limited scope.

In the first days of the pandemic, the import and export of all goods stopped, but solutions were quickly found and the so-called "green corridors" were established for food and other priority goods, thanks to which cross-border trade continued. All sectors of the economy and population were affected by the Covid-19 pandemic, including the agriculture sector and the rural population. As BiH is highly dependent on food imports, the first reaction was fear of hunger, due to the interruption of international trade. Farmers reacted by increasing sown areas (especially in 2020), and this was encouraged by the ministries of agriculture (for example, in RS about 10 000 free vegetables sowing packages were distributed for vulnerable rural population to increase own food production). At the very beginning of the pandemic, quantitative restrictions on food purchases were applied in parts of BiH (RS), as well as restrictions on trade margins on food, fuel and inputs for agriculture (which were short-lived).

At the very beginning of the pandemic, an increased demand for food was registered, which the retailers successfully satisfied, and later there were larger deviations from the usual purchases. There were no significant price oscillations, both in prices of inputs for agriculture and prices of agricultural and food processed products. At the beginning of the pandemic, both imports and exports of food declined, due to reduced consumption and the substitution of imports with domestic food, but international trade soon stabilized. During 2020 and 2021, the turnover in food trade was lower, compared to the pre-pandemic 2019, due to reduced consumption because there were fewer tourists, the diaspora also came less, and traditional big celebrations were less frequent.

Many measures have been taken to prevent or mitigate the effects of Covid-19infection. The most important measures that have had an impact on the agricultural sector are: speeding up the payment of regular incentives; application of more flexible conditions for direct payments; increase of initially planned incentives for capital investments; introduction of new guaranty schemes for borrowers; temporary moratorium on loan repayment; rescheduling loan repayment; impairment of advance tax and tax debt rescheduling; co-financing intervention purchase of cattle, pigs and vegetables; postponed payment of fees for leases and concessions of agricultural land (Vaško, 2021).

During the pandemic, the demand for food by the HORECA sector has decreased. Also, green and livestock markets were closed in the first wave of the pandemic. On the other side, there was an increase in direct sales and delivering of agricultural products to the home address of customers and online sale.

Restrictions on population movement in order to reduce the spread of coronavirus also affected the rural population, especially farmers when working in the fields, but an acceptable exemption was soon found for them. Some public services for the rural population (health, education, public administration, and banking) were less accessible to the rural population during strict restrictions, but this period was limited to the first 2-3 months of the pandemic. The impact of Covid-19 on rural areas was somewhat buffered by an increased interest in rural tourism from domestic urban dwellers and demand for renting houses in the countryside increased (Bogdanov et al., 2022).

The two entities (FBiH and RS) and BD have established funds to compensate entrepreneurs for losses due to various restrictions caused by Covid-19. All or part of the salaries of workers in the most affected sectors who did not work due to the work restrictions were reimbursed from that fund. Farmers in BiH, few of whom are formally employed, did not benefit more from those compensations. Farmers have also suffered from various restrictions and market disruptions, and they were compensated by granting additional incentives through regular or newly introduced measures.

In the Federation of Bosnia and Herzegovina, due to the crisis caused by Covid-19 and the danger of food supply disruptions, a significant part of the funds was directed to support the purchase of raw materials for spring and autumn sowing in the amount of EUR 3.65 million. An additional EUR 4.2 million was also allocated as financial assistance to export-oriented economic entities from the agri-food sector in order to alleviate disturbances in the international market from the budget of the Federation. In 2021, EUR 7.7 million were planned, as a continuation of assistance to agricultural producers and economic entities from the sector of agriculture and food industry, but it was not realized.

In the RS, extraordinary allocations also sought to mitigate the negative consequences of Covid-19, and this was done through the so-called compensation funds. In 2020, this fund amounted to EUR 5.0 million and in 2021 to EUR 6.7 million. In 2020, EUR 2.6 million were related to investments in farms, and a slightly smaller part of EUR 2.4 million was directed to the intervention purchase of meat and vegetables. In 2021, most of the EUR 3.4 million went to support production, and slightly less than EUR 3.1 million to invest in farms.

There were no additional budget allocations for the mentioned intentions in the Brčko District.

3.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources

The agricultural policy of the EU has always been a moving target for Bosnia and Herzegovina. The EU itself announced its new agricultural policy just in 2021, and it is logical that in the period 2020-2021 it is too early to talk about harmonization and following the EU Green Deal in BiH. BiH still does not have candidate status and it is logical that the degree and speed of harmonization with the CAP is lower and slower than in candidate countries.

Due to the lag in the intensification of agriculture in BiH, it could be concluded that BiH is much closer to the goals of the Green Deal for agriculture than the indicators that measure progress confirm. BiH and its agriculture are still quite green. About 63 percent of BiH's territory (3.2 million ha) is covered by forests and forest land, making BiH one of the most forested countries in Europe (FAO, 2015). In addition, BiH has 1.84 million ha of agricultural land (Čustović et al., 2020), out of which close to half (49.4%) is under permanent meadows and pastures (FAO, 2022). There is a historical trend of decreasing area of agricultural land (Ljuša and Čustović, 2022), but agriculture is greening, because the cultivated land is decreasing, and grassland areas are expanding. Grazing livestock density (GLD) index in BiH is 0.51 which means that one LSU ruminant belongs to 2 ha of grasslands (Vaško and Roković, 2021).

Agriculture in BiH contributes to greenhouse gas emission (GGE) with 9.5% (compared to 1990 level, this contribution decreased by 29.6%), compared to the energy sector which contributes to GGE with 78% (Berishaj, 2021). Fertilizer indicator measured as use of nutrients (N, P_2O_5, K_2O) per ha of cropland indicates that agricultural nutrient use in BiH is at the level of 35-75% comparing their use in EU-27 (own calculations based on FAO, 2022). As there is no data on the level of pesticide use in agriculture in BiH, their contribution to nature pollution cannot be assessed. The percentage of agricultural land used in the system of organic production is low, in practice it is much higher, but that production is not certified.

New agricultural development strategies in RS, FBiH and BD were developed in parallel with the design of the new CAP and have the same period, and some were adopted (such as in RS) even before the EU aligned its agricultural policy with the Green Deal. Regardless of that, a certain analysis of the compatibility of goals and agricultural policies in BiH with the Green Deal orientation of the CAP 2021-2027 was done.

Table 16. Compatibility of objectives of agricultural development strategies in BiH with the new CAP objectives

CAP objectives	RS strategic objectives	FBiH strategic objectives	BD BiH strategic objectives
to ensure a fair income for farmers	No	No	No
to increase competitiveness	to increase competitiveness	to increase competitiveness	to increase competitiveness
to improve the position of farmers in the food chain	to develop value chains in the agri-food sector	to improve value chains in the agri-food sector	to improve value chains in the agri-food sector
climate change action	combating climate change		
environmental care	protect environment and sustainable use of natural resources	sustainable use of natural resources	sustainable use of natural resources
to preserve landscapes and biodiversity	conservation and sustainable management of plant and animal genetic resources	to preserve biodiversity	to preserve biodiversity
to support generational renewal	generational renewal and giving preference to young farmers	support for young farmers	-
vibrant rural areas	revitalization of rural areas	support for rural areas	support for rural areas
to protect food and health quality	improving the quality of agricultural products	improving the quality of agricultural products	-
fostering knowledge and innovation	improving the system for the transfer of knowledge in agriculture	improving the system for the transfer of knowledge in agriculture	improving the system for the transfer of knowledge in agriculture

Source: Author's elaboration based on insight into relevant strategic documents.

A lot of compatibility can be found between the goals of agricultural development in the existing strategies in BiH and the new EU CAP 2021-2027. However, the backlog is primarily evident in the structure and conditions of implementation of financial support measures, which in BiH are not cross-aligned with the Green Deal approach. Certainly, as in the previously analysed periods, what is important is what has been achieved, not what was wanted (planned), which is a challenge in the case of the goals of the Green Deal. This is not relevant only for the WB countries/territories, but also for the EU (especially after the emergence of a new geopolitical situation in Eastern Europe). However, the acceptance of the Green Agenda for the Western Balkans obliges all WB countries to contribute to the further greening of their agriculture.

The greening policy is a new concept that covers different activities that take care of the sustainable use of natural resources (soil, water, air, biodiversity of species, breeds and varieties, maintenance of pastures and forests, etc.). This concept is increasingly being talked about in Bosnia and Herzegovina and is becoming part of the challenge facing strategic decision makers at all levels of government. By the end of 2021, it cannot be confirmed that even in one administrative unit in BiH there is a more serious approach to the new green policy by introducing green measures, as well as budgetary support and allocations for this purpose. Only measures to support organic production and payments for breeding sheep, goats and cows in the cow-calf system in the RS and the Federation of Bosnia and Herzegovina can be added to the contribution to the goals of achieving the

Green Deal. In 2020, in the RS, the total budget transfer for organic production amounted to EUR 0.08 million, and in the Federation of Bosnia and Herzegovina EUR 0.02, whereas in the Federation of Bosnia and Herzegovina there was no such support in 2021, and in the RS the amount increased compared to the previous year and amounted to EUR 0.2 million. Support for grazing livestock breeding systems (sheep, goats and cow-calf) in the RS amounted to EUR million 1.4 (2020) and 1.1 million (2021), in the FBiH EUR million 2.6 (2020) and 4.9 (2021), and in BD EUR million 0.8 (2020) and 0.9 (2021), in total in BiH EUR million 4.8 million (2020) 6.9 million (2021), with an increasing trend, especially in FBiH.

As part of the EU project "Networking and Advocacy for Green Economy" Road map to green economy in agriculture and rural development in the Western Balkans has been done including BiH (Martinovska Stojcheska et al., 2021). Five priorities have been defined that follow the necessary actions and deadlines; (i) drafting of a regulatory framework (legislation, strategies, action plans) in the field of agriculture and rural development that will include the principles of the green economy; (ii) raising awareness and knowledge about the importance of the green economy including institutional strengthening of human capacities; (iii) absorption of EU pre-accession funds that include green economy issues (IPARD, EU4Agri and EU Recovery programmes); (iv) establishment of a greater degree of inter-ministerial cooperation between the ministries responsible for agriculture, rural development, environmental protection and economy; and (v) application for international technical, scientific and research assistance projects in the field of green economy.

EU green deal objectives for the agriculture sector are not specified and quantified for the countries of the Western Balkans, e.g., in the Green Agenda for the Western Balkans, and only some initiatives are identified. Personal observations regarding the progress in the implementation of those initiatives according to the Guidelines for the Implementation of the Green Agenda for the Western Balkans (EC, 2020) follow bellow (in brackets): (1) alignment of the agri-food and primary production sectors with EU standards for food safety, plant and animal health and welfare (alignment activities are ongoing ; (2) Strengthen the official sanitary controls along the entire food chain (activities in progress); (3) Improve consumer information and promote sustainable food (no visible effort) ; (4) Promote environmentally friendly and organic farming and reduction of synthetic chemical products used in food production: pesticides, veterinary medicines and fertilisers (organic production is subsidized and is expanding, greater use of fertilizers and pesticides consumption is not forced by subsidies, but there are no conditions of cross compliance either, the goal is fulfilled more spontaneously than planned due to the significant presence of extensive agricultural production); Support cooperation among scientific and educational bodies and producers and processors in the agri-food sector to facilitate transfer to innovative and environmentally friendly technologies and farming methods (sporadically present); Support actions to reduce waste in rural and coastal areas (slow progress, but there is progress); Stepping-up efforts for sustainable development of rural areas by implementation of Leader, modernisation of physical assets in the agri-food sector, supporting economic diversification and improvement of rural infrastructure under IPARD (BiH does not yet have access to IPARD funds, and physical assets renewal and rural infrastructure construction and reconstruction, as well as the modernization of the agricultural and food sector are supported from the national funds, according to the availability of finances). As stated in EU Guidelines (EC, 2020) "the implementation of an ambitious Green Agenda for the Western Balkans will require substantial public and private funding, at national, regional and international level" and in BiH, the second poorest country in Europe, progress of the implementation of the Green Agenda will depend significantly on financial and technical assistance from outside.

3.5. EU approximation process

All the countries of the Western Balkans have expressed their readiness to join the EU and are currently in different accession statuses. The European Union policy towards the

Western Balkans was defined in the framework of the Stabilization and Association Process (SAP) launched by the European Commission in May 1999. The accession process is more rigorous and comprehensive today than before. Although EU members have reaffirmed their support for the European perspective of the Western Balkans at the meetings in Sofia in 2018 and in Zagreb in 2020, the enlargement process has slowed due to different visions of further enlargement, so that some Balkan countries, i.e., their citizens, are beginning to lose hope that their EU accession will ever happen.

Bosnia and Herzegovina has the status of a potential candidate in the EU approximation process. Bosnia and Herzegovina applied for EU membership in February 2016, and in September 2016, the European Council invited the Commission to provide its opinion on the country's application. The Commission adopted the Opinion (Avis) and the accompanying analytical report in May 2019. The Opinion identified 14 key priorities in the areas of democracy / functioning, rule of law, fundamental rights and public administration reform that Bosnia and Herzegovina must meet in order to receive a recommendation to open EU accession negotiations. In December 2019, the EU Council welcomed the Opinion and called on the Commission to focus its annual reports on Bosnia and Herzegovina, starting with the 2020 report, on implementing key priorities.

The EC 2021 report on BiH progress in the EU accession process states the following: "The public political commitment of the authorities at all levels of government to the strategic goal of European integration has not been turned into concrete action, as political leaders continued to engage in divisive rhetoric and unconstructive political disputes, which have hindered progress on the 14 key priorities so far". The assessment is that "regarding the political criteria, legislative and executive authorities, they had a low output due to political polarisation and the disruption caused by the pandemic". In terms of economic criteria, the EC considers that Bosnia and Herzegovina has made limited progress and is at an early stage of establishing a functioning market economy. Bosnia and Herzegovina has made no progress in the areas of resources, agriculture and cohesion (agricultural and rural development, food security, veterinary and phytosanitary policy, fisheries, and financial and budgetary support), where preparation is mostly at an early stage (EC, 2021).

In Chapter 11: Agriculture and rural development, it is estimated that Bosnia and Herzegovina is at an early stage of preparation. The 2020 recommendations have not been implemented and remain in force. There has been no progress in establishing the administrative structures needed for the common agricultural policy, including the paying agency. There has been no progress in developing elements of an integrated administration and control system, a land parcel identification system and an accounting data network for agricultural holdings. The view is that BiH needs to improve sector coordination and strengthen administrative capacity at all levels of government. An agreement on establishing the necessary institutional structures for the Instrument for Pre-Accession Assistance for Rural Development (IPARD) has long been awaited. No progress has been made in aligning direct payments with EU rules by separating them from production coupled payments to cross-compliance payments. Advisory services on farms in a harmonized way remain to be introduced throughout the country. There has been no progress in passing the state- wine law. No progress has been made in aligning rural development programmes and support measures across the country. The country needs to intensify strategy implementation and reporting. The country has postponed reporting on the implementation of the Strategic Plan for Rural Development for the period 2018-2021. The country must prepare and adopt a strategic rural development plan after 2021 without delay. The country must step up its efforts to further improve and align its legal framework with the relevant EU *acquis*.

Chapter 12: Food safety, veterinary and phytosanitary policy. The report states that Bosnia and Herzegovina has some level of preparedness in this area, but without progress in the reporting period. The country has yet to align with the EU *acquis*, especially with regard to official controls and animal and plant health. Administrative capacity for official controls and laboratories needs to be strengthened. The country's central databases and animal registries require further improvements to be fully operational and in line with the EU *acquis*. The 2020 recommendations have not been implemented and remain valid. Regarding animal health, it is necessary to strengthen the system of official control,

especially for the registration of agricultural farms and deletion of farms that are no longer active, as well as for the reliability of the number of livestock and species present on active farms. The central animal identification database needs to be further improved in terms of information reliability. Passive surveillance of compulsorily notifiable diseases needs to be strengthened, in particular through the early detection and awareness system of farmers. The laboratory network needs to be improved so that all laboratories in charge of disease analysis and samples can be involved in laboratory proficiency testing and thus regularly participate in disease verification and confirmation. In the area of phytosanitary policy, the country needs to step up its efforts to align with the EU *acquis*, in particular with regard to the new Law on Plant Health and official controls. Inspection services at all levels of government need to be strengthened. There has been no progress in establishing a reference laboratory for testing, controlling and monitoring the presence of GMOs in food for humans and animals.

According to Chapter 13: Fisheries, Bosnia and Herzegovina is at an early stage of preparation in this area. There was no progress during the reporting period. The country needs to step up its efforts to prepare and adopt a nationwide strategy for fisheries and aquaculture, and then ensure its effective implementation throughout the country in line with the EU *acquis*. The 2020 recommendations have not been implemented and remain valid. Preliminary assessments show that BiH has made insufficient efforts in Chapters 11, 12 and 13 to improve its EU accession position.

During the Covid-19 pandemic, other priorities occupied both the EC and the BiH authorities, so it can be said that enlargement and eligibility conditions for enlargement were secondary priorities for both. After the outbreak of the Ukrainian crisis, the issue of faster EU enlargement to the WB, which would include BiH, was brought up again, but soon the prevailing attitude that there would be no accelerated enlargement based on "softer" criteria. On the other hand, enthusiasm in BiH for EU accession is waning. A public opinion poll from 2020 showed that the majority of the population in BiH would still vote for BiH's accession to the EU. Three quarters of respondents (75.6%, one percent less than year ago), more in FBiH (87%) and BD (83.6%) than in RS (55%) support EU accession. Of those surveyed, 43.8% expect the EU to strengthen political relations and continue with enlargement, and slightly more than half (54.3%) believe that the process of integration of BiH into the EU has slowed down due to the politicization of the enlargement process. However, due to weak and slow progress in the process of BiH's accession to the EU, pessimism prevails among the population, so that 38.4% of respondents are of the opinion that BiH will never join the EU, compared to 29% who think it will happen in the next 10 years (Foreign Policy Initiative BH, 2020).

BiH still does not have access to IPARD funds, and the IPARD-like programme is being implemented with the mediation of UNDP, without the involvement and strengthening of local human and institutional capacities. The EU4Agri project is primarily funded by the European Union (EU) under the Instrument for Pre-Accession Assistance (IPA). The project is worth EUR 20 million, and it is implemented and co-funded jointly by the United Nations Development Programme (UNDP) and the Czech Development Agency (CzDA) (UNDP and CzDA, 2022). Before that, a similar model of allocation IPA funds for rural development was realized through EU4Business project. The EU4Business project was worth EUR 16.1 million, jointly funded by the European Union (EUR 15 million) and the Federal Republic of Germany (EUR 1.1 million). The project is jointly implemented by GIZ, UNDP and ILO, from April 2018 to March 2022 (EC, GIZ, ILO and UNDP, 2022).

3.6. Conclusions and policy recommendations

BiH entered a new cycle of strategic planning of its agricultural sector in the period 2021-2027. RS has adopted a new strategy for the development of agriculture and rural areas until 2027, and FBiH and BDBiH will do so from the middle/end of 2022. A new BiH Rural Development Strategy is also being prepared. For the first time, the planning period has

been harmonized with the EU seven-year strategic planning cycle and harmonized at all administrative levels within BiH.

The analysis of budget support to the agricultural sector at the level of both BiH entities shows uneven support in favour of direct payments, insufficient understanding of the importance of structural and rural development measures among decision makers and evident unwillingness for more serious reforms in context of harmonization with EU CAP (dominated by output-based payments that do not exist in the EU).

No progress has been made in the area of preparation of the agricultural sector in BiH for EU accession in the period 2020-2021. EU assessments of progress in Chapters 11, 12 and 13 are unfavourable. The BiH authorities justify this with the pandemic, but an important reason is the internal political crisis that is blocking the necessary legislative and institutional reforms.

The EU Green Deal is a challenge for BiH, not only in the agricultural sector. The need for greening of agriculture is not considered a priority in BiH. The latest strategic documents do not articulate this to a greater extent, declarative compliance exists, but operationalization of goals is missing. On the other side, the significant presence of extensive agriculture in BiH represents a significant contribution to the realization of the Green Deal harmonized goals.

A country that does not produce enough food for its needs continues to focus on increasing the volume and productivity of agricultural production, mainly by intensifying agriculture, which is in conflict with efforts to reduce the use of inputs that allow it. The food crisis due to the new geopolitical situation in the world is an additional pressure to increase domestic food production.

With a EUR 1.2 billion deficit in food foreign trade and 28% ratio of coverage import by export, Bosnia and Herzegovina is extremely vulnerable to turbulence in world food trade. Bosnia and Herzegovina is a traditional importer of cereals, which it does not produce enough, and is dependent on import, especially wheat, mainly imported from the WB region. Bosnia and Herzegovina achieves a high self-sufficiency in milk, fruits and vegetables. It is absurd that Bosnia and Herzegovina is highly dependent on beef imports, while at the same time it has large non-utilized areas of meadows and pastures, so forcing cattle breeding based on grazing should be an agriculture development priority in the future. The weak processing industry is also a problem, so a lot of ready-made food products are imported, or they are produced in the country from imported raw materials. Strengthening the competitive sector of the food industry, loyal to domestic farmers, oriented to inputs produced in BiH, should also be one of the future development priorities, contributing to national food security, especially in the current turbulent geopolitical situation in the region and the world.

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*CHAPTER 4. AGRICULTURAL POLICY DEVELOPMENTS IN KOSOVO**

Mihone Kerolli Mustafa[28]

4.1. Agricultural policy framework

Kosovo* faces crucial challenges in developing a competitive economy and reforming national policies to approximate those in the European Union (EU). Agriculture, the biggest and primary sector, has been primarily driven by the need to improve productivity and increase the competitiveness of domestic products. The range of policy instruments for the long-term development of organic agriculture, environment, and institutional capacity building remains the main challenge after 2020 and 2021. The latest tendencies show slight improvements in total agricultural dimensions (agri-food systems capacity, agri-food system regulation, agricultural support system, and agricultural innovation system) moving from a score of 2.0 upward to a 2.4 as per the OECD Competition scoring approach (OECD, 2021)[29]. As per the OECD assessment, Kosovo*'s framework that specifically addresses the agriculture policy is solidly in place and officially adopted by the government. There are some concrete indications that the policy framework is being implemented effectively. However, various gaps and obstacles were presented in other reports (SWG, 2018 and 2019) regarding commercial market orientation and the lack of a system that efficiently links producers and buyers. Today, agriculture is considered an essential economic transformer, contributing 7.9 % of GDP and accounting for over 23% of total employment (Kosovo* Agency of Statistics, 2020). There are 363 000 people employed in agriculture and 130 775 registered farmers (these figures exclude four municipalities in the northern part of Kosovo*) (OECD, 2020, Kosovo* Agency of Statistics, 2020).

The legal and regulatory framework for agriculture is an important part of Kosovo*'s agenda for European integration. Kosovo* as a 'potential candidate country' is directed by the European Commission to approximate EU agricultural and environmental norms within its national legislation. The Ministry of Agriculture, Forestry and Rural Development remains the crucial body performing its functions based on the following main policy documents: Law on Agriculture and Rural Development (2009), the Agriculture and Rural Development Programme (ARDP) 2020-2021 is a reference point for the EU and the Instrument for Pre-Accession Assistance for Agriculture and Rural Development (IPARD), the Agriculture Rural Development Strategy (ARDS) 2022-2028, and the National Development Strategy 2021-2030. The ministry follows other strategies as well, such as the Strategy for Climate Change 2019-2028 and the Strategy for Local Economic Development 2019-2023 (Table 17).

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[29] The OECD assigned a numerical score ranging from 0 to 5 to assess the level of policy development and implementation, based on the performance that can be compared across economies and over time. These levels are indicating if the development is commensurate with OECD good practices (Level 0 is the weakest and Level 5 is the strongest).

Table 17. Kosovo*'s agricultural legal, strategic and programming framework

Key documents	Key goal and objectives	Notes/remarks
The National Development Strategy 2021-2030	The strategy supports sustainable energy production, reduction of energy consumption through efficiency measures, sustainable waste management, agriculture development.	Adopted
Law on agriculture and rural development (2009)	Provide basic principles, criteria, responsibilities, and processes for organizing and functioning of both domestic and foreign markets; increase the productivity, income and efficiency of the economic activities in rural areas.	Adopted
Agriculture and Rural Development Programme 2020-2021	Reinforce a sustainable and competitive implementation of the programme for investments in physical assets of agricultural economies and investments, agri-food sector, environmental protection, rural development etc.	Adopted
Agriculture Rural Development Strategy 2022-2028	Supports the development of a competitive and innovative agri-rural sector based on modern knowledge, technology, and standards and offers high-quality products in the domestic market, the region, and the EU.	Adopted
The Strategy for Climate Change 2019-2028	Supports the mitigation and adaptation measures that stimulate sustainable development. The strategy focuses also on an interdisciplinary integrated approach that aims to find a balance between economic developments, environmental protection, and land use.	Adopted
Local Economic Development 2019-2023	The strategy supports municipalities in enhancing governance, quality education, a clean environment, health and social welfare, business environment, and agriculture investments.	Adopted
Smart Specialisation Platform (S3P)	Contribute to the Research and Innovation investments	In process

Source: Authors' own elaboration.

The National Development Strategy 2021-2030 provides concrete actions for the implementation of four pillars (1) Human capital, 2) Good governance and the rule of law, 3) Competitive industries, 4) Infrastructure, related to other areas of planning such as financial aid prioritization, capacity building, progress monitoring, and creating a fund for development and employment. The strategy elaborates further future opportunities for more sustainable energy production, reducing energy consumption through efficiency measures, sustainable waste management, agriculture, etc. In addition, Kosovo* prepared the Agriculture and Rural Development Programme 2020-2021 and adopted the strategy for agriculture and rural development 2022-2028 based on the national development strategy and priorities. Kosovo* implemented its second seven-year agriculture and rural development programme 2014-2020 and with the support of the EU and other donors developed the annual Rural Development Programme 2020-2021 after the pandemic period. The programme addressed the strategic objectives of agro-rural development by increasing the competitiveness of the agri-food sector, based on the use of modern technology, increasing productivity and food safety by being competitive in the internal and external market, as well as in reducing the negative balance of trade, improving the quality of life of residents in rural areas through the diversification of on-farm and off-farm activities, creating new jobs, increasing the income of rural residents; and protecting the environment and natural resources, through investments in irrigation, drainage, treatment of waste as well as in renewable energy. This programme was supported by the Instrument for Pre-accession Assistance (IPA III) and was mainly focused on two main areas of support: i) implementation and performance of the agri-rural policy, and ii) alignment of Kosovo*'s phytosanitary sector to the EU's regulatory standards.

As part of the IPA III Programming Framework, Kosovo* developed and adopted the Strategy for Agriculture and Rural Development 2022-2028. The Agriculture and Rural Development Strategy 2022-2028 is focused on developing the agri-rural sector in Kosovo* and, increasing competition in the agri-food sector, sustainable management of natural resources, business support in rural development, food safety, and administration reforms (ARDS, 2022).

Since Kosovo* is already determined on a future in the EU, the Ministry of Agriculture, Forestry and Rural Development has begun to prioritize aligning its policies with those of the Common Agricultural Policy (CAP). The support provided under the National Agriculture and Rural Development Programme is based on enhancing compliance with all eligibility and selection criteria as well as control and post-project monitoring activities. The support provided under the programme is not subject to any other national support or from other donors. In particular, the new Agriculture and Rural Development Strategy aims to enhance the better use of resources and provide ways to adapt to European Union regulations and align with the European Union Common Agricultural Policy.

The current strategy implementation mainly focuses on three key EU Rural Development policy axes such as agriculture sector competitiveness, sustainable management of natural resources and climate actions, and the balanced territorial development of rural areas. It also supported the competitiveness of the agro-food sector in alignment with EU veterinary, phytosanitary, food safety, and environmental standards, its restructuring and modernization that contributes to the development of sustainable land management practices by supporting organic farming and other agro-environmental practices, sustainable forests management, and forestation.

The main ARDS objectives follow the IPA priorities on sustainable natural resources and climate management, the balanced advancement of rural areas, and the development of agricultural sector competitiveness. The objectives are aligned with the EU best practice, aiming to enhance farm viability, restoration, and preservation of ecosystems, promote social and economic inclusion, knowledge transfer, and further progress in innovation processes.

The adoption of ARDS 2022-2028 envisages concrete measures to improve the implementation of agriculture and investments in physical assets of agricultural economies. The Green Agenda for the Western Balkans calls for a long-term agricultural sector transformation, therefore the investments in physical assets in the processing and marketing of agricultural products in Kosovo* have been supported by 650 projects, with a focus to minimize its negative environmental and climatic impact and maintain affordable investments and capacity building/ knowledge transfer of rural inhabitants. The strategy addresses a series of environmental and climate actions included in the Green Agreement and on reducing ecological impacts by guaranteeing food safety. The government adopts a National Programme for Agricultural Development and Rural Development (ADRP), for a period of six years; 2014-2022, and due to Covid-19 (the latest is valid for the period 2020-2021 (Table 17). The new national programme (2022-2028) that is in the drafting stage contains instruments and measures for increasing the competitiveness of the agri-food sector and improving the efficiency and sustainability of farm production. The National Agriculture and Rural Development Programme will support the implementation of the strategy and operationalization through the financial support allocated by the governmental budget and donor support. The programme contributes to sustainable rural development by supporting the diversification of economic activities and strengthening the capacity-building and knowledge transfer approach. In addition to organic farming measures, soil and nutrient management plans, and summer grazing on the mountain measures are introduced. However, due to the lack of data for 2021, the support to these measures is not included in the analysis for the reporting period.

The Strategy for Climate Change 2021-2029 is another complementary strategy to the agricultural policy landscape in Kosovo*. It is the initial step in the management policy process of the mitigation of GHG and adaptation to climate change for the next seven years. It is also an opportunity to see the mitigation and adaptation measures that will stimulate sustainable development. The strategy uses an integrated approach in aiming to

establish a balance between economic developments, environmental protection, and land use.

The Strategy for Local Economic Development envisages municipalities with efficient governance, clean environment, health and social welfare, suitable business environment, and developed agriculture in order to enhance the quality of life. This strategy provides instruments and measures to increase agriculture competitiveness, financial sustainability, utilization of resources in the function of sustainable economic development, and attract foreign donor investments. This strategy will be complementary to the grant schemes implemented by the Ministry of Agriculture, Forestry and Rural development and similar to EU programmes supporting the institutions to build their capacity to secure sound financial management of the public funds allocated for agriculture and rural development at the municipal level.

In addition, Kosovo* is making efforts toward the preparation of the smart specialization strategy where agri-food is one of the strategic priorities. The strategy aims to contribute to the Research and Innovation investments in the ICT, food, wood sectors, and Energy (especially renewable energies – wind, and solar[30]). A road map for the S3 process drafted together with the mapping process is being prepared with TAIEX support. In comparison to previous years, Kosovo* is making a great effort to improve its digital infrastructure in rural areas in line with the smart specialization concept. The World Bank supported the Kosovo* Digital Economy Project (KODE) 2018-2023, with EUR 24 million, where more than 200 villages, i.e., almost all of Kosovo*'s open-air settlements, will get broadband connections by 2023 (OECD 2020). The project foresees that most rural areas in Kosovo* should have broadband Internet access within the next five years. The internet provider IPKO signed the contract and established an infrastructure, enabling farmers to increase digitalization opportunities (market information systems, weather/climate data for prevention measures, online promotion/sales, etc.).

Following the ARDS strategy 2022-2028, Kosovo* has created a consolidated Operating Structure which is focused on alignment with the EU requirements for proper management of the agricultural policy of a Managing Authority (performed by the Ministry of Agriculture/Rural Development Policy Department) and a Paying Agency (performed by the Agency for Development of Agriculture) and other relevant agencies (Table 18).

[30] https://s3platform.jrc.ec.europa.eu/kosovo#fragment-89005-kzbo.

Table 18. Overview of the institutional and administrative policy framework in Kosovo*

Key institutions and administrative bodies (with departments if applicable)	Key role and responsibilities in Ag. and RD policy	Human capacities competencies needed to upgrade	Other capacities (e.g. facilities, equipment etc) needed upgrade	Other challenges for the institution
Ministry of Agriculture, Forestry and Rural Development	Responsible for policy creation and coordination, and supervision of its implementation	Well-staffed. Not needed	Need to build infrastructure, training for use of new technologies	Need for capacity-building training
Managing authority (Rural Development Policy Department)		Well-staffed. Not needed	Need to build infrastructure, training for use of new technologies	
Paying Agency (Agency for Development of Agriculture)	Responsible for implementation of financial support measures	Well-staffed. Not needed	Need to build infrastructure, training for use of new technologies	
Agency for Food and veterinary	Regulating issues of (animal and plant origin) food safety, public health, animal health and welfare, plant health, veterinary, phytosanitary, and sanitary control	Well-Staffed. Not needed	Need to build infrastructure, training for use of new technologies	
Agricultural Inspectorate	Overseeing and regulating the functioning of an *inspection* institution in central and local fields.	Understaffed Needed training	Need to build infrastructure, training for use of new technologies	Need for capacity-building training
The Kosovo* Forest Agency (KFA)	Responsible for managing and protecting the public forest in Kosovo*	Well-staffed. Not needed	Need to build infrastructure, training for use of new technologies	

Source: MAFRD, 2022.

The Ministry of Agriculture, Forestry and Rural Development is part of the Government of Kosovo* in charge of the effective creation and implementation of agricultural policies, laws, and programmes contributing to the enhancement of rural economy, promotion of sustainable agricultural practice through technology and research development, effective support and access to food processors/farmers, and management of human, physical and financial resources on the national level in the agriculture. It is led by the Minister and two Deputy Ministers, and it has nine departments, two agencies, and one institute, with operational and strategic goals in place, both short and long-term, and a well-staffed structure, with 462 employees (MF, 2021).

The Managing Authority is in charge of the implementation of the RDP, in close cooperation with the Agency for Agriculture Development, and based on the Administrative Instruction for the implementation of the measures, which include all conditions, and criteria for the implementation of the programme.

The Rural Development Policy Department works under the Ministry of Agriculture in planning, designing, analysing, and implementing policies, strategies, and programmes related to rural development, coordinating activities of the Ministry's officers for rural development in branch offices throughout the country, and promoting and supporting rural/farm-related activities leading to employment and revenues for people in agriculture. The Rural Development Policy department is coherent in organizational terms and has 13 well-trained and experienced staff members.

The Agency for Agricultural Development is an executive agency that implements programmes supporting agriculture and rural development in Kosovo* in alignment with NARDP. The Agency is responsible for implementing application procedures, administrative and field control, and approval and execution of payments to the beneficiaries. The Agency's main objectives concern networking opportunities between Kosovo* farmers and institutions at the national and European levels through financial support programmes affecting the development of the agricultural sector. The Agency personnel comprises 106 employees that could be better equipped with knowledge of new technologies and the institutional infrastructure that should be further developed (MF, 2021).

The Food and Veterinary Agency is the Executive Agency that operates within the Office of the Prime Minister of Kosovo*, exercising its functions and responsibilities defined by the Law on Food (MAFRD, 2016). The Agency is responsible for regulating the issues of (animal and plant origin) food safety, public health, animal health and welfare, plant health, veterinary, phytosanitary, and sanitary control. The Agency implements governmental policies by conducting official controls at borders and within the Kosovo* territory. Their 170 staff is sufficient to perform their daily assignments (MF, 2021).

Kosovo*'s Agricultural inspectorate is an administrative body of the Kosovo* Forestry Agency, working under the Ministry of Agriculture, Forestry, and Rural Development. The body has regional offices throughout Kosovo*, which are understaffed, and in need of training on capacity/infrastructure building. The Inspectorate employees deal with duties such as control of business premises, facilities, equipment, tools, production, processing, circulation, transport, export, import, re-export, and transit of goods; examination of acts, evidence, and other necessary documentation; samples taking of goods and other tools for analysis, expertise and super-expertise; and proposals of preventive measures to prevent violations of legal provisions.

Kosovo*'s Forest Agency is in charge of issues related to forest and forestland regulation, management, and management of public forestlands and forests in Kosovo*'s National Parks. It implements forest-related legislation interconnected with the deforestation of forests and forest land. The Agency takes into consideration the requirements submitted for granting permits for wood-cutting and non-wood cutting issues permits. It oversees the cutting and forestry jobs to ensure that contract requirements are met under permits and that annual operational forest management plans are per the standards. The Agency consists of the Head Office with three state officials, whereas in each regional coordination directorate, two officials cover forest inspection. According to the data in the Law on the Budget for the year 2021, the number of staff of the Forest Agency is 158, which is a sufficient number that covers their activities (MF, 2021).

Overall, the policy management process possesses a clear structure and no changes are developed for 2020 and 2021. However, Kosovo* continues to have a weak level of capacities to monitor and adjust the policy design and implementation. In particular, the agriculture information systems and statistics in agriculture are published late compared to other Western Balkan countries or are not periodically conducted such as the Census of Agriculture Holdings, Economic accounts, rural-urban statistical data, budgetary transfer data and migration. The limitations and delays in publishing data had constrained the impact assessment of the agriculture policy for Kosovo* for 2021.

4.2. Measures and budgetary support for agriculture and rural development

In 2020, the budget allocated for agricultural support was increased to EUR 67.05 million, out of which EUR 35.4 million are dedicated to direct payments (subsidies) and implementation of the rural development programme 2020 (grants) (GIZ, 2020). This budget was doubled as part of the recovery programme allocated in addition to the planned budget for 2020 and the Pandemic Covid 2019 supporting programme with EUR 67.05 million (Figure 19)[31]. The support significantly changed from the previous years – the structure of the support changed from almost 50/50% in 2018-2019, to 70/30 % in 2020. The support aimed at developing the capacities, by providing support to the phytosanitary sector sustainable development, and direct support to agri-food producers for development, of their capacities with regard to hygiene, food safety, environmental standards, and animal welfare, since those have been extensively addressed in the requirements of the Stabilisation and Association Agreement.

Figure 1 presents the structure of agricultural support according to the three pillars. From 2019 to 2020, the market and direct producer support maintained a positive upward support trend, followed by another increase EUR 31.5 million from the recovery programme in 2020. Input subsidies were omitted in the previous years, but those were reinitiated from 2016 and remained the same for the period 2016-2019, EUR 0.4 million per year but not initiated for 2020. Kosovo*'s support structure remained also oriented towards structural and rural development measures while the other measures related to agriculture have no importance in the overall budgetary support in Kosovo*.

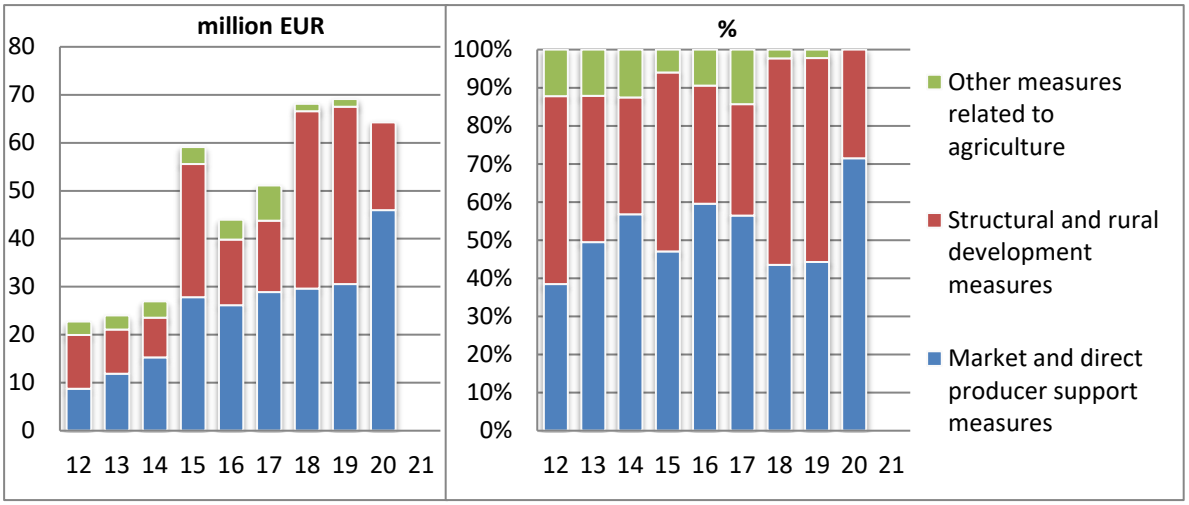

Figure 19. Three pillars of total budgetary support measures in Kosovo*, in mill. EUR and %, 2012-20[32]
Source: XK APMC database (2022).

The share of the market and direct producer support measures in Kosovo* (first pillar measures) for the period 2016 – 2019 is around 50%, with no significant fluctuations during that period (Figure 1). However, in 2020, it increased to 70%. The direct payment support (Figure 2) in Kosovo* during 2020 is solely based on payments based on the number of animals (sheep and goats, dairy cows, bees, pigs) with 38%, while 62% were for crops including wine, seedlings, and insurance premiums. The largest amount was allocated to wheat (21%), followed by dairy cows (14%), maize (13%), bees (10%), vineyards (9%), and the remaining 33% to crops and other sectors (MAFRD, 2021). In general, the support for crops has increased, except for the area with sunflowers, which have decreased, as well as the number of litres of subsidized wine.

[31] The data for 2021 are not published during the reporting period.
[32] Data for 2021 are not published during the reporting period.

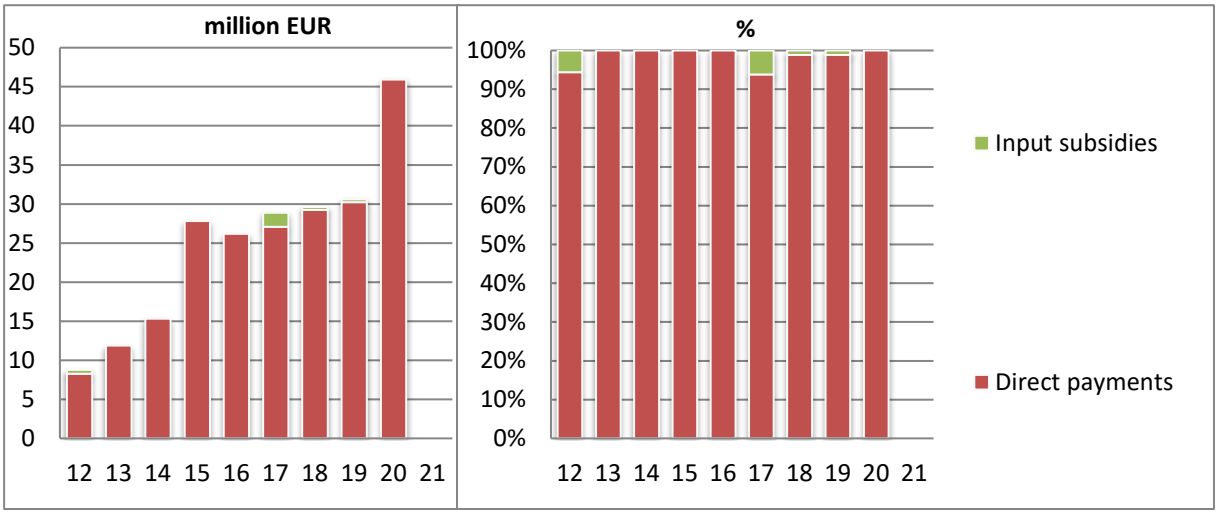

Figure 20. Market and direct producer support in Kosovo*, in million EUR and %, 2012-20
Source: XK APMC database (2022).

In 2018-2019, the support for structural and rural development measures increased significantly in comparison with the previous years, amounting to over EUR 35 million. However, it was almost halved to EUR 18 million in 2020 (Figure 3). The implementation of the Agriculture and Rural Development Programme remains focused on the overall budgetary support to increase the competitiveness of livestock products, agricultural products, craftsmanship activities, and their marketing, organic agriculture and supporting the diversification of economic activities in rural areas. The biggest investments share in the physical assets in agricultural holdings is done for the fruit trees sector followed by the vegetables and greenhouses sector. The investments in physical assets in the processing and trading of agricultural products were concentrated in the sub-measure mainly supporting the production/processing of the trade of honey. Diversification of farms and rural businesses development support in 2020 is based on the support of the craftsmanship activities and their marketing and raising poultry for eggs and meat.

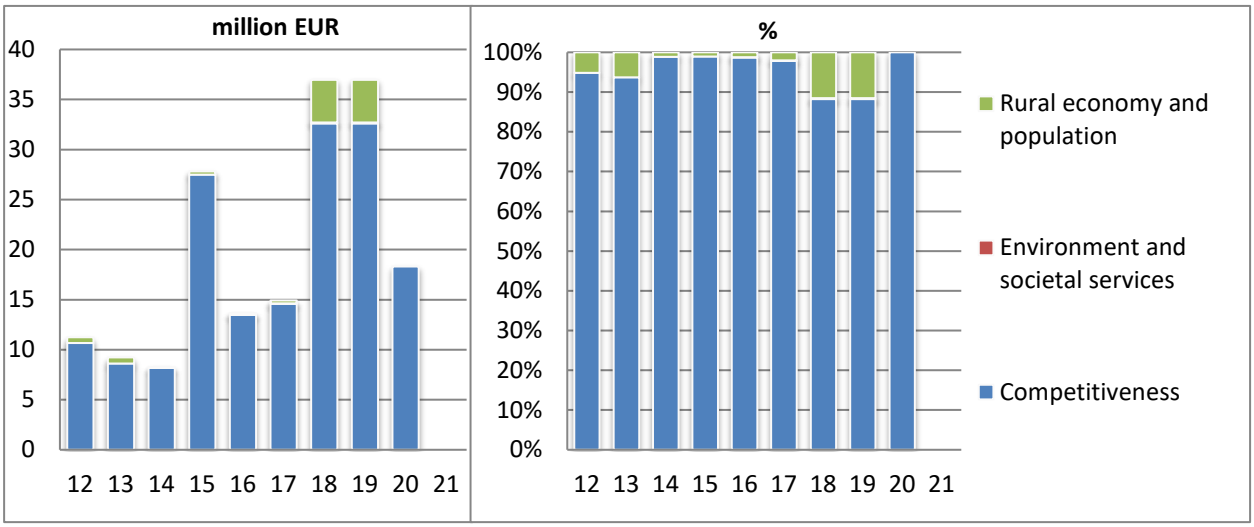

Figure 21. Structural and rural development measures in Kosovo*, in mill. EUR and %, 2012-2020
Source: XK APMC database (2022).

During the reporting period, there was a noticeable decrease in measures aiming to support the rural economy and population. Such funds were allocated through support for farm diversification, basic infrastructure and to support of alternative activities in rural areas.

The most significant proportion of the budget for improving the competitiveness of the agricultural sector was allocated to measures aiming at on-farm restructuring and agri-food restructuring support.

The implementation of the Rural Development Programme 2020-2021 encountered difficulties in 2020 and continued so during 2021. The programme has a set of IPARD-like measures, specifically for investments in physical assets in agricultural holdings (M101), investments in physical assets in the processing and trading of agricultural products (M103), and diversification of farms and development of rural businesses (M302). In 2020, a total of 239 applications were considered, of which 153 are from measure 101 (out of which the fruit sector with 48 applications, walnuts and hazelnuts with 13 applications, and vegetables and greenhouses sector with 92 applications), in the amount of EUR 7 948 496, where the approved value for applications of this sub-measure was EUR 7 526 391 (MAFRD, 2021). From measure 103, there is only one application for the wine sector with an application and approval value of EUR 399 600. From measure 302, there are a total of 85 applications for production, processing, and trade of honey with 41 applications, processing of cultivated agricultural products with 16 applications, development of craftsmanship activities and their marketing with 9 applications, and raising of poultry for eggs and meat with 19 applications, in the amount of EUR 1 771 025 (MAFRD, 2021).

4.3. Covid-19 interventions in policy and implications

In 2020 the Covid-19 pandemic has significantly increased the risks to financial stability, by decreasing the GDP in Kosovo* by 8.8% (OECD, 2021). Agriculture in Kosovo* was no exception and has faced numerous difficulties, resulting in restrictions on movement and business-related travel, access to markets, a decrease in demand for agricultural products, logistics issues, etc. The mitigation measures taken by the Government have affected the medium-term weaknesses in financial stability and increased the support to the private sector and marked a decline of an average of 6.6% in the overall economy.

During the pandemic, the Government of Kosovo* provided additional budgetary support to the Agricultural sector (EUR 5 million) aiming to improve agricultural production by increasing the grants and subsidies for the Ministry of Agriculture, Forestry and Rural Development. The Ministry has continuously supported the farmers through the Rural Development Programme and Direct Payments Programmes. Besides the primary sector investments, grants have supported the development of tourism in rural areas, the processing industry, and agricultural land irrigation.

Due to the Covid-19 outbreak in 2020, and within the framework of the Economic Recovery Programme, five measures were introduced, grouped into four aggregate goals:

1. Employment and formalization of the economy, with a primary focus on strengthening the role of women and youth in the economy;
2. Improving the structure of GDP composition by favouring certain economic sectors, especially in the field of production, and improving the country's trade balance;
3. Balanced and comprehensive economic growth, taking care that it is accompanied by improvement of key welfare indicators;
4. Maintaining long-term sustainability and minimizing the country's fiscal risks, by controlling the growth of public debt in the country, and better coordination with the donor community to ensure maximum benefit to the economy and households.

In total, the Economic Recovery Package included the support of EUR 420 million, where funding from the budget was EUR 190 million, whereas another EUR 230 million was financed from borrowing (MF, Economic Recovery Package, 2021). The measures and actions for the economic recovery of the country are included the doubling budget for agriculture direct payment and the issuance of Diaspora Bonds, funds that are used for financing these measures (MF, 2021). The following have been foreseen within this group of measures: Measure 1 – Employment support: this measure supported with

EUR 50 million for the creation of new jobs, directly supporting jobseekers; Measure 2 – Production and economy recovery: this measure allocated EUR 108 million as part of the global initiative to rebuild the economies better than they were, particularly with investments in technology and innovation, production and export, and support of the businesses that were hit hardest by the pandemic; Measure 3 – Support to the family: this measure allocated EUR 50 million to create an equal society and to increase the well-being of citizens, aiming to facilitate the burden on vulnerable groups as a result of the pandemic; Measure 4 – Support to the public sector: this measure allocated EUR 112 million to increase the quality of public services and improvement of citizens' welfare; Measure 5 – Investment in infrastructure and environment allocated EUR 100 million.

In addition, the Food and Veterinary Agency has performed official controls according to national plans, and implementation of the activities with the oversight of the implementation of anti-Covid-19 measures. However, during 2020, taking into account the difficulties in the functioning of institutions due to the Covid-19 pandemic, carrying out work with essential staff, few departments had delays in meeting the objectives set out in strategic documents, policies, programmes such as National Development Strategy, Forestry Sector Development Strategy, Hunting Strategy, Biodiversity Conservation Strategy, etc.

Agricultural and food production systems played an essential role in increasing the food supply in Kosovo*. Since Kosovo* is one of the largest food importers per capita in Europe this affected a lot of Kosovo*'s economic stability and food security during the pandemic period. Very few food markets remained open during the confinement period, and Kosovo*'s food system was under increasing pressure to respond to new challenges during a pandemic. The food price changes and food security is confronted with many challenges during the Covid-19 pandemic. The Pandemic period has worsened the food security in Kosovo*. At the same time, the results in 2020 showed that the greatest negative impact on the food system in Kosovo* was the low level of gross domestic product per capita. Other issues remain with the lack of statistics and available evidence on food security and trust in the domestic products. Kosovo* has still very high reliance on food imports and there is a need for stronger attention on sustainable agriculture and food production. Even though there is no clear evidence that the availability of food has been affected by Covid-19, the results show that the food systems in Kosovo* resisted and adapted to the disruption of the pandemic.

4.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources

The new Strategy on Agriculture and Rural Development 2022-2028 has been prepared to consider the environmental and climatic actions included in the Green Agreement, based on the Green Agenda of the Western Balkans. The Strategy provides support schemes for farmers and other rural stakeholders on capital or infrastructure projects and institutional reforms that will be implemented through the National Agriculture and Rural Development Programme, capital projects, IPA III, and the contribution of other donors (ARDS, 2022). A series of environmental and climatic actions included in the Green Agreement, such as the 'greening' of the agricultural sector and reducing ecological impacts by guaranteeing food safety are addressed in ARDS 2022-2028. The strategy focuses on the important role of farmers in mitigating climate change; conserving natural resources, landscapes, and biodiversity as a result of rich biodiversity, landscapes, and high-quality local products. It will continue to provide support for improving the environmental performance of the agri-food sector as one of the strategic objectives of IPA as well as the measures for sustainable land and forest management and the development of organic farming. Implementing and providing more emphasis on the agri-environmental measures will help build the capacity of Kosovo*'s farmers and will develop it further in terms of fostering the drafting and implementation of local development strategies to promote rural development through local initiatives and partnerships.

By accepting the Western Balkan Green agenda, Kosovo* has welcomed the EU Farm-to-Fork Strategy targets. Kosovo* agreed to work on increasing pesticide efficiency in a more controlled way. In this regard, the farmers need specific knowledge on applying pesticides and modern equipment. Therefore, the new strategy on agriculture focuses on the needs of farmers requiring intensive awareness and training programmes and grants for equipment and machinery. Furthermore, institutions need more cooperation and share of knowledge as well as to become part of the network of equipment for measurement, alert on time on plant diseases, invest in more mobile laboratories for inspection, etc.

At this stage, Kosovo* has an ineffective monitoring system for the implemented green and other projects and the proper use of grants. Additionally, the impact evaluation of the grant measures should be oriented towards the growth of the institutional capacity of MAFRD with regard to support for accreditation of the certification and inspection bodies on organic farming and support schemes for producer organizations and green agenda.

The new strategy listed the baseline indicators as per the EU framework for monitoring and evaluation, however additional efforts are needed to provide valuable data. Furthermore, the monitoring and evaluation system needs to be more oriented towards the use of ecological indicators and regular monitoring. In this regard, the strategy addresses the need to establish an inter-ministerial coordination body to ensure regular monitoring of the implementation of strategic documents and conduct interim reviews and a final evaluation of the strategic document.

In addition, Kosovo* monitors climate change activities through the Ministry of Environment and Spatial Planning (MESPI) and adapts the mitigation measures and impacts of these changes. Within the country's legislation, there is the Law on Environment, the Law on Air Protection from Pollution, the Law on Water, and other relevant laws and the strategy for climate change 2019-2029. Kosovo*'s Environmental Protection Agency (KEPA) manages the Greenhouse Gas Management System (GHG) and reports to local and foreign institutions on the development policy and the oversight policy. In the framework of measures for green development, the use of the GHG Register in Kosovo* is important, playing a key role in supporting Kosovo*'s goals for green development. The total annual greenhouse gas emissions in Kosovo* have been estimated at 9,613 Gg (Giga grams) CO2 eq., (equivalent) or about 9.6 million tons of CO2 eq. The main source of green emissions in Kosovo* is the energy sector with a share of 86% of total emissions followed by agriculture, forestry, and land use with 8% (MAFRD, Green Report 2021). Considering the sector's capacity to generate profit to be re-invested, Kosovo* finds it challenging to follow the EU target of reducing GHG emissions by 55% until 2050 (ARDS, 2022). Kosovo* is missing investments in biogas plants due to the lack of large animal farms and the farm infrastructure to support the process. Kosovo* relies mostly on 1.27 million tons of biomass from forestry sources. The sector is struggling with small farm size, lack of facilities, and mechanization that supports the farm economic growth. Another potential to contribute to climate change mitigation through carbon sequestration measures is related to the maintenance of the extensive use of grasslands. However, there was no payment in place, despite the ARDP 2014 – 2020 actions to promote agri-environmental schemes. As regards air quality, there is no target for reducing ammonia emissions nor are the best available techniques promoted in the national legislation for the reduction of ammonia emissions from agricultural sources. Further, there are also no data on soil organic matter, soil compaction, and salinization.

In general, we can sum up that regarding greener measures, there are three pilot agri-environmental schemes included in the ARD programme 2020-2021: organic farming, soil and nutrient management plans, and summer grazing on the mountain. The support for organic agriculture in Kosovo* continues to grow slovenly, even though the need for a healthier life has increased consumer demand to consume more quality and organic products and has also increased the interest of farmers to expand areas with organic products (MAFRD, 2021). In 2020, there are a total of 1 672 ha cultivated with organic production, which includes: medicinal and aromatic plants (1 039.71 ha), open field vegetables (418.53 ha), existing orchards (6.20 ha), wheat, barley, rye, oats, maize, and sunflower (207.77 ha). In addition, there is 217.1 ha used for summer grazing (217.1 ha). The areas are subsidized by MAFRD through the Direct Payments Programme. Overall,

there are 373 488 ha certified organic areas linked with 45 collection centres for collecting wild fruits and medicinal plants. In addition, the fertile soil, nutrient management plans, favourable agro-climatic conditions, existing policy framework, and traditional knowledge of local farmers are considered a good basis for the development of organic agriculture.

In general, the sector of agriculture, forestry, and land use belongs to the third category of greenhouse gas emissions according to the IPCC and consists of three other sub-sectors (categories), including livestock emissions, accumulation of CO2 from forest lands, and other lands, as well as the emissions resulting from the conversion of land and emissions from soil fertilization and biomass burning. The data presented in the green report 2021 present the increasing trend of greenhouse gas emissions from the agricultural sector from the period of 2014-to 2020. This sector is considered one of the most challenging sectors in the national emissions inventory, in terms of methodologies, data requirements, source, and uncertainties related to emissions estimates. The main problem regarding the data needed to improve the inventory for this sector is the lack of specific annual data for each of the data categories mentioned above, as well as the lack of experience in this sector. Biodiversity and grasslands` biodiversity is mainly affected by under-grazing in remote areas and thus prone to natural afforestation or being dominated by invasive species (ARDS, 2022).

Inter-institutional cooperation, engagement of sector experts, and implementation of specific training would be needed to improve the greenhouse gas inventory data from this sector. The main possibilities for reducing emissions from this sector are the reduction of illegal logging and maintaining the destination of land use as defined by the IPCC category. Additional financing in supporting the green economy in Kosovo* is provided by donors (GIZ and USAUD), to support the use of plastic waste for recycling purposes and improve energy efficiency through the support of the European Union (EU), application of solar panels, wind farming, waste treatment systems and use of energy from biomass. Implementation has started on the first pilot projects in the region at the start of 2021. However, the initiatives are still at the very early stage of development and support.

4.5. EU approximation process

Kosovo* signed the Stabilization and Association Agreement with the European Union (EU) and gained the status of a potential candidate country for membership in the EU as of 2016. EU integration perspective remains the main goal of the country and Kosovo*'s agricultural policy. The sector of agriculture is the most stimulating and challenging of all sectors in the policy development of Kosovo*, requiring the largest compliance with the EU Common Agricultural Policy (CAP). Kosovo*'s agricultural policy direct support measures are harmonized with the Pillar I measure taken from CAP, while the support measures for rural development are harmonized with CAP Pillar II. In this regard, Kosovo* has adopted some secondary legislation regarding quality policy, but without any significant progress made in positioning the EU *acquis* with relevant legislation.

The same situation also stands for the veterinary policy alignment, there was no significant progress made. Kosovo* has already made some preparations and has adopted legislation on food safety and veterinary regarding the food safety, veterinary, and phytosanitary policies development (EU, 2020). The aim was to create an integrated food control system, transfer the responsibilities of the inspection to the Food and Veterinary Agency, complete and launch the animal by-products collection and disposal system, and come up with a quality infrastructure for food safety, focusing on obtaining international accreditation for tests and laboratories. The Food and Veterinary Agency was supposed to develop and implement an all-inclusive system for disease monitoring and control, in line with the World Organisation for Animal Health and the EU requirements and legislation. However, some food processors (milk and meat) meet EU food safety standards. Still, quite a challenge for Kosovo* remains the insufficient knowledge, information, and skills for modern farm management, and national and EU standards. A specific legal base (EU aligned) for

producer organizations is missing, and there is no specific national public support scheme to encourage their set-up and initial activity.

In addition, the plans to eradicate endemic diseases in Kosovo* are still pending and are part of the long-term planning and implementation process that will be included in the Agriculture Rural Development Strategy 2022-2028. The unsatisfactory level of progress is the same in regards to animal transportation, livestock markets, and animal health controls at the farm level, mainly due to a lack of financial and human resources, education and training programs. Despite all of that, it is worth appreciating the country's signing of the Sofia Declaration on the Green Agenda for the Western Balkans (GAWB) in November 2020, and its attempts to align the European Green Deal strategy toward a modern, climate-neutral, resource-efficient, and competitive economy.

According to the EU report on Kosovo*'s progress (EU 2020), there is some level of preparation for agriculture and rural development. However, limited progress has been made in improving the implementation of the agriculture and rural development programme. Still, it is missing a market policy aligned with the EU *acquis* on the inventory of fish species and a lack of administrative capacity for policy management, inspection, and control (ARDS, 2022). However, the new ARDS 2022-2028 confirms the government's readiness, and EU support, through IPA III; to support further the aligning of the policy with the EU *acquis*, employing and training staff in institutions to effectively implement policies and programmes, and effectively use the available funds. Kosovo* needs to put additional efforts into implementing the recommendations of the EU Commission, stated and reiterated in the 2020/2021 reports, addressing the issues of adoption of the strategy for agricultural and rural development 2021-2027, by providing a qualitative evaluation of the direct payments and rural development programmes effectiveness under the financial framework 2022-2028, undertaking the effective and urgent measures to implement spatial regulation planning and prevent the loss of agricultural land (EU, 2021).

4.6. Conclusions and policy recommendations

Kosovo*'s agricultural policy reform is based on priorities set in the ARDS and concerns a set of adequately stated objectives referencing the development of an innovative and competitive agri-food sector capable of producing superior products in line with the EU standards.

Kosovo* is committed to supporting economic and social growth in rural areas through employment opportunities, income growth, increased demand, and productivity. It increased its budgetary support to direct payments in 2020 and established a recovery programme that aims to support farmers financially after the Covid-19 pandemic. Through environmental policy approximation with the EU CAP, Kosovo* shows its dedication to preserve natural resources, soil, and air quality, buffering the pandemic impact on agriculture productivity, improving biodiversity, and training its farmers, educating them on best agricultural practices and agro-environmental systems.

Kosovo* has shown progress in strengthening the institutional capacities and setting priorities for the adoption of long-term/mid-term strategic documents for agricultural and rural development in line with CAP, such as the Annual Agriculture and Rural Development National Programme, and the National Agriculture Development Strategy (ARDP 2022-2028). However, still, the policy reform seeks to address the high-quality agricultural output, sustainable, innovative transformation of rural areas, as per CAP, and the sustainability of food systems.

In general, Kosovo*'s pathway to the improved trajectory of agricultural policy still remains slow, lacking reforms in the capacity development of rural areas, especially in the infrastructure of an agricultural framework and the producer organizations' support, skills for modern farm management, and access to the EU funds. Those need to be addressed through agricultural policy reform and conditions reshaped to support further research and innovation for sustainable and improved agricultural/rural policy.

Regarding quality development of policy mechanisms, in creating optimum conditions in managing and evaluating instruments for the agricultural policy design and implementation, in line with the best EU practice, the operating structures (Paying Agency and Managing authority) in charge of agricultural policy in the MAFRD should be advanced, and their capacities further developed.

Overall, the new ARDS 2022-2028 confirms support for rural areas and aims to provide more financial support to protect the environment and promote support that reduces emissions. However, the strategy should include additional support measures for the green economy, conservation of soil quality, and improvement of water quality by introducing soil and nutrient management plans and supporting the progress in the development of organic farming.

The agriculture management structure and main units of MAFRD showed limited supporting policy basis in terms of institutional capacity building. There was very slow progress made in establishing an effective Agriculture Information system due to delays with data collection and reporting. A fully functional system should be a priority, which requires the development of cross-compliance networks and interconnectivity between the agricultural units, market information systems, and administration and control systems.

Interventions should involve fostering good governance practices in line with EU *acquis* and implementing policies and strategies fostering local development in close coordination with the donor community that finances the improvement of infrastructure and green economy development. In addition, farm support should be decoupled in order to encourage farmers to increase farm investment and shift land use into value production.

The Covid-19 pandemic has shown the significant impact of the agri-food sector in times of crisis. Extra efforts should be made in terms of long-term food security and promoting agricultural sustainability that helps to ensure effective food production in the future. In addition, more efforts are required to support the rural development strategies in the promotion of rural development and addressing food security as a top priority in the national policy.

The positive trend of allocations in support of agriculture and rural development continued in the period after the Covid-19 pandemic crisis. The real gross domestic product (GDP) per capita has declined in 2020 and the economic instability created by the pandemic is estimated to have an impact on food security and agriculture products. The budgetary transfers to agriculture were doubled with the Financial Recovery package, however, the delays with the publication of data for 2021 were a major challenge to assess the trend and the implementation of agricultural support during the reporting period. The data in the sector should be regularly updated to facilitate the work and efficiency of the major MAFRD data collection bodies.

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CHAPTER 5. AGRICULTURAL POLICY DEVELOPMENTS IN MONTENEGRO

Milan Marković[33]

5.1. Agricultural policy framework

Montenegro is a candidate country to become member of the EU. The EU integration process is very complex and demanding for Montenegrin agriculture and rural economy with remaining challenges in the sector (small subsistence farming, traditional production, low level of productivity, and hence very low competitiveness).

Accession to the EU requires many tasks to be done. A big challenge in this period is a preparation of the strategy for agriculture and rural development with the action plan of harmonization with the *acquis* of the EU. Then the next challenge is how to implement the harmonised domestic agricultural policy with CAP and how to use the IPARD support, especially IPARD III with seven measures. All these tasks need strengthening of the institutional and administrative capacities to fully implement the CAP of EU.

The purpose of this report is to present the main development aspects of Montenegrin agricultural policy, with emphasis on the last two years, 2020 and 2021, and the EU accession.

The Strategy "Montenegro's Agriculture and the European Union – The Food Production and Rural Development", adopted in 2006, was a turning point in the agricultural reforms. It provided a platform for harmonization of agricultural policy, legislation and institutional support to agriculture with the principles and requirements of the EU association process. The 2006 Strategy defined four development objectives: (1) sustainable resource management; (2) increase in competitiveness of food producers; (3) stable and acceptable supply of safe food; and (4) ensuring an adequate standard of living for the rural population.

The most important document for the implementation of the Strategy from 2006 was the **National programme for food production and rural development**, adopted in 2008. The Programme developed a clear frame for the agricultural policy with several pillars: 1st pillar – Market and direct producer support; 2nd pillar – Structural and rural development; 3rd pillar – General services in agriculture (8 measures) and Other measures (social transfer to rural population and technical support).

The Law on Agriculture and Rural Development is the main legal document for the agricultural policy, adopted in 2009. The Law addressed the aims and objectives of agricultural policy, support measures in agriculture and eligibility criteria for their use, beneficiaries; public services in agriculture etc. Regarding the agricultural policy, the Law took over the objectives from the Strategy and gave them a legal shape.

Regarding the concept of the agricultural policy, **the Strategy of Development of Agriculture and Rural Areas of Montenegro (2015-2020**), with the action plan, was just a continuation of the previous one in terms of the strategic development objectives. The Strategy put special emphasis on harmonisation of the Montenegrin agricultural policy with the CAP of EU, particularly direct payments, while IPARD is used as the support mechanism to speed-up harmonisation of the Rural development policy with CAP.

The agricultural policy in Montenegrin agriculture is implemented in a scope of the legal document called Decree on regulation of conditions, implementation dynamics of

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agricultural policy measures. This Decree (**Agrobudget**) is prepared and adopted annually. The Agrobudget is structured in accordance to the National programme classification of the pillars and measures in the pillars of the agricultural policy.

Montenegro is preparing new strategy, titled **"Strategy of development of agriculture and rural areas, 2022-2028".** This document is in the initial phase of preparation and a very rough first draft exists. According to this draft document, the new strategy should be continuation of the previous agricultural strategies (from 2006 and from 2015) and legally based on the same Law on agriculture and rural development. In addition, the other relevant national strategic documents (National Strategy for Sustainable Development of Montenegro until 2030, National Biodiversity Strategy of Montenegro 2016-2020, National Strategy for Climate Change until 2030, Disaster risk reduction strategy 2018-2023, Tourism Development Strategy of Montenegro 2022-2025) were the starting points for this Strategy. Regarding accession of Montenegro to the EU, the Obligations from the process of accession of Montenegro to the EU (Chapter 11) and Montenegro's EU Accession Programme (PPCG) 2020 – 2022 were relevant in designing this strategy. The preparation of this Strategy is taking into consideration key EU documents: the European Green Deal, the Multiannual Financial Framework EU 2021-2027, EU's "Farm to Fork" strategy and EU Biodiversity Strategy for 2030. As Montenegro is a candidate country for EU membership, the Strategy will follow the goals set by the new Common Agricultural Policy 2021-2027, while respecting the commitments made by signing the Green Agenda for the Western Balkans.

Very relevant for the Montenegrin agricultural policy, especially in the process of its harmonisation with the CAP, is the ongoing project: Technical Assistance for Capacity Assessment for introducing meadows and pastures into **Land Parcel Identification System (LPIS)** and to select Agro-Environmental Measures. This project is very important because it will propose a scenario for introduction of the measures of direct support to the grasslands. The main reason for introduction of the proposed measures is the fact that unused agricultural land represents a significant potential for increasing agricultural production – huge share of UAA in Montenegro under pastures and natural meadows (94.3%). In order to maintain natural meadows and pastures, exposed to degradation processes, and prevent the conversion of pastures into forests, while maintaining biodiversity in these areas, there is a need for sustainable use of this natural resource by farmers. The economic objectives of this project are: a): to strengthen the support to farmers' income in marginal areas; enhance the legal use of public land; strengthen the link between tourism and agriculture; reduce the dependence from imports of feed and foodstuff. The social objectives are: to halt the process of massive migration from the Northern part of Montenegro to the Central and Coastal; and to maintain traditional practices and cultural aspects related to the exploitation of permanent pastures. The environmental objectives are: climate change mitigation (promotion of extensive grazing); protection of pastures and meadows endangered by climate change through sustainable grazing, maintenance of existing carbon stores; prevention of soil degradation in pasture land; and protection of natural biodiversity and maintenance of landscape features of mountain areas.

In order to strengthen the system for implementation of the agricultural policy, the Ministry is performing two projects: the first one is the ongoing FAO-funded project with the aim to implement **FADN** in Montenegrin agriculture. The FADN project activities were significantly slowed down in 2020, due to the situation with the Covid-19 pandemic. Implementation of that project continued in 2021 related to the preparation for the development of the software specification; the second one is **RCTP project** - Cluster Creation and Transformation of Rural Areas Project (IFAD). The aim of RCTP project is to contribute to the transformation of smaller agricultural producers in the north of Montenegro, enabling them to become more commercially competitive and more resistant to climate change. The project has two essential components: 1) Creation of a cluster of value chains and 2) Investments in the development of rural infrastructure (roads and water supply facilities). The project is implemented in seven Montenegrin municipalities: Nikšić, Šavnik, Žabljak, Petnjica, Berane, Bijelo Polje and Mojkovac. It develops clusters of value chains in four sectors: seed potatoes; raspberries and other berries; meat (sheep, goat and cattle fattening) and milk and milk products.

Smart specialisation strategy of Montenegro 2019-2024, adopted in the middle of 2019, has four strategic priorities: **(1) Sustainable agriculture and food value chain**; (2) Energy and sustainable environment; (3) Sustainable and health tourism; (4) Information and communication technologies. Agriculture, interlinked with food value chain, was recognised as one of the key priorities, due to its multiple roles in the development of society and economy of Montenegro. These roles are: high contribution to GDP creation and high engagement of the labour force; basis for the food industry and related sectors; contribution to the development of tourism; interlinkages with many other sectors; crucial role in sustainable development and mitigation of the depopulation of rural areas; contribution to reducing poverty in rural areas and important factor in preserving tradition and the overall cultural heritage of the Montenegrin rural areas. According to the S3 document, there are numerous development opportunities in the agriculture and the food value chain. The main sectors of agriculture for transfer of knowledge and innovations are: Meat and meat products; Wine (from autochthonous and introduced vine varieties) and beer; Dairy products: traditional and new; Fisheries and aquaculture products. Sectors with potentials for improvements are also: creation of new fruit and vegetable products; development of organic agriculture; application of new technologies in food production, including production of environmentally friendly and smart packaging; products from medicinal and aromatic herbs (cosmetic products, pharmaceuticals, spa products, spices, beverages, etc.); olive oil and other olive products.

It was stated in the Guidelines for the Implementation of the Green Agenda for the Western Balkans that the Green Agenda for the Western Balkans can greatly benefit from Smart Specialisation Strategies. The strategies of Montenegro and Serbia can serve as inspiration to the other Western Balkan countries. The Smart Specialisation Strategy of Montenegro, adopted in 2019, addresses the environment and sustainability in two priority domains: first, sustainable agriculture and food value chain; and second, energy and sustainable environment.

However, there is no evidence on implementation of the Smart Specialisation Strategy of Montenegro. One of the main reasons for delay in starting of the Strategy implementation could be the political changes in Montenegro from 2020.

The key legal, strategic and programming framework previously described are summarised in the Table 19.

Table 19. Overview of the key legal, strategic and programming framework in Montenegro

Key legal, strategic and programming document	Key goal and objectives	Notes/remarks
Law on agriculture and rural development (Official Gazette of MN 56/2009)	The main objectives: 1) Agricultural resource management sustainable in the long term, with preservation of the environment, 2) ensuring a stable supply of safe food affordable in terms of quality and price, 3) improving the standard of living of the rural population and rural development in general, with preservation of traditional values, 4) strengthening of competitiveness of food producers.	Amended in 2011; then in 2014; 2015 and in 2017. Legal frame for agricultural policy, with objectives taken over from the Strategy 2006, support measures in agriculture and eligibility criteria for their use, beneficiaries, public services in agriculture etc.
Strategy of development of agriculture and rural areas of Montenegro 2015-2020	The key objectives: (1) sustainable resource management; (2) increase in competitiveness of food producers; (3) stable and acceptable supply of safe food; and (4) ensuring an adequate standard of living for the rural population.	Expired, but the currently valid strategic document

Key legal, strategic and programming document	Key goal and objectives	Notes/remarks
Strategy for Agriculture and Rural Development 2022-2028	It foresees nine CAP like objectives: to ensure a fair income for farmers; to increase competitiveness; to improve the position of farmers in the food chain; climate change action; environmental care; to preserve landscapes and biodiversity; to support generational renewal; vibrant rural areas; to protect food and health quality.	Drafting of the Strategy is underway, there is still no publicly available draft for insight and commenting
IPARD II - 2014-2020	It provides investment support to increase the ability of the agri-food sector to cope with competitive pressure and market forces, to align with the Union rules and standards, to contribute to the security and safety of food supply and the maintenance of diversified and viable farming systems in vibrant rural communities and the countryside. It will also reinforce the capacity of the relevant structures to be able to efficiently manage and implement the programme in line with EU requirements.	Still in implementation of the three measures (M1- Investments in physical assets of agricultural holdings; M3- Investments in physical assets in processing and marketing of agricultural and fishery products; and M7- Farm diversification and business development)
IPARD III - 2021-2027	(1) enhancing farm viability and competitiveness of agriculture and food processing (2) restoring, preserving and enhancing ecosystems dependent on agriculture, fishery and forestry (3) promoting balanced territorial development in rural areas (4) transfer of knowledge and innovation in agriculture, forestry and rural areas	Approved by EC in July 2022. In addition to the three measures of IPARD II (M1; M3 and M7) there are four new measures: M4- Agri-environment-climate and organic farming measure; M5- Implementation of local development strategies - LEADER approach; M6- Investments in rural public infrastructure; and M11- Establishment and protection of forests
Smart specialisation strategy of Montenegro 2019-2024	Key priorities are: (1) Sustainable agriculture and food value chain; (2) Energy and sustainable environment; (3) Sustainable and health tourism; (4) Information and communication technologies.	No evidence on its implementation
National Programme for Agriculture and Rural development, 2009-2013	The four pillars of agricultural policy: 1st pillar – Market and direct producer support; 2nd pillar – Rural development; 3rd pillar – General services in agriculture and Other measures (social transfer to rural population)	Only that programme was developed so far – the grouping of the support measures from NP is still used
Decree on regulation of conditions, implementation dynamics of agricultural policy measures - Agrobudget	It sets individual measures of support to agriculture, rural development, fishery and public services in the agri-food sector, including the elements needed for implementation of the measures defined: the conditions, manner and dynamics of implementation of agricultural policy measures for direct payments and market measures, rural development policy, services of public interest, social transfers to individuals, measures in the food safety, veterinary and phytosanitary affairs and measures in the field of fisheries	Adopted on an annual basis

Source: Ministry of agriculture, forestry and water management, Ministry of Science.

Institutional and administrative framework. The institutional and administrative framework responsible for planning, implementing and controlling the agricultural policy in Montenegro comprises a number of key institutions and administrative bodies. Each of them faces a number of challenges (Table 2).

The **Ministry of Agriculture, Forestry and Water Management (MAFWM)** is the key responsible institution for agricultural policy design, coordination and supervision of its implementation. MAFWM performs administration tasks related to: development policy proposals and measures of agricultural policy; establishing systemic solutions in agriculture and taking measures for their implementation; protection and utilization of agricultural land; plant production; animal husbandry; organic production; phytosanitary area; veterinary medicine; food and feed safety; beekeeping; freshwater and marine fisheries, etc. After the political changes in August 2020, the Ministry changed the name from Ministry of Agriculture and Rural Development into the existing name. During the second part of 2020 and in 2021, the Ministry changed the systematization of workplaces even twice. These formal changes slowed down the essential reforms in the sector, including significant delay in preparation and adoption of the new strategy.

The key public bodies responsible for the implementation of the agricultural policy are the units of the MAFWM as follow: Directorate for Rural Development; Directorate for Agriculture (since 2019 the Advisory/Extension service has been functioning in it); Directorate for payment; Administration (Uprava) for food safety, veterinary and phytosanitary affairs. The Directorates (D for RD and D for Agriculture) are responsible for creating policies, drafting primary and secondary legislation proposals and overseeing the implementation of adopted policies and laws.

The Administration for Food Safety, Veterinary and Phytosanitary Affairs consists of the three sectors: Food safety sector; Veterinary sector; and Sector for Phytosanitary affairs. *Food safety sector* performs tasks relating to: the safety of food of animal and non-animal origin, by-products of animal origin; implements, coordinates and monitors the terms and conditions in these areas; establishes and monitors the fulfilment of conditions for performing his duties; establishes and maintains a central register of approved and registered establishments for food and feed and performs other tasks that are specific to the jurisdiction. The *Veterinary sector* performs tasks relating to: the provision of permanent and preventive health care of animals on the epizootic territory of Montenegro, animal welfare, veterinary practices, animal identification and registration, the execution of public works in the field of veterinary medicine in line with the mandatory protection of animal health and the control of animal diseases and zoonosis, the eligibility for the performance of veterinary services, transport of animals and other activities in accordance with the laws, cooperation with relevant EU institutions and international organizations. The *Sector for Phytosanitary affairs* performs sector tasks pertaining to the laws in the field of plant health protection, plant protection products, plant nutrition products, seed material of agricultural plants, planting materials, GMO, plant variety protection, plant genetic resources and other regulations in the jurisdiction. There are two national laboratories (Specialist Veterinary Laboratory and National Reference Phytosanitary Laboratory), both supervised by the Administration. Regarding the agricultural and rural development policy implementation, the Administration for Food safety, Veterinary and Phytosanitary affairs is responsible for issuing permissions and certificates related to food safety, which are required from the producers and processors (family holdings and companies) in the food sector in order to use IPARD and other kinds of budgetary support.

The Advisory service in Montenegrin agriculture functions on two levels: a) on the municipal - advisory service in each municipality; and b) on the national level - the National Advisory service as a unit of MAFWM. The Advisory service on the municipal level is very weak, without deep involvement in implementation of the agricultural policy. It rather serves for municipal administrative purposes.

The National Advisory Service has a clear structure and it is functioning in two divisions: Advisory service for plant production and Advisory service for animal production. Both

operate through regional centres (Bar, Podgorica, Cetinje, Nikšić, Berane, Bijelo Polje and Pljevlja).

The Advisory services are specialized for performing advisory activities in agriculture and rural development. The tasks and activities of the National Advisory service are: technical-technological improvement of farms and providing technical assistance to farmers in order to increase income from agriculture; providing expert advice, giving instructions and practical advice in the field of agriculture, transfer of knowledge and skills needed to develop and maintain the values of rural areas and sustainable development; participation in the preparation of development plans for farms and rural areas; support for the establishment of various associations; and information and publishing for the development of agriculture and rural areas. However, the employees of the Advisory service are more and more involved in the pure administrative tasks, thus their original professional and advisory roles are diminishing by time.

The Inspection supervision department (Agricultural Inspectorate) conducts inspection supervision over the application of laws and other regulations and general acts in the field of agriculture, winemaking, fisheries and spirits; conducting administrative procedures in accordance with the Law on Inspection Supervision, the Law on Administrative Procedure and other laws; taking administrative and other measures and actions in order to eliminate the identified irregularities and ensure proper application of regulations. In addition, there is independent body - **Monteorganica, doo**, founded in 2005 by the Cooperative Union of Montenegro, the accredited certification body for control and certification in organic production according to the requirements of the standard MEST EN ISO 17065:2013- Certificate of Accreditation ATS – 0094.

Table 20. Overview of the institutional and administrative policy framework in Montenegro

Key institutions and administrative bodies	Key role and responsibilities in Ag. and RD policy	Human capacities and competences	Other capacities	Other challenges for the institution
Ministry of Agriculture, Forestry and Water Management	Responsible for policy creation and coordination, and supervision of its implementation	Understaffed; The ministry staff need to be trained for implementation of the agricultural policy harmonised with the CAP	Monitoring and on-the-spot control need to be upgraded, first appropriate software and field cars	To provide conditions in which the key professionals will rather stay in the Ministry
Directorate for rural development	Acts as the IPARD managing authority	Understaffed;	Not needed	
Directorate for Payments (acts as the Paying Agency, and implements the IPARD measures	Implementation of the financial support measures	Overstaffed; Majority of the recruited employees are young and without professional experience, trainings are of great importance		How to develop and provide LPIS fully functional for permanent grassland (94% of total UAA)
The National Advisory Service (part of the Directorate of agriculture in the Ministry) with two divisions: Advisory service in plant production and Advisory service in animal production	It provides advisory services to the primary producers, while in the last few years it acts more and more as an administrative unit of the Ministry	Understaffed; Regular professional and extension activities are sharply reduced because the employees are overloaded by administrative work		This service is becoming part of the Ministry's administration
Administration for Food Safety, Veterinary and Phytosanitary affairs	Issuing the food safety permissions and certificates, required from the producers and processors who use IPARD and other kind of budget support	Understaffed; HCC need to be upgraded in the area of database use and sharing of data		
Inspection supervision department (Agricultural Inspectorate)	Inspection in the field and at the border crossings	Understaffed; HCC need to be trained in EU legislation	Applying modern IT tools	

Source: The author's elaboration, based on personal communication with the representatives of the MAFWM.

5.2. Measures and budgetary support of agriculture and rural development

The agricultural policy is implemented in the scope of the legal document called Decree on regulation of conditions, implementation dynamics of agricultural policy measures – Agrobudget. It is prepared and adopted annually. The total budgetary support to agriculture is presented in Figure 22. The total budgetary support to agriculture has an

increasing trend in the last ten years (2012-2021). Regarding the main pillars of the support, the first pillar (Market and direct producer support measures) and the second (RD measures) have a similar share in total, about 40% each, while the rest (about 20%) goes to the other measures.

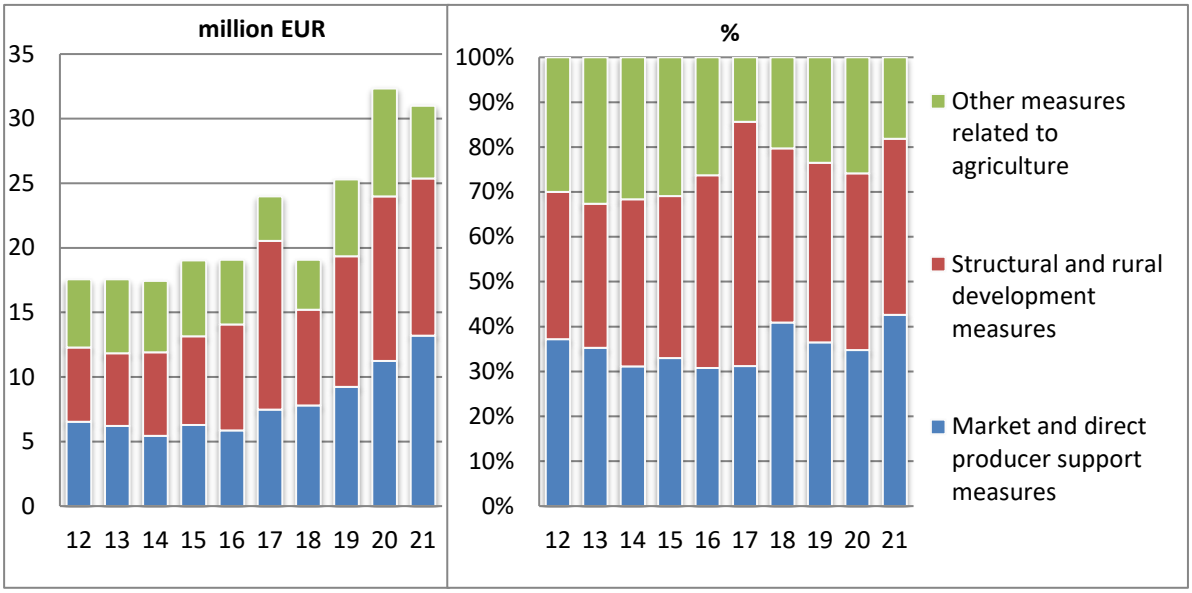

Figure 22. Total agricultural budgetary support in Montenegro, in mill. EUR and %, 2012–2021
Source: ME APMC database (2022).

When it comes to the sources of budgetary support (Figure 23), the major part – ¾ of the total is from the National budget, while the rest is the EU support in the scope of IPARD (elaborated in detail further on in the text), and the World Bank loan (in green). In the period June 2009 - June 2015, the World Bank provided support to agriculture through the project: Montenegro Institutional Development and Agriculture Strengthening - MIDAS. Support was provided through the IBRD loan (EUR 11 million) and the GEF (Global Environment Facility) grant (EUR 4 million). The project has focused on strengthening of the MAFWM rural development programme by supporting the introduction and implementation of IPARD - compliant rural development measures set out in the National Rural Development Programme (Strengthening rural development funds for targeted measures and areas; Strengthening field and advisory services; Provision of technical assistance, the Paying Agency compatible with EU IPARD, construction and/or reconstruction of facilities for the MAFWM and its management and bodies; Modernization of the agricultural information management system, including the Census of Agriculture, as well as the development of a register of farms and the development of related cadastral maps for wines, olives and/or fruit; Further strengthening the food safety system). During the MIDAS project implementation, 1 467 applications were received and 794 were approved, while 659 were funded, with a total of EUR 6 532 041.

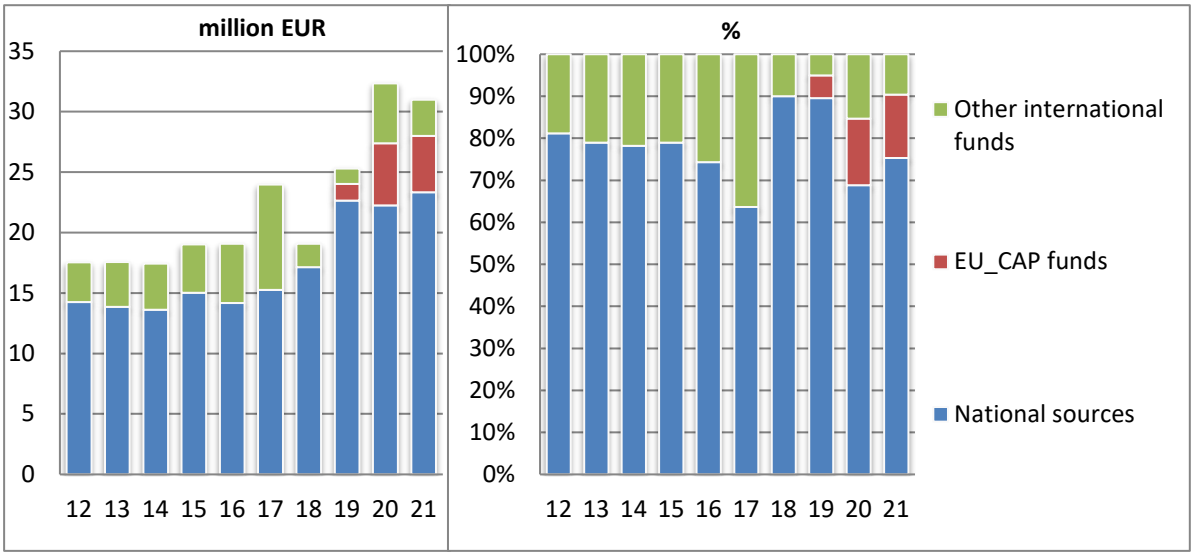

Figure 23. Total agricultural budgetary support in Montenegro by sources, in million EUR and %, 2012–2021
Source: ME APMC database (2022).

Market support and direct payments. Market support comprises interventions and risk management support. The interventions consist of *the market intervention programme* that includes safety net measures implemented as support for collecting and marketing of seasonal surplus of vegetables and lambs; and *the School milk and dairy products and the School fruit and vegetable scheme*, implemented in the last several years, since 2019. The risk management support in agriculture consists of co-financing the costs of insurance against crop and livestock damage, Figure 24.

Direct support to **crop production** is implemented per hectare of cultivated land for basic arable crops: cereals, potatoes, forage plants, buckwheat and other crops including seed production for some of these crops. Direct support for **livestock production,** paid per head of livestock, has several components: direct payments for breeding cattle; payment for breeding sheep and goats, premium for fattened young beef. A major part of the direct support is allocated to the dairy production as subsidies per litre of milk delivered to the approved dairy. Support to milk processing at farmer holdings is a new measure introduced in 2018. It is implemented in the regions where, due to long distances or bad infrastructure, the collection of milk by dairies does not exist. This support has rapid growth from EUR 270 000 in 2018 to EUR 1 903 197 in 2021.

In addition to the mentioned measures in the first pillar, there is also one measure, with several components, directed to the beekeepers, called Support to development of bee keeping. The input subsidies are related to the support to purchasing of the breeding livestock (pregnant heifers and breeding sows) and semen for cows' insemination.

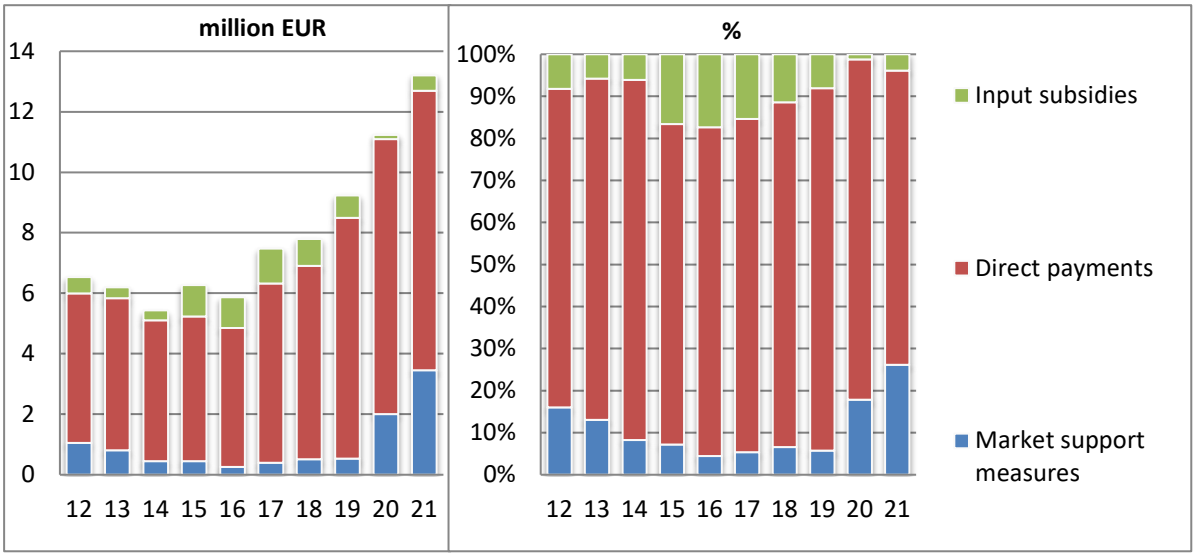

Figure 24. Market and direct producer support measures in Montenegro, in mill. EUR and %, 2012–2021
Source: ME APMC database (2022).

The Rural development policy is very important for the Montenegrin agricultural policy, primarily because of the specificities of the agriculture and rural areas. A vast majority of mountain areas in the northern part of the country are threatened by abandonment. Due to that, the agricultural policy has a strong focus on rural development and on providing different services to the agricultural sector. The National programme (2008) designed a rural development policy in accordance with the EU Community Strategic Guidelines 2007-2013, the measures were grouped in four axes. However, support to the Leader projects is not implemented at all, and also - support to Less Favoured Areas (LFA) or Areas with Natural Constraints (ANC) as one of the main measures in the axis 2, has not been implemented so far.

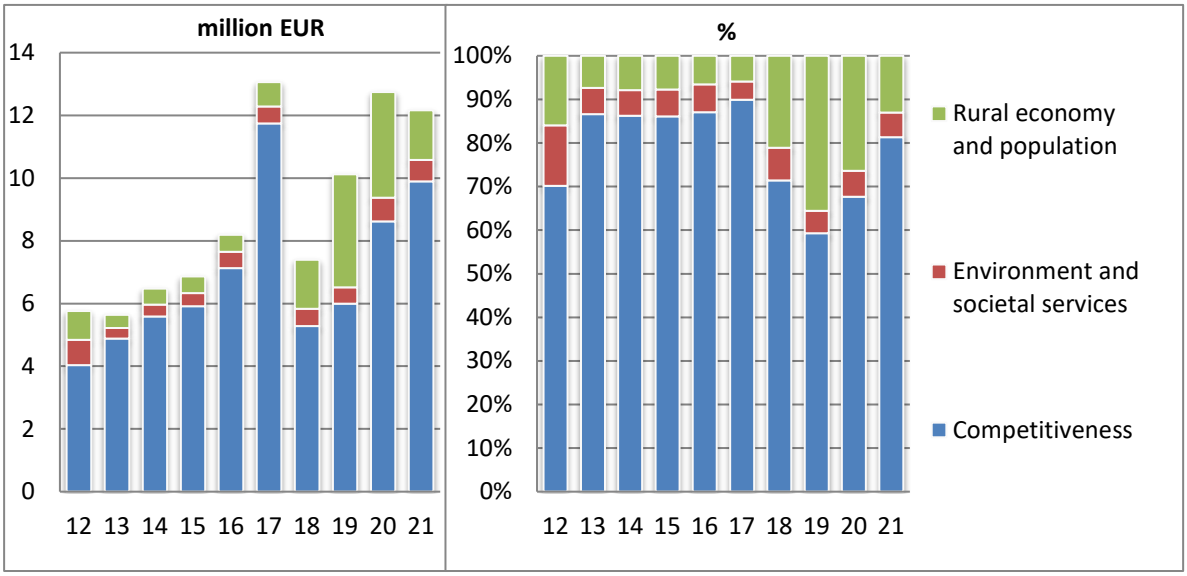

Figure 25. Budgetary support for structural and rural development in Montenegro, in million EUR and %, 2012–2021
Source: ME APMC database (2022).

The first group (axis) participates by the highest amount (about 80%) in total allocation for RD policy and directed to strengthening the competitiveness of food producers through supporting the investments in primary production and processing industries, introduction of international standards and organisations of the producers. The second group (axis) refers to the sustainable management of resources, where three measures have been implemented since 2008: Sustainable use of mountain pastures; Support to organic farming and Support to preservation of genetic resources. In the last few years, a new

measure, Support to manure handling, is implemented too. The third group (axis) consists of two measures: Diversification of economic activities in rural areas; and Revitalisation and development of rural areas and construction of rural infrastructure.

Figure 5 presents the other support measures to agriculture, where the general services and social transfer to the rural population are the major parts of support.

General services. This component of the agricultural policy refers to financial support for general services in agriculture that are of public interest. It supports programmes on education, research and development, analytical activities, extension services, and food safety measures (programme on veterinary and phyto-sanitary measures and activities and programmes related to the control of product quality.

The food safety measures have the highest participation in this group of measures in the last four years, primarily because of implementation of the programmes of capacity building in this sector.

Social transfers to rural population. In addition to the programmes and measures already presented, Montenegro has been implementing the so-called fourth pillar of agricultural policy - a kind of social policy directed to the rural society (the measure called Old age allowance programme) in a form of pensions, following the aim of securing an adequate living standard in rural areas.

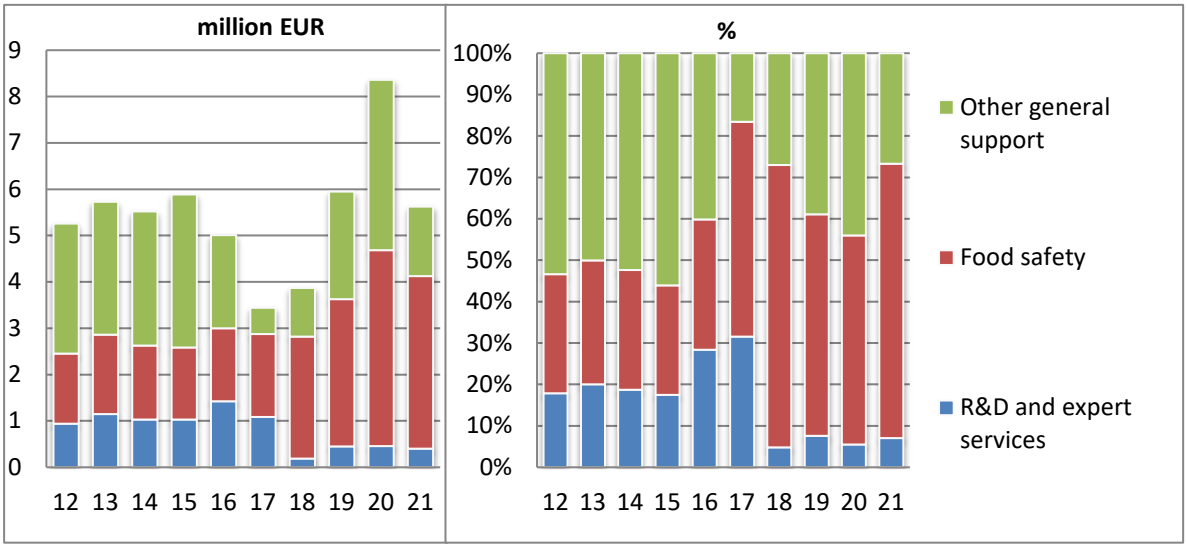

Figure 26. Other measures related to agriculture in Montenegro, in mill. EUR and %, 2012–2021
Source: ME APMC database (2022).

Montenegro, as a candidate country, uses **IPARD funds**, as the fifth component of the IPA (the instrument for pre-accession assistance) of EU support to the rural development. From 2018, when IPARD II (2014-2020) started, up to December 31st 2021, seven Public calls were published (3 in the scope of the M1; 3 in the scope of the M3 and 1 call in the M7 measure), with 897 applications. Many applicants withdrew due to the increase in input prices, which also had a significant impact on using funds. The detailed figures on the implementation of IPARD II is presented in Table 21.

Table 21. Overview of the measures, funds and number of applications in IPARD 2014-2020 in Montenegro

Indicator	M1	M3	M7	Total
No. of project applications	569	134	102	805
No. of approved project applications	364	52	-	416
Total approved funds (mill. EUR)	16.40	13. 02	-	29.31
- National contribution (mill. EUR)	4.10	3. 25	-	7.35
- EU part (mill. EUR)	12.30	9. 76	-	22.06

Source: Ministry of agriculture, forestry and water management

Out of the total amount of EUR 39 million available for the 2014-2020 programming period, 56.4% was contracted, but only EUR 7 194 851 or 18.45% was paid to the beneficiaries.

The Programme for the development of agriculture and Rural areas in Montenegro under **IPARD III 2021-2027** was finalized in May 2022 and approved by EC in July 2022. Total public support is EUR 82 013 202.

In comparison to the IPARD 2, the list of measures proposed in draft IPARD III programme is extended. In IPARD II there were three measures, now in IPARD III a total of seven measures were proposed.

The list of measures with their share in the total is as follows: M1-Investments in physical assets of agricultural holdings (28.3%); M3-Investments in physical assets concerning processing and marketing of agricultural and fishery products (29.0%); M4-Agri-environment-climate and organic farming measure (4.7%); M5 - Implementation of local development strategies - LEADER approach (0.3%); M6-Investments in rural public infrastructure (10.3%); M7-Farm diversification and business development (21.6%); M11-Establishment and protection of forests (4.3%); and M9-Technical support (1.6%).

Having in mind that less than 20% of the funds available in three measures of IPARD II were used during the programming period, it will be a big challenge for Montenegro and its administration in the agricultural sector to implement such a demanding IPARD III programme that consists of 7 measures.

Regarding the continuity in the number of measures of the agricultural policy, there were no substantial changes in 2020 and 2021 in comparison to the preceding years. Comparing the Agrobudget for 2020 with the same document in 2018 or 2019, the pillars of the agricultural policy and the measures in the pillars and the Axes of RD policy were the same. The only new measure - Programme for improving of the living conditions of the family farms was introduced, with a small amount of the support, just EUR 62 000. There were some minor changes in the amount of direct support per head of the livestock eligible for subsidies or hectare of the UAA. The only new programme related to Covid-19 was introduced in 2020 and continued in 2021.

Comparing Agrobudget in 2020 and 2021 with the same document from 2009 or 2010, the structure is the same, the pillars of the agricultural policy, the same axis in RD policy. The number of measures in Axis One of the RD policy has been unnecessarily increased from 11 in 2009 to 19 measures in 2021. In fact, the original investment support measure to the primary production by time was divided into several components allocated to the different subsector (fruit growing, olive growing, vegetables etc.).

The main successes and failures of the agricultural policy instruments and measures compared to the strategic objectives in the last two years can be summarised in the next table.

Table 22. Main successes and failures of agricultural policy instruments and measures compared to the strategic objectives in 2020 and 2021

Successes	Failures
The total budget allocation for support of the agriculture and rural areas has been gradually increased The implementation procedures of the rural development measures (submission of applications, on spot control and payment execution) are improved significantly, primarily due to IPARD implementation Unit of Ministry of agriculture Forestry and Water management - Directorate for payments – has strengthened its human resources and technical capacities (new employees recruited, procedures are established and implemented.)	A significant number of the professional staff members left the Ministry The number of measures of RD policy increased from 17 in 2009 to 25 in 2021, even 19 in Axis One, which increased the administrative burden (more individual public calls, more bureaucracy, delays in implementation etc.) The amounts of the coupled payments increased – milk subsidies increased Direct payments in sensitive sectors (rearing of ruminants, cattle, sheep and goats), i.e., in 2009 the sheep sector was 10 EUR per head, while in 2020 only 8 EUR per head, with a threshold of 30 heads of sheep and 20 goats to be eligible for support

Looking to the positive and negative sides of the agricultural policy, it can be concluded that there were more failures than successes in the last two years (2020 and 2021). Some of them can be justified by worsening the whole situation for agriculture due to the Covid-19 pandemic, however the majority of these failures was caused by a discrepancy between the current agricultural policy and the strategic documents, which should be binding for the decision makers. The most obvious deviation is that milk subsidies (coupled payments) from the Agrobudget have had an increasing trend, with additional subsidies provided by municipalities in which collection of milk by dairies is organised. As a consequence: negative trends in the agri-food sector remain: huge trade deficit, decrease in the number of cattle, sheep and goats; depopulation and aging of the rural areas.

5.3. Covid-19 interventions in policy and implications

The new coronavirus has had detrimental multiplying effects on both the social and economic facets of life in all nations, including Montenegro (MAFWM, 2022). To combat the pandemic, Montenegro has been compelled to significantly restrict economic activity. Despite being the last nation in Europe to report the first incidence of the illness (Covid-19's first case was formally confirmed on March 17, 2020), Montenegro started to see a decline in its economy and general quality of life.

The first package of measures to support the economy and people was targeted mostly as a liquidity policy (MAFWM, 2022): a credit line was made available to businesses through the Investment Development Fund (IDF), a three-month moratorium on loan repayment to residents and enterprises with commercial banks, and a three-month delay in the payment of personal income tax and mandatory social insurance contributions. Additionally, beneficiaries of family material security and low-income retirees got additional one-time direct financial support (around 20 000 citizens and their families received this type of assistance).

The second package of measures provided support to the agricultural sector specifically. Within the Special governmental programme for the suppression of the Covid-19 pandemic, in the Agriculture and fisheries sectors, a special programme of market interventions in 2020 was implemented. The aims of this programme were: to maintain the stability of agricultural products and farmers' incomes, to provide production continuity and to remedy the negative consequences of the Covid-19 pandemic on those sectors that were most vulnerable and most affected. The Special programme of market interventions had 12 components directed to the following sectors: dairies and cheese factories,

production and purchase of lambs, piglets and cattle - cattle, poultry meat production and egg production, in plant production – aronia, potatoes and cereals, in aquaculture - trout production, and support of marine fisheries. Total expenditures of this programme in 2020 were EUR 1 347 000 Euro. During the period May to September 2020, direct payments were paid in advance (MAFWM, 2022).

In January 2021, the Government of Montenegro adopted the Support programme for agriculture and fisheries aimed at maintaining the existing level of production and market stability, both in terms of prices and quantities offered on the market of agricultural products (live animals, milk and dairy products, fruits and vegetables, etc.). In the scope of this programme, the Ministry of Agriculture, Forestry and Water Management initiated market interventions in the crop production sector, for potatoes and watermelon, while in the livestock sector it intervened in chicken meat production, procurement of concentrated animal feed, procurement of feed for bees, mariculture, commercial fishing, procurement of chickens and turkeys, pig farming, lamb, aquaculture etc. The total expenditures in the scope of this programme in 2021 were EUR 2 712 000 euro.

5.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources

The Green Agenda for the Western Balkans envisages meeting the objectives of the following five pillars: a) Climate action, including decarbonisation, energy and mobility; b) Circular economy, sustainable production and consumption, primarily waste management, recycling, and efficient use of resources; c) Preservation of biodiversity, protection and restoration of the ecosystems, in terms of preservation and restoration of the natural wealth of the region; d) Depollution-fight against air, water and soil pollution; and e) Sustainable food systems and rural areas. Digitalization will be the key that connects all five pillars with the concept of dual green and digital transition.

Montenegro is committed to meet the objectives of the Green Deal incorporating them into the IPARD III programme and its measures. IPARD III involves investments in the circular economy on farms, with an emphasis on waste management, equipment, machines and devices for collection, storage, treatment and disposal of waste through measures 1, 3 and 7. Through Measure 1, an additional 10% support will be provided for management investments in waste and wastewater, and through measures 3 and 7 an additional 10% support for investments in the circular economy. Investments covered by IPARD III are primarily aimed at harmonizing the primary production and processing sector with EU standards in the areas of food-free, disease prevention and plant and animal health, as well as improving traceability and food labelling. Through IPARD III, farmers involved in organic production will be favoured as recipients of support. The protection and restoration of ecosystems in order to preserve biodiversity and prevention of forest fires and the emergence of pests and diseases are also included in IPARD III. Investments in renewable energy sources are included through almost all IPARD III measures in order to create resource-efficient, safe and sustainable low-carbon economies on farms and processing facilities.

Concerning the existing agricultural policy, there are four measures in **the second axis** of the Rural development policy, which are closely linked to preserving of the natural resources and support environmentally friendly ways of production (organic agriculture), Table 23.

Table 23. The greener measures in the Rural development policy

Measures	Year 2020		Year 2021	
	Plan, €	Execution,€	Plan, €	Execution,€
Support to Organic agriculture	400 000	412 000	450 000	390 000
Support the plant and animal genetic resources	40 000	73 000	60 000	59 000
Support for using mountain pastures	250 000	273 000	250 000	238 000
Support to manure handling	90 000	23 000	60 000	5 000

The first three measures have been implemented after the adoption of the National programme in 2008. The scope and total amount of Support to the genetic resources are very modest, in 2009, for example, was EUR 80 000. Regarding the fourth measure, - Support to manure handling, it was introduced in 2017, the next year support reached EUR 76 000, and in the last two years there was a huge gap between the plan and the execution.

5.5. EU approximation process

Montenegro has opened 33 chapters and temporarily closed three in the EU accession process. Chapters 11 Agriculture and Rural Development and 12 Food Security, Veterinary and Phytosanitary Policy were opened in 2016 and the criteria for their closure are being met.

For the closing of **Chapter 11: Agriculture and rural development,** Montenegro received two final criteria: a) Benchmark I - Implementation plan for the establishment of the Integrated Administration and Control System (IACS), including the establishment of a Land Parcel Identification System (LPIS); and b) Benchmark II – The plan for the establishment of the Paying Agency, fully operational until accession, taking into account the standards of independence, reliability, accountability and sound financial management.

According to the EU Progress Report 2021, Montenegro remains moderately prepared in the area of agriculture and rural development. It was stated in the report that some progress was achieved on last year's recommendations, mainly in the implementation of the instrument for pre-accession assistance for rural development programme (IPARD II) through further calls and entrustment of one further IPARD measure. However, the implementation of the action plan on EU *acquis* alignment was limited.

EC suggests that Montenegro in the coming year should be focused on two major tasks. First one is the implementation of the IPARD II programme, seek entrustment for implementing the 'Technical assistance' measure and submit the draft IPARD III 2021-2027 programme to the Commission for adoption. In the meantime, Montenegro finalized IPARD III, which was adopted by the Commission in July 2022. The second task is to continue to implement the action plan for alignment with the EU *acquis* on agriculture and rural development, and adopt the strategy for agriculture and rural development 2021-2027''. As it was already explained, Montenegro is late with preparation of the strategy.

For the closure of **Chapter 12: Food safety, veterinary and phytosanitary policy**, Montenegro received 3 final benchmarks: I) National programme for the improvement of facilities for products of animal origin, including facilities for animal by-products and the National programme for the use of raw milk; II) System of official control of live animals

and products of animal origin, including guarantees of developed administrative structures; and III) Administrative capacity for proper implementation of the entire *Acquis* covered by this chapter.

Similarly to Chapter 11, it was stated in the EU Progress Report 2021 that Montenegro remains moderately prepared on Chapter 12. Good progress was made on the previous year's recommendations, in particular on implementing the national strategy for aligning with and implementing the EU *acquis*. The upgrading of establishments and the implementation of programmes continued.

EC suggests that Montenegro in the coming year should in particular be focused on the following tasks: a) continue to implement the revised strategy for aligning with and implementing the EU *acquis*; b) continue to support the ongoing process of upgrading food establishments; and c) continue to strengthen administrative capacity and infrastructures, in particular on food safety controls and implement robust disease surveillance and vaccination, as applicable.

Regarding the status of negotiations in **Chapter 13: Fisheries**, Montenegro received 2 final criteria for the closure of this chapter: a) Three laws - Law on Structural Measures and State Aid, Law on Market Organization and Law on Marine Fisheries; and b) Administrative capacities - inspection and control fully qualified.

According to the EU Progress report 2021, Montenegro has some level of preparation in this area. It was also stated that limited progress was made in the reporting period on the recommendations of the last report, which remain valid. Montenegro continued to be a reliable partner in international fora.

The EC suggestions in this chapter for the coming period are as follow: finalize its work in preparation of the new fisheries and aquaculture strategy with the action plan on aligning with and enforcing the EU *acquis*; continue to strengthen administrative, data collection, scientific advice, inspection and control capacities; and continue, within the General Fisheries Commission for Mediterranean (GFCM) the implementation of the multiannual plan for demersal species in the Adriatic."

5.6. Conclusions and policy recommendations

In order to overcome the weaknesses in the agri-food sector (low competitiveness of the agriculture sector, unfavourable farm structure, low yields in crop and animal, weak food value chains and huge trade deficit in agri-food products) and to use opportunities in the context of the EU accession, designing a sound agricultural policy is a real challenge. The agricultural policy has to provide a good framework for sustainable development of the sector and rural economy, and at the same time it should be streamlining to the EU model or CAP like policy.

The key documents in designing and implementing of the agricultural and rural development policy are the Law on agriculture and rural development; the Strategy; and the Agrobudget. Regarding the implementation of the designed policy on annual level, some actions should be emphasized: better participation of the stakeholders in preparation of the measures; respect of the legal and strategic frame; reporting on execution on each of the measures. For smooth implementation, preparation and adoption of Agrobudget before the financial year starts is needed, which was not a case until now.

Much more responsibilities and activities in implementation of the rural development policy need to be delegated from the national to the municipal level. Regarding the new IPARD III programme, the key recommendation is to better prepare the beneficiaries, especially at the local level.

The Ministry of Agriculture Forestry and Water Management, as a body with a key role in policy implementation, is undergoing major reform. Strengthening human capacities of the

Ministry by recruiting new staff members in the majority of directorates is very positive. However, recruitment of the new staff without enough experience creates lack in the so called institutional memory of the Ministry. A positive case in this sense is the Administration for Food Safety, Veterinary and Phytosanitary Affairs, managed to keep the key professionals in its staff. By doing so, the Administration is successful in providing frame for safe food production.

The Advisory service in plant production and in the livestock sector now formally belongs to the Ministry. Both services are more and more involved in pure administrative activities, thus less and less in the professional and advisory work with the farmers. From the other side, the local level – the municipal advisory service is practically not included into the policy implementation. In order to improve overall performance of the agricultural policy, deeper involvement of the municipal advisory service into the implementation of direct payments and rural development is needed.

Generally, total support for agriculture is very low, even in comparison with the WB countries. In spite of the increase in the total budgetary support since 2018 onwards, its distribution is worsening. Montenegro still does not support the use of grasslands (natural meadows and pastures), which participate in total UAA by 94%. What is worse, the highly sensitive sectors (rearing of ruminants, cattle, sheep and goats) in the mountain part of the country (mainly rural areas with natural constraints threatened by abandonment) receive much smaller direct support than commercial producers in the vicinity of the urban places where conditions for production are much better.

Considering implementation of rural development measures, there are significant improvements in procedural matters (issuing calls, preparation of the manuals for beneficiaries, measures promotions etc.) and this positive trend in rural development policy implementation should be continued.

General services (third pillar of agricultural policy) are still implemented in accordance to the design of the National programme. To develop more competitive family farming based on the EU model more institutional support is needed. In this context, building of networks and coordination between research, extension and the farming community has to be reinforced. Recognition of the agricultural knowledge and innovation system role on all levels, and fitting it to the real needs is very important.

In the existing strategic documents, there is still no multiannual financial plan, which prevents farmers to plan their production in the long run. There is still a lack of data on execution of the budgetary support for agriculture, together with inconsistencies and gaps in agricultural statistics, making the picture of the sector not completely clear. It creates real barriers in formulation and implementation of the agricultural policy in the long term.

An additional problem in implementation of the agricultural policy is the support for agriculture from the municipal level. Some of the municipalities do that, in a way that they blindly copy direct payments from the state level. That support cannot be determined, neither included in APM, simply there are no reports or evidence for that.

Considering the agricultural policy generally, the main recommendations can be summarised as follows: to ensure continuity in policy making which has to be based on a multi-annual financial framework; to significantly increase the financial support to agriculture and rural areas, both direct payments and rural development support with the aim to have viable farming in sound rural areas; to speed-up building of implementing structure for agricultural policy harmonized with the CAP (IACS, LPIS, FADN); to put the food value chains into focus of the policy in order to remove its weak points; to remove gaps in statistics (land use, price statistics, economic accounts); and to introduce evidence based policy for which clear reporting on implemented policy and impact assessments are essential preconditions.

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CHAPTER 6. AGRICULTURAL POLICY DEVELOPMENTS IN NORTH MACEDONIA

Ana Kotevska, Aleksandra Martinovska Stojcheska, Ivana Janeska Stamenovska and Dragi Dimitrievski[34]

6.1. Agricultural policy framework

The complexity of the agricultural sector in North Macedonia is reflected in the agricultural policy framework that comprises more than 30 laws and by-laws regulating different sectorial aspects. Among them, the **Law on agriculture and rural development** (Official Gazette 49/2010 and its amendments) represents the main systemic legal basis that regulates the agricultural sector and rural development, i.e., the agricultural policy goals, policy planning, design, monitoring and evaluation. The Law also includes provisions for implementation of direct support to agriculture and rural development, organization of commodity markets and state aid in agriculture.

The strategic goals are defined in the national strategies for agriculture and rural development, developed in seven-year cycles. The current **National Agriculture and Rural Development Strategy for the period 2021-2027** (NARDS 2021-2027) was adopted by the Government of North Macedonia in January 2021. It is the third strategy of this type, with systematic outline of the policies to be implemented in the next seven years. The strategy reflects the continuity of the country's priorities for development of agriculture and rural areas, providing support for the sector to achieve sufficient level of competitiveness to cope with challenges rising from the unpredictable market changes, and to boost the development of rural areas.

NARDS defines three overall strategic goals for the period 2021-2027: (1) to improve the *competitiveness* of the agri-food sector, the *economic sustainability* and the income of the agricultural holdings; (2) to apply environmental practices in production that would lead to *mitigation and adaptation to climate change*; and (3) to ensure *sustainable development* of rural areas. These objectives are complemented by the fourth horizontal objective to modernize the sector by enhancing and sharing knowledge, innovation and digitalization in agriculture and rural areas and by encouraging their acceptance by farmers and other stakeholders in the sector.

The strategic goals are then presented through nine specific objectives (SOs) as a set of agricultural policy interventions in specific areas to be achieved (Figure 27): SO1 - to support sustainable income of agricultural holdings due to their contribution in improvement of food security; SO2 - to strengthen market orientation and to increase competitiveness, with a special focus on research, technology and digitalization; SO3 - to improve the position of farmers in agricultural products value chains; SO4 - to contribute to climate change mitigation and adaptation, as well as to greater use of sustainable energy; SO5 - to encourage sustainable development and efficient management of natural resources, such as water, soil and air; SO6 - to contribute to biodiversity protection, improvement of ecosystem services and to preservation of natural habitats and landscape; SO7 - to attract young farmers and facilitate the businesses creation in rural areas; SO8 - to promote employment, growth, social inclusion and local development in rural areas, including bio-economy and sustainable forestry; and SO9 - to improve agriculture's response to societal demands for food safety, nutritional composition, food sustainability, food waste and animal welfare.

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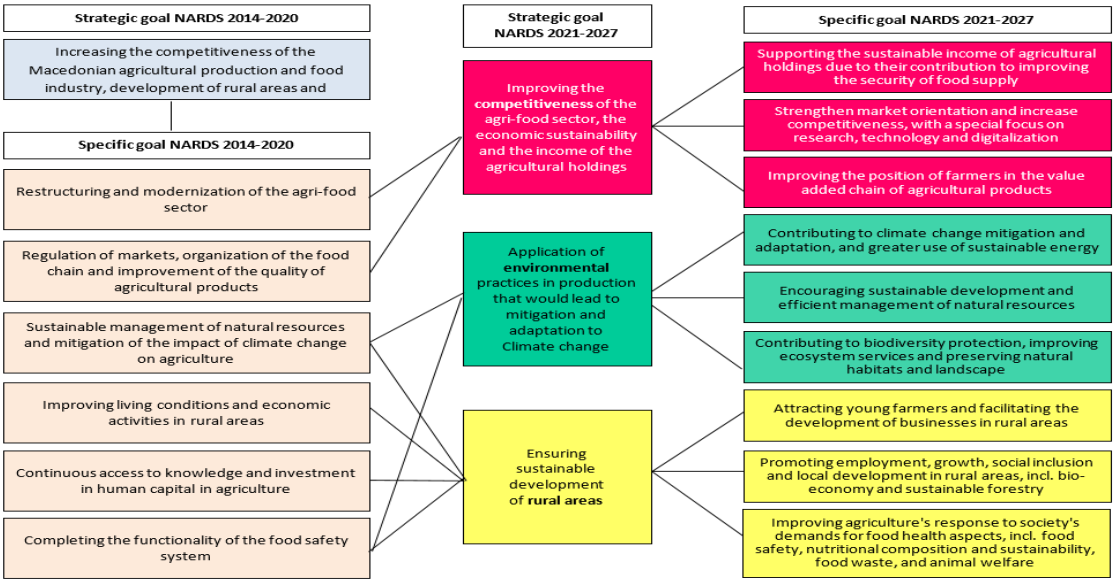

Figure 27. Linkages between NARDS strategic goals in North Macedonia

Compared to the previous National Agriculture and Rural Development Strategy for the period 2014-2020 (NARDS 2014-2020, Figure 1), NARDS 2021-2027 determines similar strategic goals, highlighting the need to increase the competitiveness of the sector, the development of rural areas and the sustainable management of natural resources. The previous strategy had one strategic goal, whereas the current strategy has three strategic goals, separating and complementing the basic aspects: sector competitiveness, environmental practices and sustainable development (Figure 1). The current strategy raises the environmental component to a higher priority than the previous version. Comparing the two strategies, the previous one sets six specific objectives with broadly defined policy and intervention activities, while in the current strategy, the specific objectives further approximate the policies and interventions towards the new CAP. The current strategy includes a broader list of indicators for measuring the achievement of the objectives than the previous one, and envisages that the Ministry of Agriculture, Forestry and Water Economy (MAFWE) will establish a comprehensive system for monitoring, evaluation and reporting of the implementation and the achieved outcomes and impact. By regular monitoring and evaluation of the policy impact, and use of this evidence in policy planning, the policy cycle should become more functional.

The government adopts a National Programme for Agricultural Development and Rural Development (NPADRD), for a period of three to five years; the latest being valid for the period 2018-2022 (Table 24). The national programme contains instruments, measures and activities, a time schedule, and an indicative financial framework for their implementation. To operationalise the implementation of the National programme, each year the government adopts an annual programme for financial support in agriculture, and an annual programme for financial support for rural development.

Table 24. Overview of the key legal, strategic and programming framework in North Macedonia

Key legal, strategic and programming document	Key goal and objectives	Notes/remarks
Law on agriculture and rural development (2010)	(1) ensuring stable production of quality and cheaper food and providing the population with sufficient quantities of food, (2) increasing the competitiveness of agriculture, (3) ensuring a stable level of income of the agricultural holding, (4) sustainable development of rural areas, and (5) optimal utilization of natural resources by respecting the principles of nature and environment protection.	Cornerstone document for policies and measures for regulation and support of the agricultural markets, direct payments and rural development. It is announced that new legislation will divide the scope into three laws: on direct payments, on rural development and on common market organizations.
National Strategy for Agriculture and Rural Development 2021-2027	(1) improving the competitiveness of the agri-food sector, the economic sustainability and the income of the agricultural holdings, (2) application of environmental practices in production that would lead to mitigation and adaptation to climate change; and (3) ensuring sustainable development of rural areas.	Valid for the period 2021-2027. Increased focus on environmental practices. Increased proportion of rural development and structural measures compared to previous planning and implementation. Additional focus on the knowledge transfer system, innovation, digital transformation.
EU Instrument for Pre-Accession - Rural Development Programme 2021-2027	(1) enhancing farm viability and competitiveness of agriculture and food processing (2) restoring, preserving and enhancing ecosystems dependent on agriculture, fishery and forestry (3) promoting balanced territorial development in rural areas (4) transfer of knowledge and innovation in agriculture, forestry and rural areas	Increased funding available for the period 2021-2027. New measures added to the programme for the next programming period. Improved absorption capacity.
National Programme for Agricultural Development and Rural Development 2018-2022	(1) instruments, measures and activities for their implementation, (2) timetable and deadlines for implementation and (3) indicative financial framework for their implementation.	Validity period 2018-2022. Operational document for implementing the national policy for agriculture and rural development that connects strategic policy documents, primarily NARDS and multi-year budget planning, with annual operational programmes. Frequently updated.

Source: Authors' elaboration.

North Macedonia is a EU candidate country since 2005 and a beneficiary of the Instrument for Pre-Accession Assistance (IPA) including the rural development component (IPARD). The **IPARD Programme** supports the country in adopting and implementing the political, institutional, legal, administrative, social and economic reforms in order to comply with the European Union's values and to progressively align to the EU's rules, standards, policies and practices, with a view to EU membership.

The following objectives were selected for the third IPARD Programme for the period 2021-2027:

- To enhance farm viability and competitiveness of agriculture and food processing - for all types of agricultural and primary food-processing, while progressively aligning with the EU food safety standards, animal welfare and environmental requirements and improving the level of modernisation and technology use.
- To restore, preserve and enhance ecosystems dependent on agriculture, fishery and forestry - focused on promoting the use of environmentally friendly farming practices, protection and enhancement of biodiversity, landscape, water and soil, within high nature value and traditional agrarian areas, as well as mitigation of climate change.
- To promote balanced territorial development in rural areas - aiming to increase the employment possibilities, to create alternative income sources for rural population and to enhance the attractiveness of rural areas through improved living conditions (such as physical rural infrastructure), security of life and private property.
- To transfer knowledge and innovation in agriculture, forestry and rural areas - foreseen to strengthen human capital within rural areas and thereby to address the problem of narrow scope and insufficient training, and lack of information.

In addition to these four objectives, there are a set of horizontal and cross-cutting priorities to be taken into consideration during programme implementation, such as: promoting women and young entrepreneurs, innovations and new products, entrepreneurship and job creation, joint initiatives and collective investments, diversification of activities in the less economically developed areas, rural tourism, preservation, promotion of traditions and heritage, strengthening human capital in rural areas and promoting local initiatives, strengthening the business development skills and abilities.

The IPARD 2021-2027 objectives largely coincide and effectively influence the main strategic and specific objectives foreseen in NARDS 2021-2027. Selected measures under the IPARD Programme 2021-2027 directly affect the fulfilment of seven of the specific goals envisaged under NARDS 2012-2027 and indirectly affect two of them (SO2 and SO9).

Another strategic process that is underway and complements the agricultural policy landscape in North Macedonia is the forthcoming **Smart Specialisation Strategy (S3)**. The process started in March 2018, with the letter of commitment from the country's government on starting the development of the National Research and Innovation Strategy for Smart Specialisation (RIS3). The new RIS3 strategy should replace the Innovation strategy (2012-2020) and Competitiveness strategy (2016-2020), and should be closely correlated with the Industrial Strategy (2018-2027), SMEs Strategy (2018-2023), Regional development strategy (2021-2031), and NARDS (2021-2027). An inter-institutional working body was formed in 2018, consisting of representatives from the government, relevant ministries and the academic community (S3 WG). The quantitative mapping of economic, innovative and scientific potential in North Macedonia was completed in November 2019 and this phase was completed in April 2021 (NCDIEL 2019). Findings on potential S3 priority domains were further developed within the qualitative analysis of priority domains conducted in 2020 and 2021 (Lazarov et al., 2021). The qualitative analysis proposed several horizontal and four vertical priority domains, among which the 'Smart Agriculture and Food with Higher Value Added' domain[35]. This priority domain was further elaborated through the Entrepreneurial discovery process (EDP), which started in 2021 and was completed in 2022. A series of stakeholder participatory workshops on SWOT analysis, vision and policy mix included active collaboration between business, academia, the civil sector and government, which together identified the most promising areas of

[35] The four S3 vertical domains are as follows: 1. Smart agriculture and food with higher value added; 2. Information and Communication Technologies (ICT); 3. Smart/Sustainable buildings and materials; 4. Electrical equipment and mechanical parts – Industry 4.0. The two horizontal domains are as follows: Energy for the future; and Sustainable tourism and catering.

specialisation, as well as the weaknesses that hinder innovation. The process also took into account the cross-innovation opportunities with the other S3 vertical domains and the links of S3 with sustainability and inclusiveness, comprising digital and green transition of the economy, environmental, climate and energy challenges, societal challenges and especially the health challenges. The process of finalization of the Smart specialization strategy is expected to be completed until the end of 2022. This strategy will provide instruments and measures to increase the competitiveness of the sector through knowledge and innovation transfer, and especially strengthen the links and collaboration between the business sector and academia. The preparation of the Smart Specialization Strategy is led by the Ministry of Education and Science in cooperation with the Ministry of Economy, and under the auspices of the Deputy Prime Minister for economic affairs, coordination of economic departments and investments. The preparation of the strategy is intensively supported by the World Bank, GIZ and the IME programme funded by the Swiss Agency for Development and Cooperation. The Fund for Innovation and Technological Development, Development Bank and other relevant institutions are also involved as key institutions in the implementation of the strategy.

In 2021, the Government of North Macedonia also started the preparations for the **National Development Strategy 2021-2041**, as an umbrella document encompassing new and existing planning processes and strategies that will outline the common national development goals in line with the 2030 Agenda Sustainable Development Goals, EU's Green Deal and Digital Agenda, with agriculture included among the key sectors.

Institutional and administrative framework. The institutional and administrative framework responsible for planning, implementing and controlling the agricultural policy in the country comprises a number of key institutions and administrative bodies. Each of them faces number of challenges (Table 25). The general perception is that these institutions are understaffed with a recognized need for upgrading the competences of the human capacities, as well as improving the physical conditions and work infrastructure (Table 25).

The **Ministry of Agriculture, Forestry and Water Economy (MAFWE)** is the key responsible institution for agricultural policy design, coordination and supervision of its implementation. The assessment is that MAFWE is well-staffed in terms of number of people employed, although with a need for upgrade of the knowledge and competences for programming and implementing of the new policy framework 2021-2027. MAFWE has updated most software according to the latest EU legal regulations, although upgrading is continuously needed. There is still a need for digital solutions such as digitalization of the register for purchase of agricultural products. Another upcoming challenge for this institution is the already initiated change of the legal framework, i.e., to divide the Law for Agriculture and Rural Development in three separate laws: Law on Direct Financial Support, Law on Rural Development, and Law on Common Market Organizations. The preparation of the Law on advisory services and the new Law on organic production are also under way.

The **IPARD Managing Authority** is a body operating within MAFWE that is responsible for programming of IPARD. It is perceived as well-staffed with no specific needs for upgrading the competences of human capacities. IPARD III is adopted, and its implementation is expected to start in October 2022.

The **Agency for Financial Support of Agriculture and Rural Development (AFSARD)** is the paying agency responsible for implementation of the agricultural and rural development policy measures (direct payments, intervention measures, and measures funded under the government assistance), as well as implementation of the EU funds from IPARD. This institution is understaffed, with a recognized need for additional upgrade of expert qualifications. The knowledge upgrade could be achieved through regular trainings in relation to the sector in general, but also in economics and legal regulations. The institution struggles with infrastructural capacities for the already employed staff, thus the conditions affect their efficiency. Although there is underemployment, the current premises do not offer enough space for their regular daily activities. There is also a need for improvement of the digitalization of the working operations. Its main challenge relates to

keeping the already employed staff at the agency, since the biggest problem the agency faces is the outflow of qualified staff.

The **National Extension Agency (NEA)** is the institution responsible for providing advisory services with a major focus on primary agricultural producers. One of the problems this institution faces is the lack of staff for providing these services, which is further emphasized with the retirement of the experienced staff. The process of employment of younger advisors does not compensate the outflow numbers, but also those that are employed lack the experience and need time to acquire the necessary knowledge and skills. Therefore, there is a strong need for permanent trainings for specific advisor specialization, but also trainings for advisors' soft skills. There is also a need for upgrade of the technical capacities, since the procurement of new equipment does not follow the technological progress. The biggest problem is a lack of digitalization of the working operations, which consequently affects the monitoring and the evaluation process and the efficiency of the advisors' work. Field vehicles are outdated, hindering advisors work that should be mostly in direct contact with the farmers. There is also a need for internal reorganization of the Agency in order to be compliant with the field activities (that will contribute to the specialization of the advisors).

Table 25. Overview of the institutional and administrative policy framework in North Macedonia

Key institutions and administrative bodies	Key role and responsibilities in Ag. and RD policy	Human capacities competences needed upgrade	Other capacities needed upgrade	Other challenges for the institution
MAFWE	Policy creation, coordination and control	Well-staffed. Competences upgrade needed.	Only for digitalization of ag. products purchase register	Change of the legal framework
IPARD managing authority (within MAFWE)	Responsible for programming of IPARD	Well-staffed. Competences upgrade not needed.	Not needed	Implementation of the recently adopted IPARD III
AFSARD	Implementation of the policy measures and use of IPARD funds	Under-staffed. Competences upgrade needed.	Lack of infrastructure, but also there is a need for digitalization of operations	Outflow of qualified staff
NEA	Advisory services mainly focused on primary agricultural producers.	Under-staffed. Competences upgrade needed.	Needed	Need for reorganization, digitalization of the working operations, and outflow of qualified staff
FVA	Food safety and animal health protection	Under-staffed. Competences upgrade needed.	Needed	Operationalization of the current capacities
SAI	Inspection and control	Under-staffed. Competences upgrade needed.	Not needed	Lack of staff

Source: Personal communication with representatives from each institution.

The **Food and Veterinary Agency (FVA)** is the public institution responsible for food and feed safety, implementation, control, supervision and monitoring of veterinary activities related to animal health protection, their welfare, veterinary public health, as well as control of national reference and authorized laboratories. This institution is also

understaffed, especially regarding the personnel necessary for conducting controls. There is also a need for strengthening the competences of all staff in both food safety and animal health protection. From an infrastructural perspective, there is a need for infrastructure (building) improvement since the current premises do not offer adequate conditions for the staff and working operations. In addition, there is a need for improvements in terms of increased digitalization of the work processes.

The **State Agricultural Inspectorate (SAI)** is a body within MAFWE, responsible for the inspection and supervision in the area of agriculture, rural development, fishery and aquaculture. Lack of staff is also the main challenge of this institution. There is also a need for regular knowledge upgrades through trainings on recent changes in the national and EU legal regulation, export requirements in different countries, etc. In general, there is no need for other capacities upgrade, although new digital systemic solutions could contribute to a better work organisation.

6.2. Measures and budgetary support of agriculture and rural development

The **total budgetary support to agriculture and rural development** in North Macedonia is generally following a stable upward trend. With a slight fall of 3% in 2020 and 12% increase in 2021 (both compared to EUR 145.75 million in 2019), the total budgetary transfers to agriculture is EUR 141.32 million in 2020 and EUR 162.85 million in 2021. This increase is evident in all three pillars (Figure 28), but it is most significant in the structural and rural development measures (from EUR 20.95 million in 2019 to EUR 28.76 million in 2021). Market and direct support measures are still the dominant component of the budgetary support to agriculture; they account for 73.9 % in 2021 as well as in 2019. Structural and rural development measures account for 17.7 % in 2021, whereas other measures related to agriculture only 8.4 %.

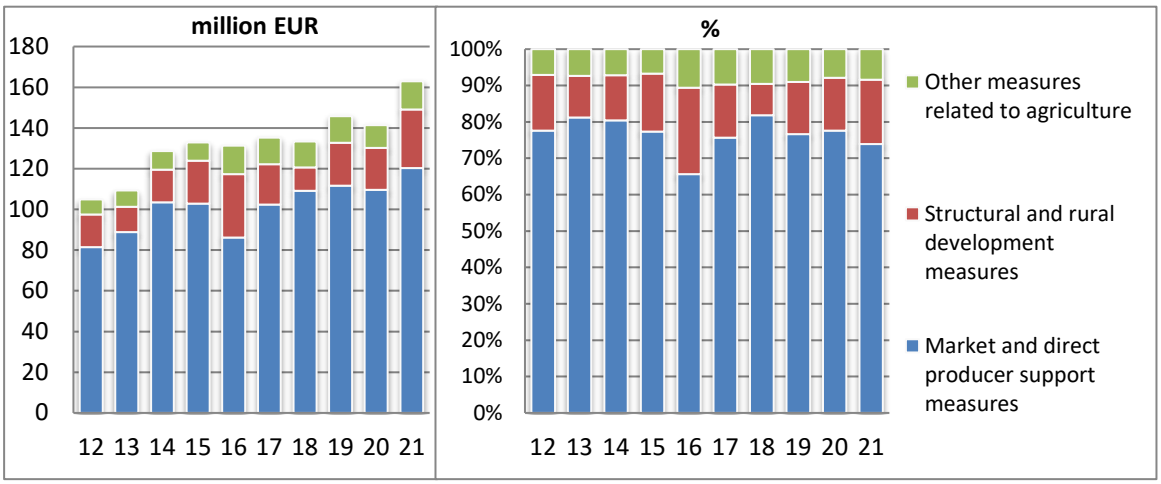

Figure 28. Total budgetary transfers to agriculture in North Macedonia, in mill. EUR and %, 2012-2021
Source: MK APMC database (2022).

Market and direct producer support has slight decrease in 2020 (2%) and reached EUR 120.34 million in 2021 (Figure 28 and 29). The 8% increase of this budget relative to 2019 is on behalf of increase of the budget for direct payments, as a major form of support (share of 93%), and of the input subsidies (share of 6%). Direct payment structure is continuing as in the previous period, 60% for payments based on current area of agricultural land or number of animals (per hectare or head) and 40% for payments per output (Figure 30). Input subsidies have doubled from 2019, reaching EUR 7.2 million in 2021 (6% of the direct producer support). The insurance subsidies and fuel subsidies are the two main categories within the variable input subsidies during the last two years, contributing with EUR 4.2 million and EUR 2.9 million in 2021, respectively (Figure 31). Market measures have not been paid in 2020 and 2021.

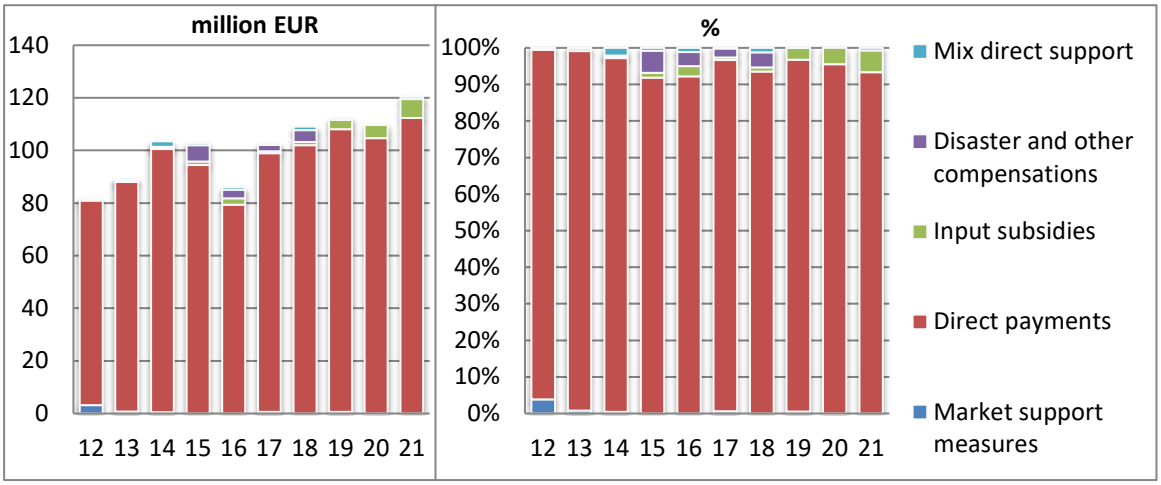

Figure 29. Market and direct producer support measures in North Macedonia, in mill. EUR and %, 2012–2021
Source: MK APMC database (2022).

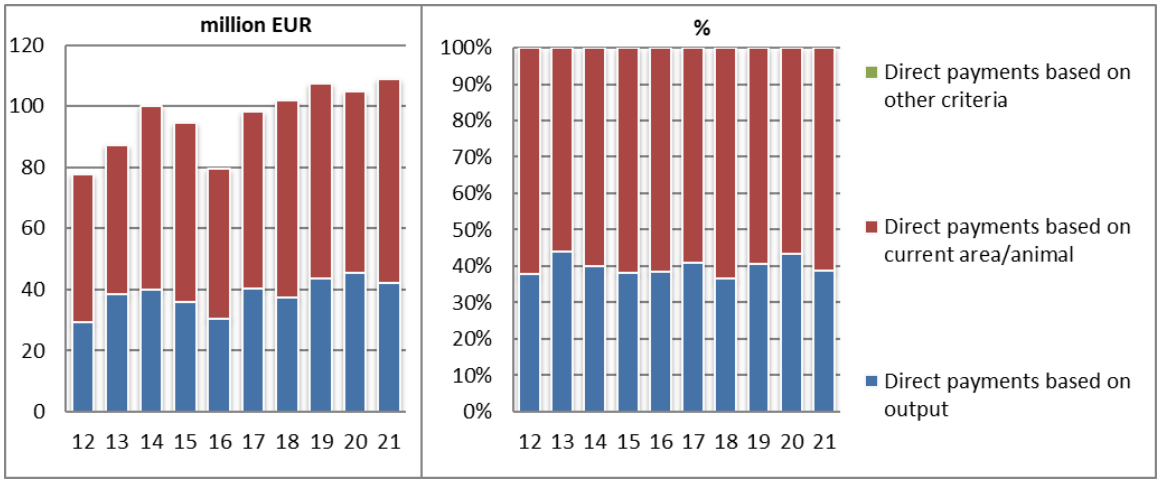

Figure 30. Direct payments to producers in North Macedonia, in mill. EUR and %, 2012-2021
Source: MK APMC database (2022).

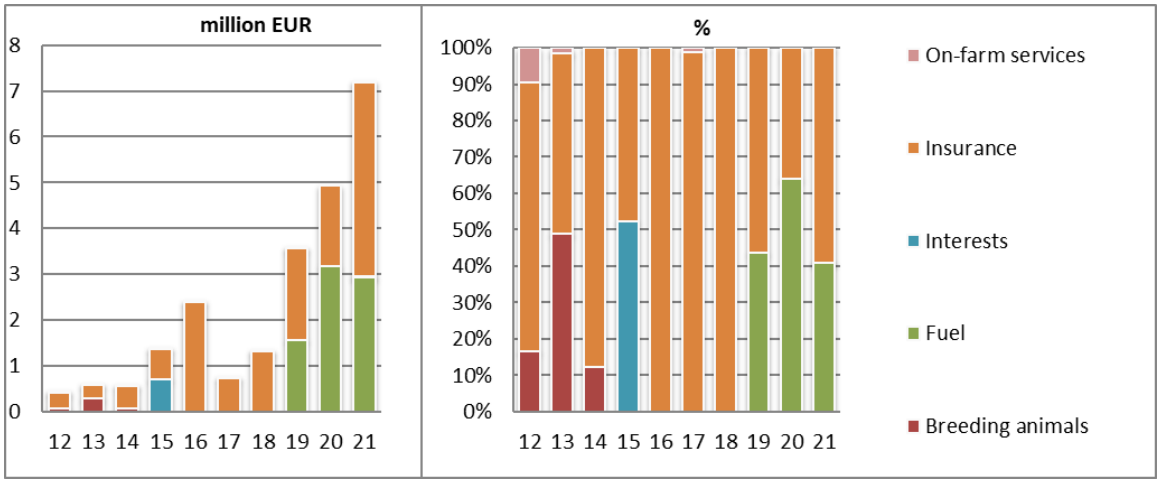

Figure 31. Variable input subsidies in North Macedonia, in mill. EUR and %, 2012-2021
Source: MK APMC database (2022).

Crop commodities continue to take up around two thirds of direct producer support measures (Figure 32) and tobacco is still the most supported commodity (23.2%), followed by arable crops and vineyards with about 10% in 2021 (Figure 33). Taking into

consideration that tobacco production is not supported within the CAP framework, once upon accession, change in support schemes is expected, i.e., ceasing the support for this commodity, to be followed with a change in crop production structure. In this direction, there have already been some EU supported projects and activities to prepare tobacco producers to shift to other commodities and activities suitable for the local conditions. For instance, the BBRTS (2019) EU supported project examined several directions for reform of the tobacco sector and different modes of substitution on the 17 thousand hectares currently under tobacco.

Livestock commodities continue to take up one third of direct producer support with payments per head of sheep and goats as the most supported subsectors (Figures 32 and 33). Other significant commodities with about 5% share in the support are vegetables, fruits, other crops, milk and beef (Figure 33). There is a negligible amount of support dedicated to measures covering all commodities as a group or as mixed support, but also since 2021, there is a decoupled production support granted as historical payments for small farmers (Figure 32).

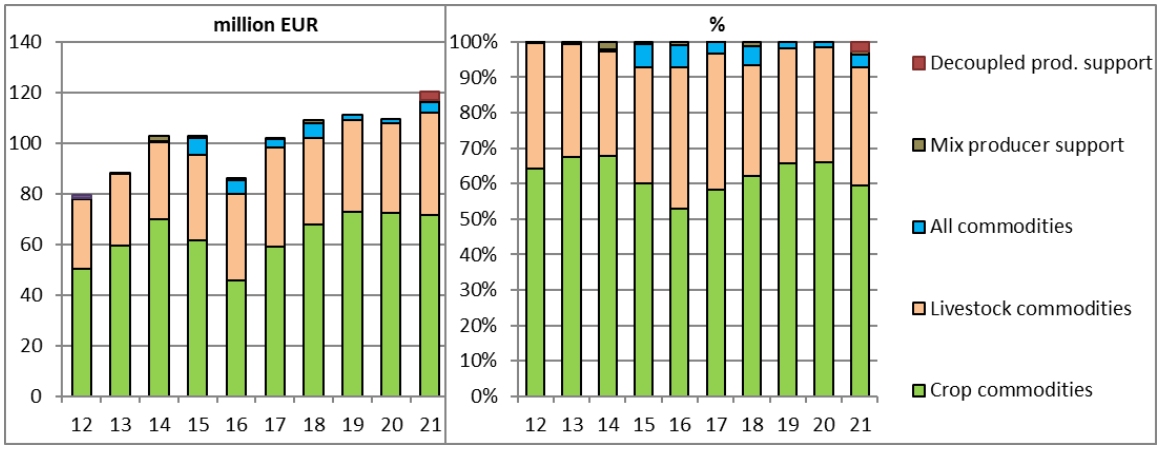

Figure 32. Direct producer support measures in North Macedonia, by main sector, in mill. EUR and %, 2012-2021
Source: MK APMC database (2022).

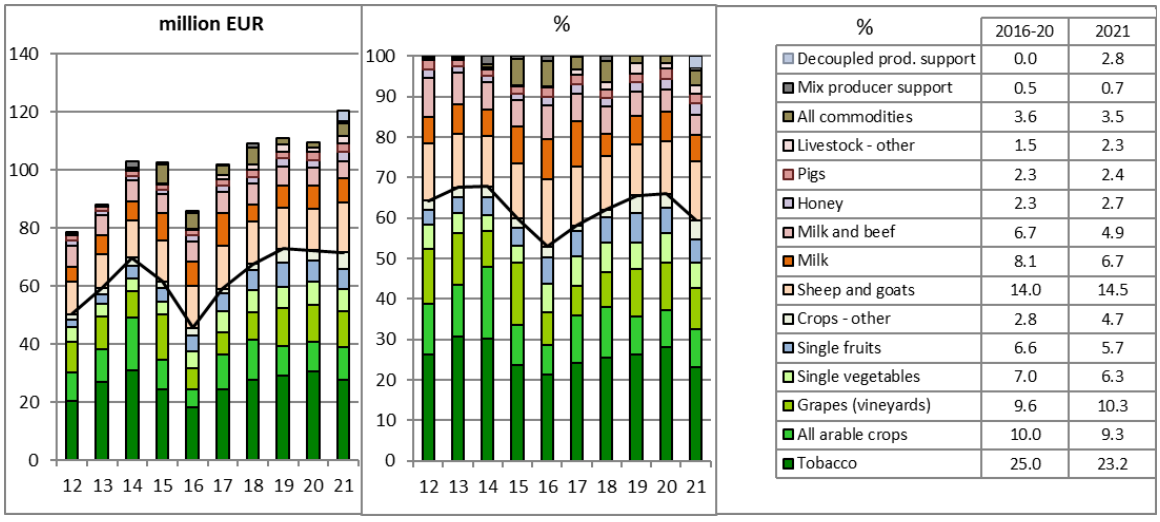

Figure 33. Direct producer support measures in North Macedonia, by commodity, in mill. EUR and %, 2012-2021
Source: MK APMC database (2022).

The **structural and rural development measures** cover three major components: competitiveness issues, environmental aspects and rural economy support. Increasing competitiveness continues to be the major support mechanism for farmers (Figure 34), observed through the high share in the second pillar (87%), but also through the increased budget (from EUR 18.1 million in 2019 to EUR 21.3 million in 2021). However, due to the increase in the other two components of this pillar, the share of competitiveness in this

pillar decreases (from 87% in 2019 to 74% in 2021). This structural component shows significant increase in transfers for agricultural infrastructure (mainly the MAFWE's capital investments for few hydro systems).

Agri-environmental support has gained in importance in 2021, when the support accounted for EUR 5 million (increased share in the second pillar from 7% in 2019 to 18% in 2021, Figure 8). Organic farming, with about EUR 1.5-2 million, has been traditionally the dominant or the only agri-environmental support up to 2020. However, in 2021, payments for production in less favoured areas increases significantly relative to the previous period (it is mostly due to the realization of postponed payments from the annual programmes from 2019 and 2020, when these payments were absent).

Rural economy and population support continue to increase in 2021 (Figure 34), reaching an amount of EUR 2.5 million (increased from 6% in 2019 to 9% in 2021). This increase is due to better utilization of the IPARD funds, especially the measure for diversification and development of rural economic activities (Measure 8, Table 26). Therefore, in 2020, with annual transfers of EUR 1.3 million, these payments are equally allocated between rural economy and infrastructural improvements, whereas in 2021, with doubled budget of EUR 2.5 million, the dominant measure is the IPARD Measure 7 (85%). LEADER measure supports are still negligible in amount, with EUR 89 000 in 2020 and 15 thousand in 2021 (Figure 35).

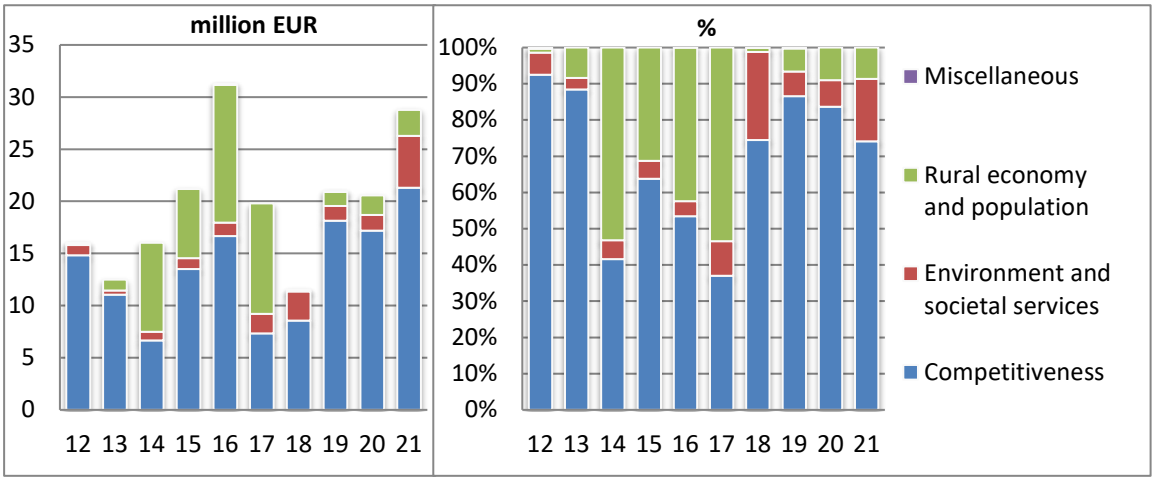

Figure 34. Structural and rural development support in North Macedonia, in mill. EUR and %, 2012-2021
Source: MK APMC database (2022).

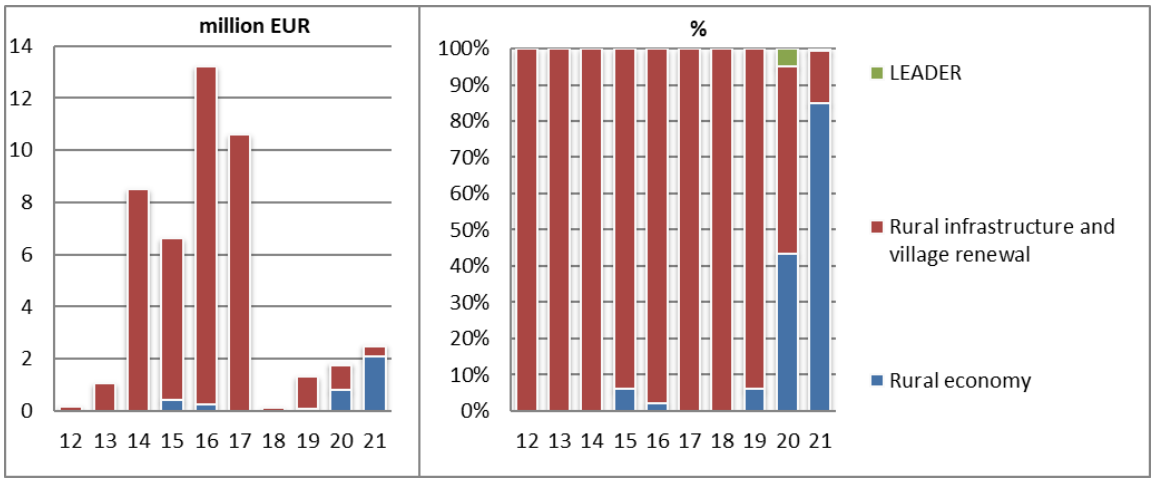

Figure 35. Supporting rural economy and population in North Macedonia, in mill. EUR and %, 2012-2021
Source: MK APMC database (2022).

Regarding the annual transfers from IPARD funds, they are mainly allocated to investments on farm (Measures 1) and investments in processing and marketing (Measure 3), with shares of 37.9% to 59.5% and from 30.1% to 54.5% respectively (Table 26). Previously underused measure for farm diversification and business development (measure 7) is being increasingly used with significant amount of EUR 129.7 million in 2021, which is 22% of the budget in 2021.

Table 26. Distribution of paid IPARD funds in North Macedonia, in million EUR, 2018-2021

	2018		2019		2020		2021	
Measure 1	37.133	45.2%	436.186	59.5%	135.420	37.9%	269.690	46.2%
Measure 3	44.774	54.5%	291.837	39.8%	42.853	48.0%	175.561	30.1%
Measure 7	0.000	0.0%	4.915	0.7%	12.398	13.9%	129.652	22.2%
Technical support	0.277	0.3%	0.397	0.1%	0.857	0.2%	8.742	1.5%
Total	**82.185**	**100%**	**733.334**	**100%**	**357.281**	**100%**	**583.644**	**100%**

Source: MK APMC database (2022).

Other measures related to agriculture. Budgetary transfers for general support of agriculture (Figure 10) comprises the budgets[36] of institutions that are important for the sector, such as Food and Veterinary Agency, National Extension Agency and National Hydrometeorological Service[37]. The structure of this pillar remains as in the previous period. The largest share (76% or EUR 8.4 million in 2020) of this budget goes for veterinary and food quality control (Food and Veterinary Agency budget). The budget for the National Extension Agency takes a much smaller proportion (12% or EUR 1.4 million in 2020). The other general support comprises the budget of the National Hydrometeorological Service, but also technical support for the organisation and realisation of various events and fairs, as planned in the Programme for rural development, taking about 12% or EUR 1.4 million in 2020.

[36] Since the final account of the budget for 2021 is not yet published, the planned amounts with the last budget rebalance (July 2021) are used. The planned budget for 2019 that were used in the previous study are updated with the realized budget.

[37] The budget for Food and Veterinary Agency is allocated as for veterinary and food quality control in ratio 60:40, whereas only half of the budget for the National Hydro-meteorological Service is allocated to agriculture. These ratios are expert opinions based on structure of certain years (due to unavailability of detailed budget for the whole time series).

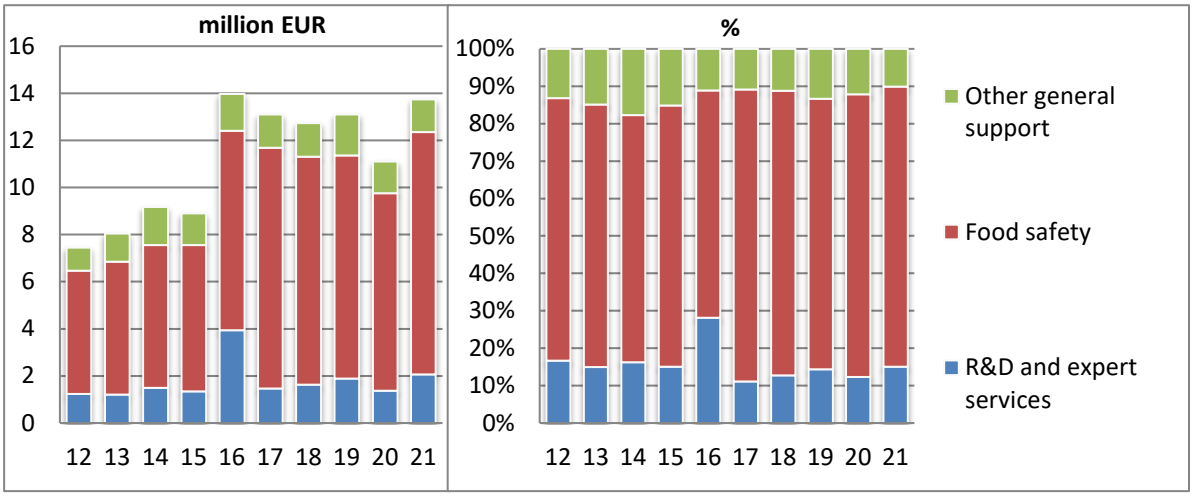

Figure 36. Other measures related to agriculture in North Macedonia, in mill. EUR and %, 2012-2021
Source: MK APMC database (2022).

Changes in policy instruments and measures. In the last two years there are a few newly introduced measures worth paying special attention. The annual programmes for financial support of agriculture include historical payments for small farmers as a new measure since 2020 (Table 27). The significance of this measure is that it is a decoupled form that is granted to small farmers as historical payments. The amount of payments is determined according to the average of the payments from the previous three years, divided into four categories from EUR 160-650 per farm, and the payments are according to the upper limit of each category. This measure is a substitute to the measure introduced only once, in 2019, granted for small farms with arable land up to 0.5 ha and 1 ha (EUR 100 and EUR 200, respectively), which had minor realization. The newly introduced measure is well accepted by the beneficiaries and its realization is even visible in Figure 32.

The annual programmes for financial support of rural development include several new measures since 2020, such as supporting agricultural production (M113) and active female members in agricultural holdings (M115) (Table 4). M113 is a single grant for investments to modernize farms, whereas M115 is the very first gender sensitive measure granted to female members for their farm activities. This measure is also written in a gender sensitive language and is very well accepted by women. The shortcoming to it is, since it is a grant, each woman is eligible to apply only once.

Table 27. Major new policy instruments/measures introduced in North Macedonia in 2020 and 2021

Instrument/programme	New measure and policy significance	Year of introduction
Programme for financial support of agriculture (direct payments)	Historical payments for small farmers	2020
Programme for financial support of rural development	Supporting agricultural production (M113)	2020 and 2021
	Supporting active female members in agricultural holdings (M115)	2020 and 2021

Source: Personal communications.

There are also measures that have been removed from these programmes during the last two years. For example, the additional payments for reconstructed orchards and vineyards that had changed the variety structure have been programmed only from 2018 to 2020, and then have been halted. Payments granted as an addition to area payments for vegetables, orchards and vineyards for conversion from cereal production were programmed from 2016 to 2020, and then have been abolished. Additional direct payments for rice shell, forage crops, fruit delivered to processing industry, and wine grapes have also been halted.

The introduction of decoupled payments and gender sensitive grants are considered as the main new successful measures in recent years. The maximized utilization of the IPARD II funds is also perceived as a success, compared to the implementation of IPARD I. There are also some failures of agricultural policy measures, due to low interest from potential beneficiaries, unclear procedures, lack of by-laws, etc. (Table 28).

Table 28. Main successes and failures of agricultural policy instruments and measures compared to the strategic objectives in North Macedonia in 2020 and 2021

Successes	Failures
Pilot measure 115 "Active female member in the agricultural household" (introduced in 2019, 250 grants up to 3000 EUR each) – first gender sensitive measure	GlobalGap 50% co-financing of certification cost – low interest from potential beneficiaries (one reason high certification costs, individual farmers, no obvious benefit)
Measure 1.18 Historical payments for small farmers (direct payments for 2020 and 2021) – decoupled measure, with a simpler procedure, more easily implemented than the previous measure for small farms	Programmed, but not implemented measures due to a long and difficult procedure in parliament (e.g. measure 125 Cooperation for the development of new innovative products, processes and technologies in the agricultural and food sector)
IPARD 2014-2020 utilisation – almost the whole budgeted amount with approved projects; also good distribution among measures (increase in the diversification activities above the originally programmed budget).	Measures foreseen in the Law, but no implementation due to unclear procedure (e.g., intervention measures), lack of by-laws (e.g., measure 125, measures for biodiversity in crop production) or not becoming functional (early retirement schemes, producer groups and organisations)

Source: Personal communications.

IPARD programming and utilization. IPARD 2007-2013 had a total available budget of EUR 64.3 million (out of which EUR 48.2 million from the European funds) and three accredited measures (M101, M103 and M302). In the implementation of IPARD, a major remark was its low level of absorption (only 7%), decreasing interest for M103 and no interest in M302. IPARD I had its last two calls in 2015, and payments were made in March 2017, thus improving to 17% use of the target disbursements[38].

The **IPARD 2014-2020** programme offered opportunities to implement 11 measures, yet the implementation of the Programme was carried out through four measures: M1 - Investments in physical assets of agricultural holdings, M3 - Investments in physical assets concerning processing and marketing of agricultural products, M7 - Farm diversification and business development, M6 Investments in rural public infrastructure, and M9 - Technical assistance. Although planned for implementation, M5 - Investment in rural public infrastructure, could not be implemented die to prolongations in the accreditation procedure.

The implementation of the Programme started in April 2017 with an announcement of the first public call. By the end of 2021, seven public calls for submission of applications were published. With these seven calls, almost the whole EU allocated amounts were used, resulting into total payments of EUR 79 million, out of which EUR 59.3 million EU contribution (reaching the threshold of EUR 60 million EU allocated IPARD 2014-2020 funds, Table 29). The distribution of the funds is relatively equally distributed among the measures (35% to M1, 34% to M3 and 31% to M7, with minor representation as expected for M9). M7 has gained more funds allocated through the second modification of the programme, and all targets set have been fulfilled. The largest number of projects (1986) is seen in M1, resulting into an average of EUR 14 thousand per project (most concerning post-harvest activities). In contrast, 118 projects were approved in M3, with an average

[38] https://ipard.gov.mk/wp-content/uploads/2021/01/Final-Report_Ex-post-eval_-IPARD-Programme-2007-2013.pdf.

of EUR 225 thousand per project (most used for processing equipment), and 203 projects were approved in M7, with an average of EUR 119 thousand per project (mostly invested in infrastructure development, processing equipment and building/reconstruction).

Table 29. Overview of measures, funds and number of applications in IPARD 2014-2020 in North Macedonia

Indicator	M1	M3	M7	M9	Total
No. of project applications	3251	183	698	41	4173
No. of approved project applications	1986	118	203	20	2327
Total approved funds (mill. EUR)	27.93	26.55	24.21	0.38	79.07
- National contribution (mill. EUR)	6.98	6.64	6.05	0.06	19.73
- EU part (mill. EUR)	20.95	19.92	18.16	323	59.34

Source: AFSARD, 2022. Note: * Data available as of 07.03.2022, provided by AFSARD (2022); IPARD Programme 2014-2020, C (2015)760 and C (2019)666, second modification.

The process of processing and approving the applications submitted at the first public call for IPARD 2014-2020 took extensive time (15 months). Delays in the process of approving requests limited the possibility of publishing new public calls. The reasons were the significant number of incomplete applications and the time needed to send completion requests and receive missing documents (in many cases applications were incomplete even after Agency has asked for their completion, IPARD Managing Authority, 2021). After modifying the Programme and making the completeness of the application mandatory, the process of approval of applications has become more effective. Yet, according to information from the paying agency, the control of reference prices in the database unit takes at least two months, and in some cases, depending on availability of information and willingness of suppliers to provide the data, even longer. Also, lack of staff in the paying agency, the extensive procedures for controlling the standards, especially the time needed for checking the price of the offers were among the main reasons for long process of approval of applications. One of the reasons that represented difficulty for implementing projects was the pre-financing; this situation has improved with the introduced possibility to pre-finance the investments.

For the new **IPARD 2021-2027**, the indicative European Union contribution has been set at EUR 97 million. About two-thirds of the funds are planned for M1 and M3, and the remaining funds are planned for M4 (Agri-environment – climate and organic farming), M5 (Implementation of local development strategies), M6 (Investments in rural public infrastructure), M7 (Farm diversification and business development), M9 (Technical assistance) and M10 (Advisory services).

In general, the agricultural and rural development policy is dominantly funded by national sources (96%, Figure 37). And although IPARD funds take only a small share in total funds, they are gaining in importance since 2019.

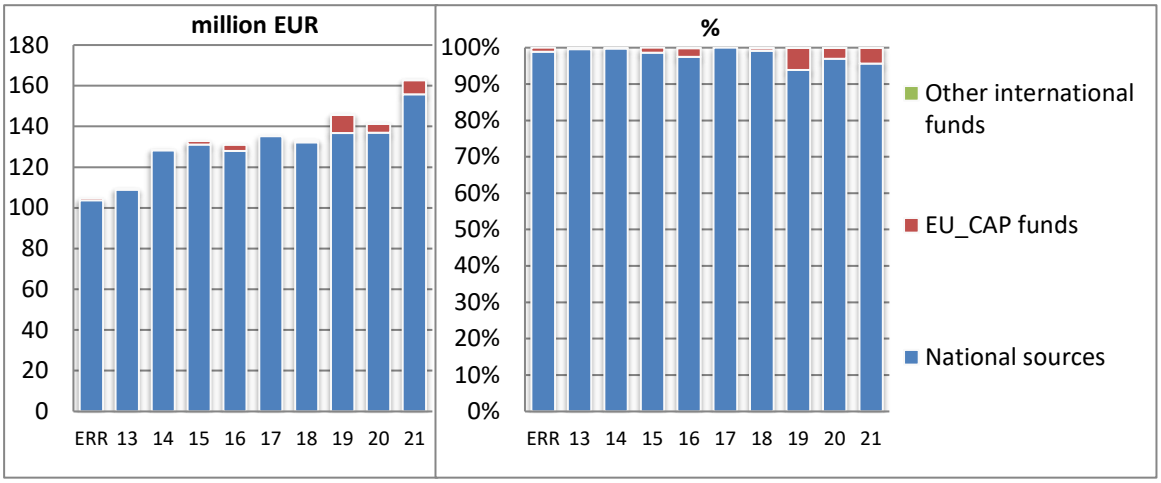

Figure 37. Total budgetary support in North Macedonia, by sources, in mill. EUR and %, 2012-2021
Source: MK APMC database (2022).

6.3. Covid-19 interventions in policy and implications

The agricultural sector has been affected by the Covid-19 pandemic, as all other economic sectors. Still, it succeeded to remain among the few sectors that recorded growth even during the pandemic (GRNM, 2021). This global crisis has actually deepened the problems faced by the sector, with small farmers being the most vulnerable category (Martinovska Stojcheska, Nacka and Tuna, 2021); the critical parts in the supply chain were manifested through disrupted links, primarily between farmers and traders/processors, with mobility restrictions that affected transport and logistics, availability and cost of seasonal workforce, and timely sales of products. From the buyers' and processors' perspective, the crisis effect was marked through disrupted communication with farmers, and temporary drastic decline in the HORECA channel sales. The Covid-19 crisis demonstrated the importance of food security and raised many questions among general public and policy makers. Different sets of interventions were undertaken to address the challenges met both by the food supply and food demand side.

To mitigate the economic consequences rising from the pandemic, the government adopted six sets of economic measures to support citizens, companies, affected sectors among which agriculture, and the economy as a whole. The total estimated amount of these measures is EUR 1.2 billion or around 10% of GDP (GRNM, 2021). These six sets of measures include more than 100 various measures, that by their impact on the budget are divided in three groups: (1) measures having direct fiscal implications by causing budget expenditures; (2) measures causing reduced budget revenues; and (3) measures having economic impact without fiscal implications (*ibid*).

To better present the type of economic measures adopted to mitigate the negative effects of the crisis caused by the pandemic, the measures can be also classified based on the aim and approach. This, five groups of measures are identified (Buzarovska, 2020): (i) Direct support for sustaining the liquidity of the companies, the job positions of the employees, but also for strengthening the competitiveness of the companies in stabilization and renewal of their business activity, as well as rapid economic recovery for micro, small and medium-sized companies; (ii) Measures within the Competitiveness, Innovation and Entrepreneurship Programme, aimed to support the development of micro, small and medium-sized enterprises and to encourage the entrepreneurship by providing financial support, but also by capacity building activities; (iii) Measures by the Employment Agency aimed to protect the employees for retaining their job positions, subsidizing their wages and also by attracting and supporting young labour force; (iv) Measures related to the postponement and releasing of debts and introduction of new credit lines; and (v) Tax interventions aimed to support and maintain economic activity (Table 30).

Table 30. Covid-19 policy interventions in North Macedonia

Sub-measure/Instrument	Aim	Financial support
Direct support of the economy		
Financial support for payment of the minimum wage per employee	Supporting payment of salaries for April- June 2020, for companies affected by the crisis.	Up to 14 500 MKD (EUR 235) per employee per month
Financial support for subsidizing the payment of compulsory social security contributions during crisis	50% of the costs for social security contributions for each employee April - June 2020.	50% of calculated contributions for social insurance, and up to 50% of the contributions for the average gross salary for the April - June 2020.
Financial support to strengthen the competitiveness of business entities during and post Covid-19 period	Supporting realization of an investment project in the post-Covid-19 period.	The amount of financial support, depending on the companies' revenue levels in 2019, range from up to EUR 40 000 (revenue less than EUR 1 million) to up to EUR 200 000 (revenue more than EUR 50 million).
Co-financed grants for technological development to overcome the consequences of Covid-19	Financial support for rapid economic recovery for micro, small and medium-sized enterprises to overcome the consequences of Covid-19.	The amount of financial support depends from the company size with limited annual incomes in the last two years: up to EUR 12 195 (micro-enterprises with income up to EUR 50 000), EUR 24 390 (small enterprises with income up to EUR 2 million) and EUR 48 780 (medium with income up to EUR 10 million).
Subsidies for co-financing events, trainings, seminars and conferences	Support of domestic tourism	50% of the costs, but no more than 500 EUR per request, max 3 requests.
Measures from the Competitiveness, Innovation and Entrepreneurship Programme		
Entrepreneurship development and support	Supporting development of micro, small and medium-sized enterprises and encouragement of entrepreneurship	Up to 50% for purchasing of equipment and other tools (max EUR 5 000), equipment for local suppliers (max EUR 3 250), fabrication laboratories (max EUR 24 390), and women entrepreneurship (max EUR 2 000) and up to 75% for NGO projects for promotion of entrepreneurship (max EUR 5 000)
Development and support for the internationalization of SMEs	Up to 50% for certification of ISO standards and implementation of industrial policy (max, EUR 1 600), HALAL system (max EUR 3 250) and participation of SMEs on domestic and international fairs (max EUR 800 for domestic and EUR 1 600 for international fairs)	
Vocational training	Supporting participation in trainings in accredited institutions through the Adult Education Centre.	Up to 50%, max EUR 325 per applicant
Increasing the competitiveness of business entities in the processing industry	Supporting product and market development	Up to 75%, max EUR 5 000
Specialized trainings for processing industry	Supporting capacity-building activities through specialized trainings, introduction of the	Up to 75%

Sub-measure/Instrument	Aim	Financial support
	greening and circular economy concept.	
Clusters for innovative and internationally oriented businesses.	Supporting initiation of clustering as a model of business activity	Up to 75%, max EUR 16 260
Measures from the Employment Agency		
Subsidized employment	to protect the employment and the job positions	Salaries for a maximum of 50% of the average number of employees in the previous year, no more than 5 persons per employer
Wage subsidy	Subsidizing wages for unemployed persons to guarantee minimum aid for the beneficiaries	Gross salary in the amount of EUR 300, for a period of 12 months.
Internship	Intended for employers who need to hire unemployed persons up to 34 years old	3 months and EUR 150 per intern
Youth allowance for young employees in production activities	Supporting youth aged up to 23 to be employed in production business activities	EUR 50 for full time employment per person
Postponement and releasing of debts and introduction of new credit lines		
Freezing, extending or reprogramming credits for companies affected by the crisis	To ease the credit obligations of debtors, the National Bank of the Republic of North Macedonia changed the Decision on the methodology for credit risk management to mitigate the Covid-19 consequences.	
Interest-free credit lines Covid 1 and Covid 2	Provided through Development Bank. Credit line Covid 1 was intended for the most affected companies in tourism, catering and transport (EUR 5.7 million) Credit line Covid 2 was available for all sectors (EUR 8 million)	
Cheap loans through the development bank of North Macedonia	To protect the liquidity of the companies, EUR 50 million from the unused part of credit line through the European Investment Bank (EIB) of the Development Bank (DB) were restructured into cheap loans.	Subsidized the interest rate of the DB towards EIB, as well as the administrative cost of 0.5% that DB calculates for commercial banks which placed this credit line.
Tax interventions		
Tax releases	Aimed to support for maintenance of economic activity and export	

Source: Buzarovska, D. (2020) and Bogdanov et al. (2022).

In addition to the general measures previously described that applied also for the agricultural companies, there were also **agricultural sector specific measures**: (i) 100 percent exemption of customs duties on flour and wheat products, sunflower oil, white sugar, as well as other products in strong demand during the pandemic, and limiting the export of wheat and wheat flour; (ii) Subsidies to stimulate grape growers (wineries) to produce alcoholic distillate to be used by domestic chemical companies to produce disinfectants; (iii) An export subsidy for exported wine (depending on the quantity of exported wine and transportation costs); (iv) Support for wine grape producers who have delivered their grapes to registered wineries, as well as wineries for transportation costs; (v) Extra subsidy of 3 MKD/kg for spring cabbage producers, for farms users for sub-measure 1.4 that have delivered the cabbage to a registered buyer (Buzarovska, 2020). There are no specific data on the amount of support used specifically by agribusiness companies in the framework of general measures. Identified sector financial transfers include EUR 4.6 million spent for subsidizing 50% of the green oil for farmers, EUR 5 million support provided through the Development Bank, and EUR 7.7 million were spent to support the purchase of grape from 2020 harvest (GRNM, 2021).

6.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources

Sustainable management of natural resources has been part of the strategic goals since the Law of agriculture and rural development adopted in 2010. There are about 30 different documents that cover different environmental and green economic issues, regulated by different institutions (Martinovska Stojcheska et al., 2021). The general coverage of the prepared strategic documents focuses on encouraging: (i) activities important for the environment, (ii) adaptation to climate change and mitigation of its effects, (iii) balanced development of rural, less economically viable or naturally constrained areas, and (iv) local development. Some of these strategic and programming documents are outdated and need revision (for instance, the water strategy and strategies concerning environmental monitoring, communication, data management awareness etc.), whereas some have been recently adopted.

Sustainable management of natural resources and mitigation of the impact of climate change on agriculture have been outlined in the National Agriculture and Rural Development Strategy (NARDS) for the period 2014-2020, and are even more emphasised in NARDS 2021-2027. NARDS 2021-2027 was adopted in 2021, providing wider coverage and more opportunities for addressing sustainable development and green economy. It identifies that the most significant impacts of agriculture on the environment are related to soil degradation and salinization as a result of unsustainable agricultural practices and land use; poor water management; biodiversity degradation and soil erosion. All these problems increase the vulnerability of agricultural systems and rural assets to external shocks, such as climate change. Therefore, greener approaches in policy are without doubt needed in order to address the issues of management of natural resources, biodiversity loss, and climate change.

The most important mechanisms for greener approaches in agricultural and rural development are the national rural development programme and IPARD. Within the national programme, there is a set of agri-environmental measures supporting organic farming (30-100% premium in addition to the regular direct payment and 50% of the costs of certification of organic production); aid for protection of agricultural land (mostly dedicated for co-financing of soil analysis); aid for establishing, monitoring and providing the obligatory genetic reserves of the indigenous livestock breeds; aids for preserving the genetic diversity of indigenous livestock breeds (livestock biodiversity)[39]; capital investments in water management infrastructure. Direct payments are available for tagged sheep animals (all categories) and kept female lambs, and these measures can be accounted for in the green perspective having in mind the extensive production system and pasture maintenance. Additional measures are available that are to some degree linked to green and sustainable practices, such as support for apiculture (direct payments for wintered beehives and beehives included in the selection) and the special programme for aquaculture (protection of fish in fishing waters and rehabilitation of fishing capacities and production of fish stock material). Agricultural producers who use funds from the Programme for financial support in agriculture (direct payments), during their agricultural activities should meet the minimum requirements for good agricultural practice and environmental protection (MAFWE Annual report, 2021). In the next period, it is planned to create conditions for gradual introduction of support schemes that are beneficial for the climate and the environment; this support can be in a form of annual payments per hectare, as a supplement to the basic payments and compensation for higher costs or

[39] These measures are supported through the legislative basis provided in the Law on livestock (2008). Corresponding legislative is not available for the crop production, restricting biodiversity related payments.

income loss. Although environmental cross-compliance in agriculture is applied, there is still a need for stricter alignment with the EU *acquis* and their stricter implementation.

The agri-environmental measures will be financed through the Programme for financial support of the rural development, until the moment of accreditation of the agro-ecological measures by the European Commission for financing through the IPARD Programme. In the previous IPARD 2014-2020, the existing measures for investments in physical assets and diversification already provided stimulation for the green dimensions through the purchase of more energy efficient agricultural machinery, more environmentally friendly manure management, more efficient water use, use of renewable energy and improved resource efficiency at holding level. IPARD 2021-2027 should accredit and implement new measures which are very important in terms of promoting green economy practices, such as the agri-environmental measures, LEADER, advisory services, etc.). Measure 4 on Agri-environment, climate and organic farming is foreseen and budgeted in the new IPARD 2021-2027.

The Green Agenda for the Western Balkans was agreed by the Commission and the countries of the Western Balkan region in October 2020. This is expected to lead to greener policy instruments and measures linked to management of natural resources, biodiversity loss and climate change. Civil society organizations from the Western Balkans have prepared a Roadmap to Green Economy in the Western Balkans, including North Macedonia, proposing steps and actions, which mainly call for concerted policy agenda with focus on collaboration, new innovative approaches and integrated governance structures to meet green objectives (Martinovska Stojcheska et al. 2021). However, the food security issue raised by the shortage of food during the pandemics with Covid-19 and even more now with the Ukrainian war, puts into question the urge for the greening policy.

6.5. EU approximation process

North Macedonia has been participating in the Stabilisation and Association process since 1999 and signed the Stabilisation and Association Agreement (SAA) with the EU in 2001. Since 2005, North Macedonia is a candidate country and since 2009 it receives series of recommendations by the European Commission to open accession negotiations. It took more than a decade, in March 2020, for the European Council to endorse its decision to open accession negotiations, which was discussed again, together with the progress the country made, in June 2021 at the Stabilisation and Association Committee. At the moment, mid 2022, the accession negotiations are still not opened. This process and its outcomes affect extensively the reforms in many political, economic and technical issues in the country, among which agriculture and rural development.

Regarding agriculture and rural development, North Macedonia is moderately prepared with some progress made in the last years, with a good level of preparation and good progress in the last years in the area of food safety, veterinary and phytosanitary policy (in terms of food safety rules, placing of food, feed and animal by-products on the market, control measures for animal diseases, phytosanitary policy). There is some level of preparation on environment and climate change, and it is moderately prepared with no progress made during the last year regarding fisheries (Figure 38). It is in an early stage of preparation with limited progress during the last years regarding regional policy, financial and budgetary provisions (EC 2021).

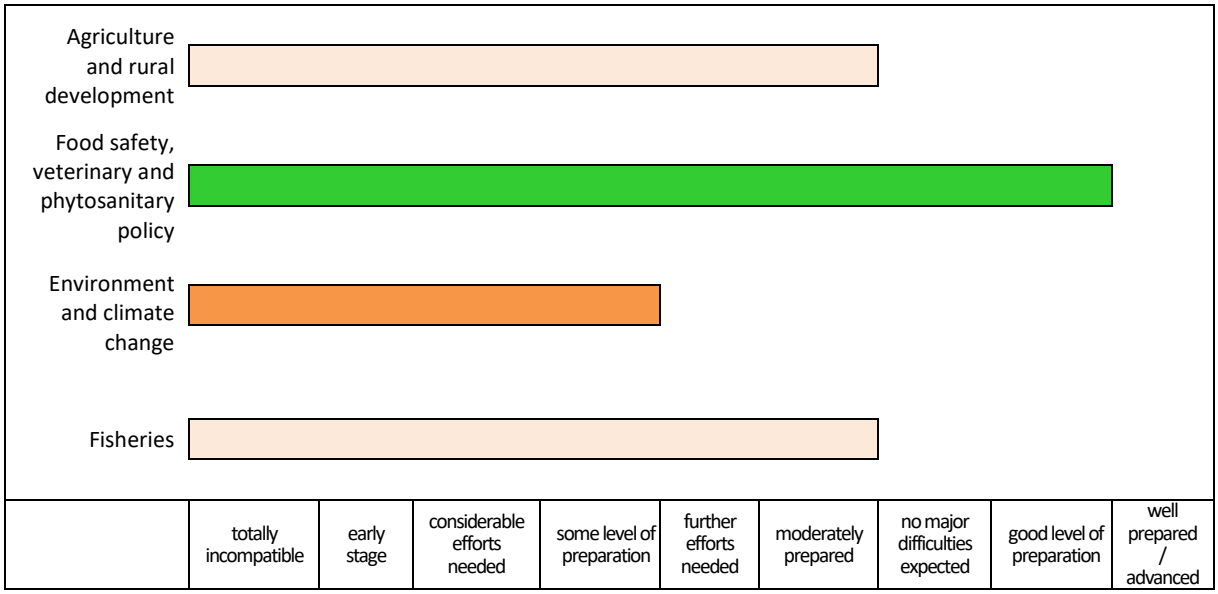

Figure 38. Level of North Macedonia's preparedness in the EU approximation process

Source: EU progress report North Macedonia (2021).

Regarding the approximation of the policy framework, the Government of North Macedonia adopted many strategic documents, laws and by-laws, aligned with the EU *acquis*, such as the National strategy for agriculture and rural development for the period 2021-2027, Food Safety Strategy for the period 2021-2025, National monitoring programme on the control of residues of veterinary medicinal products, and contaminants in live animals and food stuffs of animal origin, organic farming and food safety legislation, rulebook on the specific safety requirements on novel foods, law on genetically modified organisms, and a new law on phyto-pharmacy. There was also some progress made in aligning institutionally and legally with EU rules on the common market organisation (CMO), by preparing school schemes for fruits and vegetables as well as commodity-specific regimes for wine and honey. There is also a progress in climate-driven and environmental issues, which are covered in the adopted Strategy on Climate Action, as well as the set of laws and plans, prepared but waiting for adoption, regarding waste management (such as National Plan for waste management (2021-2031) and the National waste prevention plan (2021-2027)).

There is space for improvement though, since there is still legislation that needs to be prepared and adopted in line with the EU *acquis*, such as: legislation for transferring the farmers' register and LPIS to the paying agency, legislation for spirit drinks, legislation for protection of geographical indications, law on climate action, as well as law on environmental inspection and the law on environmental impact assessment, which are prepared, but waiting to be adopted.

Although there are some concerns regarding the implementation of the adopted documents in general, there are many operational systems that are in line with the EU *acquis*, such as: integrated administrative and control system (IACS); land parcel identification system (LPIS) used for calculating the area based payments; farm accountancy data network (FADN); competent authority, control bodies, accreditation and certification system regarding the organic farming; National Rapid Alert System for Food and Feed, internal audit and training systems of Food and Veterinary Agency and the quality management standard (ISO 9001:2015) of the FVA, programme for monitoring food safety, phytosanitary information system, pests monitoring and control programmes (including an updated list of harmful organisms and the country's pest status, as well as the Catalogue for Selected Plant Pests covering Phytosanitary Action, Pest Identity Cards and Survey Protocols for quarantine pests).

However, there are still issues that can improve the implementation of the agricultural policy. The recommendations for institutional reorganisation that arise from the functional

analyses performed in 2020, as well as simplification of the administrative and control system at the paying agency are awaiting their implementation. Quite a challenge perceived by each institution, as well as reported in the country EU progress report is the insufficient human and financial resources needed to sustain institutions (e.g., National Extension Agency, Paying Agency), services and legislation (FADN system, quality schemes, environmental and climate change legislation, regional waste management, fishery legislation, fleet management, inspections and control of fisheries). An additional challenge that limits the progress in the agriculture and rural development, including the fisheries, especially the green aspects of it, is the incomplete inter-sectoral cooperation. The various administrative and control systems need to be regularly updated, and their mutual connectivity still remains an issue. In the coming period, progress is expected in decoupling of direct payments, further aligning of the policy with the EU *acquis*, employing qualified staff in institutions to effectively implement policies and programmes, and effectively use the available funds.

Management of the EU funds is well functioning. The EU support for North Macedonia under the Instrument for Pre-Accession Assistance II (IPA II) in 2014-2020 was EUR 633 million (EC 2021), and through IPA III Regulation continue to provide financial support for the period 2021-2027. IPA III aims to finance also the Economic Investment Plan (EIP) for the Western Balkans and the Green Agenda for the Western Balkans. The high absorption of EU funds under the IPARD II programme is considered as good progress, compared to the absorption of the previous IPARD I programme. IPARD III is adopted and awaits the beginning of its utilization by the end of the year.

6.6. Conclusions and policy recommendations

The agricultural and rural development policy objectives, as illustrated through the NARDS 2021-2027 and IPARD 2021-2027 are continuing to be aligned with the EU CAP objectives. This further confirms the aspiration of North Macedonia for policy alignment and EU integration. The latest NARDS also includes indicators for each of the objectives. Herewith, the policy cycle is improved in terms of its potential for monitoring and evaluation.

The inclusion of the agri-food sector in one of the four vertical priority domains in the forthcoming Smart specialisation strategy is very important for the sector's progress and investments in knowledge, technology and innovation transfer for improving the sector competitiveness. In this sense, the focus should be on increased collaboration, especially between academia and the business sector, improved business environment and business development and overall conditions for digital and green transformation.

The IPARD programme in both periods 2014-2020 and 2021-2027 is consistent with national policies and final recipients' priorities. In the realised 2014-2020 programming period, there was no overlapping between the national scheme for support in rural development and IPARD II, although in order to maintain a full separation, some types of investments had been diverted from national programmes to IPARD. By the end of the implementation period, the IPARD 2014-2020 programme proved to be a success with almost complete use of the allocated EU funds for the programme period. The lessons learned from this cycle have contributed to more effective administration of the programme, addressing some of the bottlenecks (completeness of application, processing time, pre-financing support). The IPARD Agency still needs to explore ways to speed up the selection process (especially in terms of reference prices), so to minimize uncertainty on outcomes from the applicant's side. Nevertheless, the major obstacle that needs to be addressed remains the administrative capacity, notably in employing the necessary human capacities. IPARD 3 (2021-2027) has further lessened producers' obstacles to use these funds. Therefore, the first call that is expected to be announced by the end of the year, is well anticipated by the potential beneficiaries.

The positive upward trend of allocations in support of agriculture and rural development continues in the period after 2020, despite the negative impact caused by the global Covid-19 pandemic crisis. The budgetary transfers to agriculture continue their increasing trend,

in both two pillars: market and direct support to producers and structural and rural development support. A few measures that have gained in importance are the fuel subsidy (introduced in 2019), historical payments for small farmers, which are decoupled in its form (introduced in 2020), and IPARD's Measure 7 for farm diversification. Some cross-compliance measures are in place, though their scope needs to be further expanded to approximate more closely to the EU's CAP.

North Macedonia is among the countries in which climate change is already manifesting a negative impact in almost all important agricultural regions in the country, hence the continued need for developing and implementing mitigation and adaptation options to increase the resilience of agricultural systems. In this regard, greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources need to find increased implementation beyond the strategic declarations.

In the EU approximation process, North Macedonia is moderately prepared regarding agriculture, rural development and fisheries, it is on a good preparation level in terms of food safety, veterinary and phytosanitary policy, and at some level of preparation on environment and climate change. In 2020 and 2021, there is a continuous good progress regarding the food safety, veterinary and phytosanitary policy, continuous but slow progress regarding the agriculture and rural development, and inconsistent progress regarding fisheries. Although the country has prepared and adopted a number of strategic and legal documents for agriculture, rural development, fisheries, food safety, environment and climate change, there are still ones that need to be prepared and adopted, or those that need to be revised in order to be in line with the EU *acquis*.

A major challenge, related to the alignment of the agricultural policies with the EU is linked to capacity building and the institutional set-up in the public administration responsible for managing and implementing agricultural support. Functioning administrative, financial, control and information systems are key prerequisites for designing, enforcing and implementing agricultural policies. The databases in the sector should be interconnected and regularly updated in order to facilitate the work and efficiency of the major governmental bodies (e.g., MAFWE, IPARD Managing Authority AFSARD, NEA, FVA). The implementation of the IPARD programme significantly contributes to the preparation and development of the capacities in this direction.

The Covid-19 pandemic has emphasised the significance of the agri-food sector in times of crisis, in terms of the importance of continuous and affordable food supply to the general population, on one hand, and ensuring functioning of the food supply chains, on the other hand. More attention to this issue was added with the Ukraine war, with even more drastic disturbances on the agricultural inputs and commodity markets, putting food security as a top priority in the national policy agenda.

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CHAPTER 7. AGRICULTURAL POLICY DEVELOPMENTS IN SERBIA

Vlado Kovačević[40]

7.1. Agricultural policy framework

Serbian agricultural policy is strongly influenced by the EU accession process. The pressures of the EU accession negotiations, and the EU pre-accession support, are the key elements of the EU accession process, which pushes the WBs to adapt their agricultural policies to the CAP.

The national policy framework in the area of agriculture and rural development is based on financial support through subsidies, which are implemented mostly as direct payments. All direct payments are coupled and rural development measures are implemented as a percentage of an investment value. Beneficiaries of the national support are agricultural holdings (individual and legal entities) registered in the Farm Register.

According to the Law on subsidies in agriculture and rural development, 5% of the national budget is to be allocated to the Ministry of Agriculture Forestry and Water Management's (MAFWM) budget. Allocation of the budgetary funds for agriculture and rural development is defined by the Regulation on the allocation of subsidies in agriculture and rural development for a calendar year. This regulation is to be adopted by the Government, within 30 days after the adoption of the Budget of the Republic of Serbia for a calendar year.

The amendments to The Law on Agriculture and Rural Development have created a legal framework for future IACS and LPIS, but introduced also a possibility for advance payments under IPARD measures. This law prescribes also the establishment of *E-agrar*, a software platform for the management of the Farm Register, which enables procedures managing personal data directly in the Farm Register, i.e., registration renewal and data change to be performed electronically by the farmers.

Other activities aimed at introducing digitalization in agriculture have been started in the last few years – a pilot project on establishing LPIS in selected municipalities in Serbia is being successfully implemented, software for hiring seasonal workers has been established, and some subsidies for digitalization have been introduced (field electricity infrastructure, investments for procurement of new machinery and equipment for improvement of digitalization in livestock production).

Regarding foreign trade policy, important agreements began to be applied in the last two years. The Free Trade Agreement (FTA) between the Republic of Serbia and the Eurasian Economic Union (EEU) came into force in July 2021. This FTA provides access to a market of 180 million people for about 99% of goods of domestic origin. The FTA replaced three former bilateral FTAs that Serbia had with the Russian Federation, Belarus and Kazakhstan, and included the new signatories – Armenia and Kyrgyzstan.

Serbia became a member of the Open Balkans initiative, together with North Macedonia and Albania. This initiative aims to facilitate trade and boost economic development across the region. It aims to remove border controls and other barriers to facilitate movement (people, goods, capital and services) in the region and enable citizens to travel using only their ID card as a travel document. Furthermore, the initiative will also enable citizens to find employment anywhere in the region, as well as to provide for recognition of diplomas and better cooperation in the fight against organized crime and in response to the natural

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disasters. Regarding the trade of agricultural and food products, this initiative would contribute to shortening export time, since customs procedures are shorter due to mutual recognition of laboratory analyses and export/import certificates.

Serbia signed two protocols with China at the beginning of 2021 - on phytosanitary requirements for the export of Serbian corn and beet pulp in China, opening this high-potential market for the Serbian most exported products.

Due to Brexit, the Republic of Serbia in 2021 has signed the Agreement on Partnership, Trade and Cooperation with the United Kingdom, to continue trade, as well as economic and political cooperation, as it was during the United Kingdom's membership in the EU. The basis of the new agreement was the Stabilization and Association Agreement (SAA) between the European Union and its member states and the Republic of Serbia.

These agreements contributed partially to the foreign trade result, since the trade of agricultural and food products reached the maximum value of 6.6 bill. EUR in 2021. Both export and import are 36% and 38% (respectively) higher in 2021 than the last five-year average. Consequently, the surplus in the trade of agricultural and food products continued to grow, reaching a maximum level in 2021 – 1.8 billion EUR.

Serbia is engaged also in the improvement of the quality policy. The current Law on indications of geographical origin (OG RS, No. 18/2010 and 44/2018 - other law) is not harmonized with the EU *acquis*. New legislation in accordance with the EU *acquis* is in preparation.

The main strategic document regarding agriculture and rural development for a long-term period is the **Strategy for the Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024**. The Strategy defines the framework, vision, strategic goals and priority areas, as well as measures and activities for achieving defined strategic goals and indicators for the impact assessment. The Strategy also considers the process of the EU integration and necessary measures and activities regarding the harmonization process with the EU, but also the process of gaining membership in the WTO.

The vision of the development of agriculture and rural areas in Serbia, stated in the Strategy, reflects the projected state of the agricultural sector, and as such foresees:

- In 2024, agriculture in Serbia is a sector whose development is based on knowledge, modern technologies and standards that offer national and demanding foreign markets innovative products and provides producers with sustainable and stable income;
- Natural resources, the environment and the cultural heritage of rural areas are managed by the principles of sustainable development, to make rural areas attractive for young people to live and work in, as well as for other people living in rural areas.

Implementation of the vision entails the consideration of several key principles: 1) Sustainable agriculture, based on: an increase in economic efficiency in the agricultural sector, the responsible management of resources and achieving the well-being of the rural population; 2) Polycentric development, based on an appreciation of the diversity of production systems and types of agricultural holdings; 3) Modernization of the institutions; 4) Stability and consistency of the agricultural budget.

Strategic goals, defined by the Strategy, are: (i) the production growth and stability of producers' incomes; (ii) an increase in competitiveness while adapting to the demands of domestic and foreign markets and the technical and technological progress of the agricultural sector; (iii) sustainable resource management and environmental protection; (iv) improvement of the quality of life in rural areas and poverty reduction; (v) effective management of public policies and the improvement of the institutional framework for the development of agriculture and rural areas.

Based on the Strategy, two new programmes are planned to be adopted – The National Agriculture Programme for the period 2022-2024 and The National Rural Development Programme for the period 2022-2024. Both programmes are under preparation, scheduled for 2022.

The IPARD Programme of the Republic of Serbia for the period of 2021-2027 (IPARD III Programme) was adopted by the Decision of the European Commission C (2022) 1537 on the 9th of March 2022. The RS Government adopted it in the second half of 2022. According to the Decision of the EC, Serbia shall use EU funds in the amount of EUR 288 million for the implementation of the IPARD III Programme in the period 2021-2027 (compared with EUR 175 million for the IPARD II Programme). In addition to the measures already accredited under the IPARD II Programme, the IPARD III Programme envisages the introduction of new measures that will further increase the utilization of allocated funds, as well as the inclusion of new sectors, new limits of financial support and new specific criteria regarding the area and number of animals. Under the IPARD III Programme, the most important change will be the possibility for advance payments of up to 50% for some measures.

The world economy and food production in 2020 and 2021 were disrupted by the Covid-19 crisis, causing disturbances in production, logistics, marketing, consumption structure, as well as price fluctuation. All these trends affected inevitably the Serbian economy as well as the agricultural sector. In these circumstances, efforts were made to maintain the consistency of agricultural policy as much as possible, but some adjustments had to be implemented to provide continuity of the production cycle, food security and sustainability of farmers' income. Consequently, all other goals in these crisis years had lower priority, which need to be changed while the crisis ends.

In general, the agriculture of Serbia is characterized by low productivity, caused by the inefficient use of modern agri-technical operations, compensated often by the lower labour, energy and land costs. Also, there is a lack of processing capacities considering the raw material production in Serbia. Agriculture in Serbia is characterized by a low added value (Kovacevic, 2021). It confirms the export structure, since about 75% of exported agricultural and food products are basic products, while 25% of export value are processed agricultural products. While at the import side, processed high-value products are dominating.

The average standard output (SO) per holding is growing in the last few years (EUR 9 457 in 2018 in comparison with EUR 5 918 in 2012). Distribution of SO was improved also, through a decreased share of farms with SO less than EUR 2 000 per holding in favour of farms with SO between EUR 2 000 and 4 000 and farms with SO from EUR 4 000 to 8 000. The Province of Vojvodina has a more favourable position, with higher values regarding the average SO.

Considering the opening of possibilities for the use of IPARD funds in the last few years, the farm structure improvement was established as one of the main goals of the rural development policy. This goal implies better utilization of EU funds in the future, but also stronger state support for the initial financing of agricultural businesses.

Although some improvement has been made in the area of climate issues (crop insurance, procurement of equipment for hail protection, etc.), there is limited progress in the area of water and soil pollution, as well as in the loss of biodiversity. Additionally, the issue of food waste is not recognized as a priority in Serbia.

In general, the policy cycle concept is applied in Serbia - defining the problems and goals, and targeting measures and actions whose realization leads to their solution, are the most important steps in the policy-making process. Implementation of the policy is under the competence of the MAFWM. Further, monitoring and evaluating the effectiveness of the policy should lead to the quality improvement of the policy.

However, there are some deficiencies in the implementation of the policy cycle in Serbia. The lack of a proper information system is having the effect of an obstacle in evidence-based agricultural policy due to the lack of relevant information, and lack of transparency in implementing agricultural policy measures. Most of these obstacles are linked to the lack of electronic systems for applying for subsidies, congestion between different registries and possible cross-compliance. The lack of evaluation and transparency in the implementation phase creates real possibilities for enhancing the policy cycle, but the design of measures and their dynamics are still influenced by politics.

Due to the Covid-19 pandemic and the necessity for the emergency response by the Government to mitigate consequences for producers, there were some exceptional measures, applied in Serbia in 2020 and 2021. Having in mind that the pandemic caused some kind of deviation from the regular policy in the EU and the rest of the world, the last two years cannot be considered as representative for the assessment of the policy cycle. Nevertheless, this crisis has shown the country's preparedness level for a prompt reaction and capability to maintain the functioning of the administration system in emergencies. From that point of view, Serbia had a satisfactory response.

There are indicators set for most subsidies in agriculture, but they are contained in different strategic and programming documents (the Strategy for the Agriculture and Rural Development, the National Agriculture Programme, the IPARD Programme, the Economic Reform Programme of the RS, etc.) and monitoring and reporting are not centralized. The DAP provides public annual data on total budget transfers regarding payments for subsidies in agriculture and rural development.

Additionally, MAFWM publishes annually the "Green Book" – the report on agriculture and agricultural markets in the Republic of Serbia in the previous year that also contains an overview of payments per measure.

Some agricultural policy related aspects (regarding food especially) may be found in the **Strategy of Smart Specialisation in the Republic of Serbia for the period 2020-2027**. The main goal of the Strategy of Smart Specialisation is to increase the competitiveness of the Serbian economy and to contribute to the economic growth through connecting research and innovative powers and resources with the limited number of priority economic areas. As such, the Strategy is in line with the sustainable development goals of the UN 2030 Agenda for Sustainable Development.

"Food for the future" was recognized as one of the priority areas within the Strategy of Smart Specialisation. This priority aims at high-tech agriculture, added value and sustainable agriculture and food production. Also, eco-smart energy sources were introduced as a horizontal area that can have an impact on other priorities.

The measures related to agriculture are recognized under the specific goal: Strengthening the economy through research and development and they would be realized through support for research and development in the area of agriculture and food industry (financed by the MAFWM) and pilot project of connecting fast-growing companies in the food industry with the creative industries and information and communication technologies.

Table 31. Overview of the key elements of the legal, strategic and programming framework in Serbia

Key legal, strategic and programming document	Key goal and objectives	Notes/remarks
The Law on Agriculture and Rural Development (2010)	Establishes the main mechanisms for creation and implementation of agricultural and rural development policies and defines main strategic documents - mid-term and long-term	Part of the law, regulating subsidies in agriculture and rural development was put out of force (2013) due to the adoption of a separate law, which regulates subsidies in agriculture and rural development
The Law on Subsidies in Agriculture and Rural Development (2013)	Defines subsidies in terms of their classification, manner of use, beneficiaries, criteria for receiving subsidies and minimum/maximum amounts per type of subsidy	Every type of subsidy is regulated in detail by secondary legislation (rulebooks)
The Strategy for the Agriculture and Rural Development of the Republic of Serbia for the period 2014-2024	Defines long-term development directions in agriculture – establishing a market-oriented economy, increasing profitability in agriculture and caring for the development of rural areas	Under the Strategy, two national mid-term programmes are developed – for agriculture and rural development
The National Agriculture Programme for the period 2018-2020	Determines the mid-term and short-term goals of agricultural policy, defines measures and activities for achieving these goals, the expected results, as well as estimates budgetary expenses of the policy.	Expired, new programme for the period 2022-2024 is in the process of adoption
The National Rural Development Programme for the period 2018-2020	Determines the mid-term and short-term goals of rural development policy, defines measures and activities for achieving these goals, the expected results, as well as estimates budgetary expenses of the policy.	Expired, new programme for the period 2022-2024 is in the process of adoption
IPARD Programme of the Republic of Serbia for the period of 2014-2020 (IPARD II)	Programming framework that defines the type of IPARD measures, eligible sector and beneficiaries, as well as criteria for use of IPARD funds.	Although the programming period was expired, implementation of measures and using allocated funds are still ongoing
IPARD Programme of the Republic of Serbia for the period of 2021-2027 (IPARD III)	Programming framework that defines the type of IPARD measures, eligible sector and beneficiaries, as well as criteria for use of IPARD funds.	Adopted by the European Commission in March 2022

Source: OG RS.

The main policy maker in Serbia is MAFWM. Certain responsibilities are on the Vojvodina provincial Secretariat for agriculture, water management and forestry and local municipalities managing local subsidies. Table 32 presents main MAFWM responsibilities and priority needs.

Table 32. Overview of the institutional and administrative policy framework in Serbia

Key institutions and administrative bodies	Key role and responsibilities in Ag. and RD policy	Human capacities and competences	Other capacities	Other challenges for the institution
Ministry of Agriculture, Forestry and Water Management	Policy creation and implementation, including inspection	Understaffed. Needed upgrade toward harmonization with the CAP	Not needed	Faster harmonization with the *acquis*
Directorate for Agrarian Payments (IPARD Agency) (within MAFWM)	Implementation of financial support measures, including IPARD measures	Understaffed. Needed upgrade toward harmonization with the CAP	Due to the necessity for further HR upgrades, there is a need for a new facility	Establishment of IACS/LPIS for CAP schemes
IPARD managing authority (within MAFWM)	Preparation of IPARD Programme and coordination of implementation	Well-staffed. Upgrade not currently needed.	Not needed	
Sector for Agricultural Policy (within MAFWM)	Policy creation in the area of direct payments and common market organization	Understaffed. Needed upgrade toward harmonization with the CAP	Not needed	
Sector for Rural Development (within MAFWM)	Policy creation in the area of rural development policy	Understaffed. Needed upgrade toward harmonization with the CAP	Not needed	
Sector of Agricultural Inspection (within MAFWM)	Inspection of agricultural land, the realization of subsidies, organic production, food safety of products from the plant and mixed origin, etc.	Understaffed. Needed upgrade toward harmonization with the CAP	Needed regarding equipment for inspection and vehicles	Future implementation of control regarding cross-compliance requirements

Source: Author's elaboration upon different sources and personal communications.

7.2. Measures and budgetary support of agriculture and rural development

The budget for subsidies in agriculture and rural development increases every year – in 2020, the budget went up by 3.6%, compared to 2019, and in 2021 this increase was 5.7%, compared to 2020. An increase in the budget allowed introduction of some new measures and higher support under certain schemes, mostly direct payments. In that sense, milk premium in 2021 was increased from 7 RSD/l to 10 RSD/l, providing additional support for dairy producers. Also, support for cattle production was increased – subsidies for quality breeding fattening cows were increased from 25 000 to 40 000 RSD in 2020 and subsidies for suckler cows were increased from 20 000 to 30 000 RSD in 2019 and to 40 000 RSD in 2020. Subsidies for beekeeping also increased, from 720 to 800 RSD/beehive in 2020. In organic production, subsidies for organic plant production were increased from a 120% ratio compared to conventional production to 400% in 2020 and 550% ratio compared to conventional production support in 2021. Also, subsidies for insurance premiums were increased for the five most vulnerable regions.

The main types of support in agriculture and rural development are based on direct payments, rural development measures, credit support, specific subsidies and IPARD subsidies. These types of support continued to be implemented in the last few years,

providing policy consistency. Considering its share in the total annual amount of the budgetary funds, the main support schemes are livestock production direct payments. Zubovic and Jovanovic (2021) found the need for increased shifting from direct payment to rural development measures as the pathway for the development of Serbian agriculture.

According to the legislation, the beneficiaries of the policy measures are registered agricultural holdings (individuals and legal entities), the main beneficiaries being small and medium-scale producers. The large farms are mostly excluded from support due to the policy focus on increasing productivity and providing income sustainability.

The budgetary support for agriculture varied significantly in the last decade – after an upward trend at the beginning of the period (2012-2014), the budgetary funds for agriculture declined significantly in the next two years (2015-2016). After this period, the support increases, reaching EUR 380 million at the end of the period. Support for agriculture in Serbia is coming mostly from the national budget, with a minor, but increasing share of the IPA (including IPARD) funds since 2019.

The structure of the support is dominated by market and direct support measures, which are based on direct payments mostly. The change of the support structure is noticeable in the second half of the decade (2017-2021), when the share of structural and rural development measures starts to grow with the stabile participation of the other measures related to agriculture. This shift corresponds with the state's effort to improve the investment environment, as well as with the opening of the possibility to use of EU pre-accession funds for rural development (Figure 39).

Additionally, the results have revealed that a significant share of agricultural resources is concentrated in the areas with natural constraints, but, despite this fact, there is no specific measure for farms located in these areas (Papić, 2022).

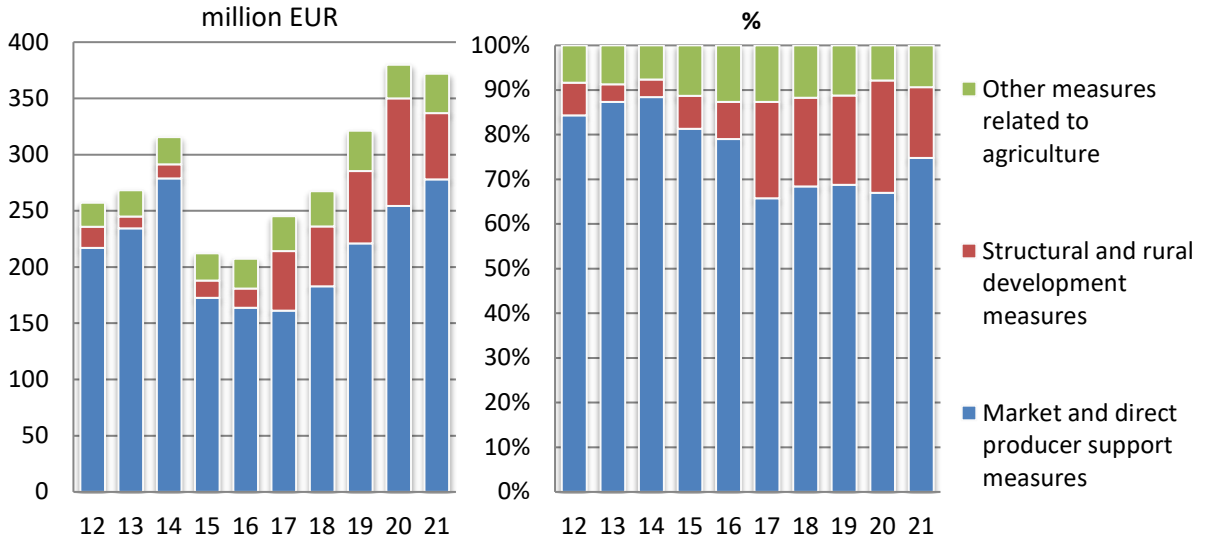

Figure 39. Total budgetary transfers to agriculture in Serbia, in mill. EUR and %, 2012-2021
Source: RS APMC database (2022).

Market and direct producers support measures, as the dominant type of support in agriculture, are followed by increasing funds for structural and rural development measures. Also, the structure of this type of support has changed in the last decade, with noticeable decreasing participation of input subsidies and a dominant share of direct payments (above 95%). These changes are caused by abolishing input subsidies for fuel and fertilizers and their transformation into direct payments per area.

Input subsidies for fuel and fertilizers have been implemented for the long-term period as price support, which is deviating from the EU and WTO policies and which was the reason for their transformation into payments per area. Also, by abolishing export subsidies (in 2011), all market measures are currently excluded from the support (except for the year 2020, caused by the market intervention through the purchase of cattle due to pandemic crisis) (Figure 40).

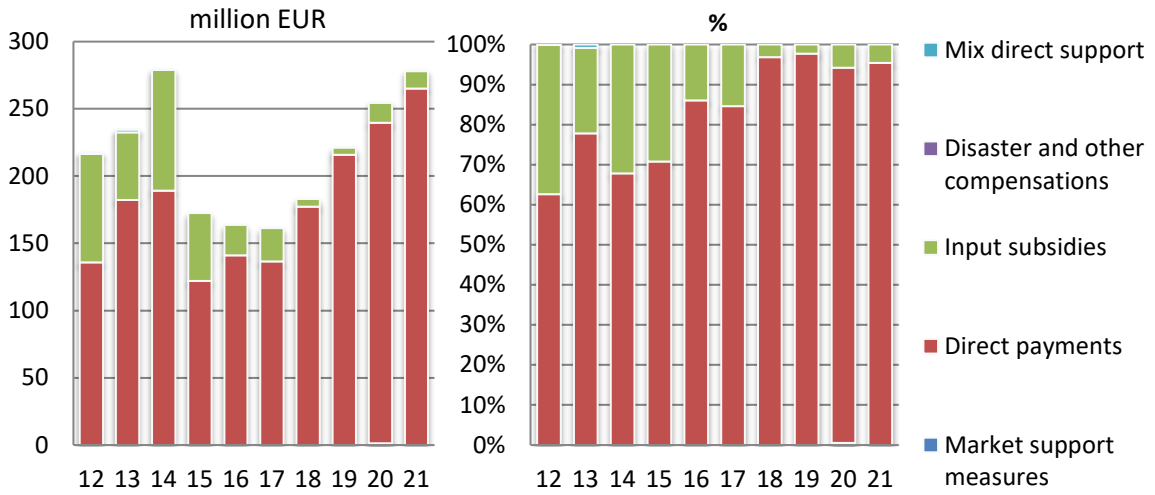

Figure 40. Market and direct producer support measures in Serbia, in mill. EUR and %, 2012-2021
Source: RS APMC database (2022).

Direct producer support represents about 70% of the total. This kind of support is implemented through direct payments, based on area or animals mostly, while direct payments based on output (milk premium) are stable, at the level of about 20%. All direct payments are coupled, since they are conditioned by the existence of production.

The direct payments based on output had a strong upward trend in the last decade, reaching a maximum in 2021 of EUR 58 million, which is doubled compared with the amount at the beginning of the period (2012). In the last few years, including 2020-2021, direct payments based on output (milk premium) are stable at the level of about 20%. Increase in direct support was not followed by a productivity increase.

About three-fourths of the annual direct producer support is intended for direct payments per area/animal and the total amount for this purpose shows an upward trend due to the continuous growth of support level in livestock production (Figure 41).

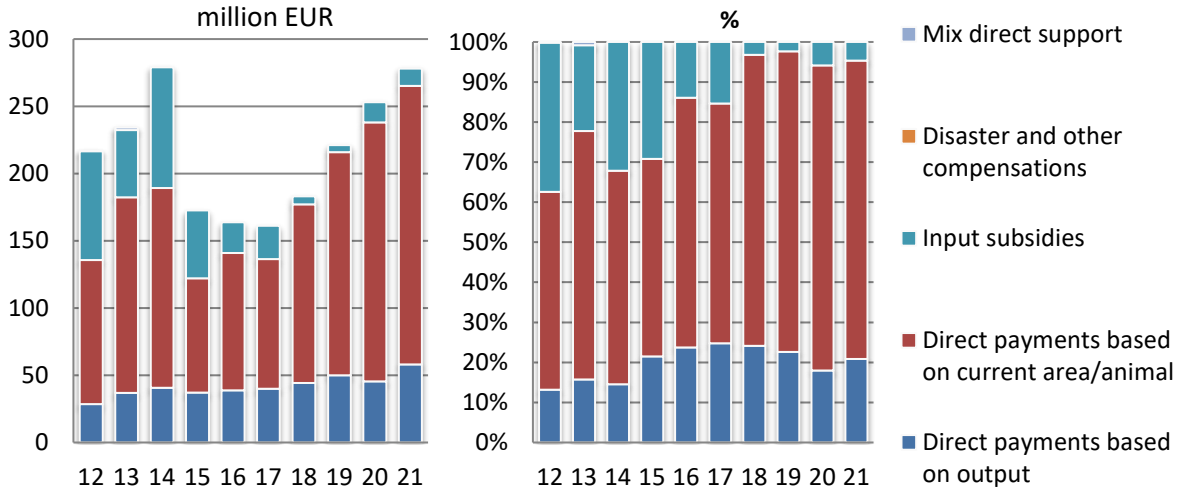

Figure 41. Direct producer support measures in Serbia, in million EUR and %, 2012-2021
Source: RS APMC database (2022).

Within the direct producer support, the most subsidized sector is livestock production, which is caused by frequent increases in support per head for certain animals (pigs and cattle mostly). Unlike payment per area at the beginning of the period, this measure decreased significantly in the following years, which led to lower share of support for crop production in the overall direct producer support. This distribution between sectors may create an unfavourable competitiveness environment among sectors.

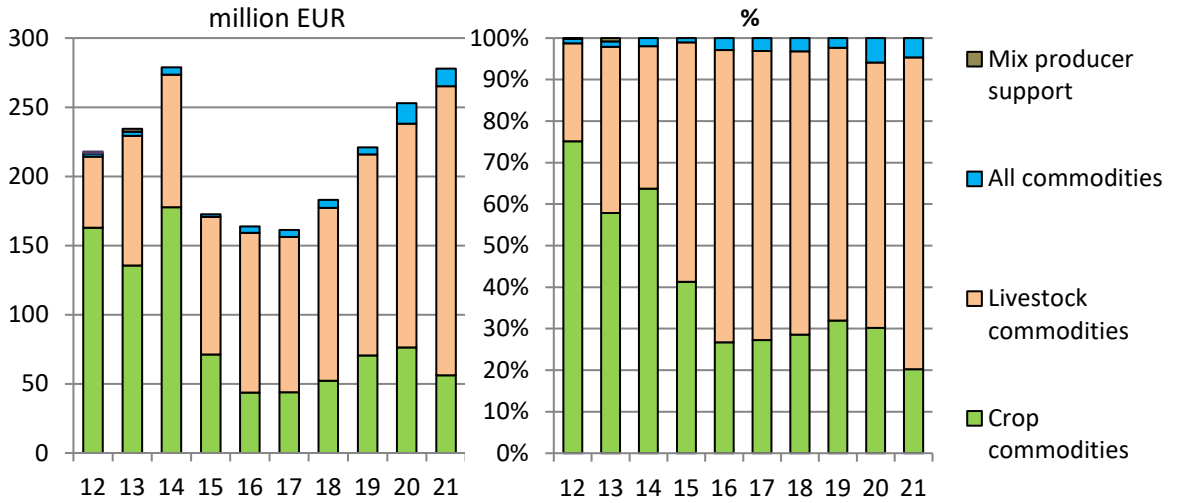

Figure 42. Direct producer support measures by main sectors in Serbia, in million EUR and %, 2012-2021
Source: RS APMC database (2022).

Support through structural and rural development measures shows a significant and continuous increase since 2017 when the share of such measures in the total support was about 20% on average. This share increased to 25%, with a maximum amount of over EUR 95 million in 2020, an increase caused by the beginning of the IPARD implementation.

Measures aimed at competitiveness have the main role in structural and rural development support, since more than 80% is spent on this purpose. The majority of these measures are realized through investments in physical assets of agricultural holdings, which are supported by the two measures implemented through the IPARD II Programme (M1 and

M3). Besides that, investments in marketing and processing have also a significant share in the structural and rural development support (Figure 43).

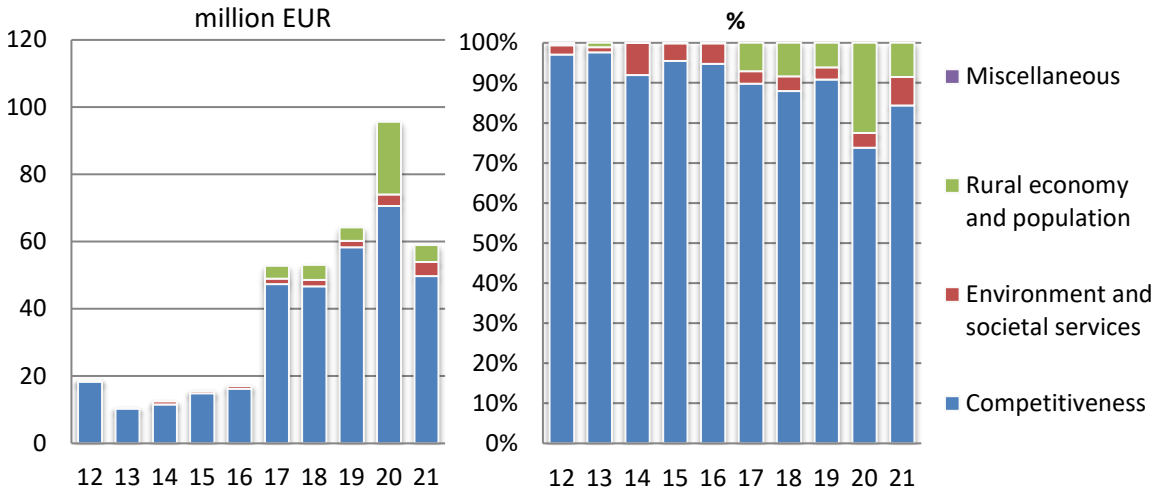

Figure 43. Structural and rural development support in Serbia, in million EUR and %, 2012-2021
Source: RS APMC database (2022).

Other measures related to agriculture make up less than 10% in the total support. These measures mostly concern food safety policy implementation (75-80%). Annual allocation of funds for this type of measures shows an increasing trend from the middle of the period, reaching around EUR 35 million in 2019 and 2021 (Figure 44).

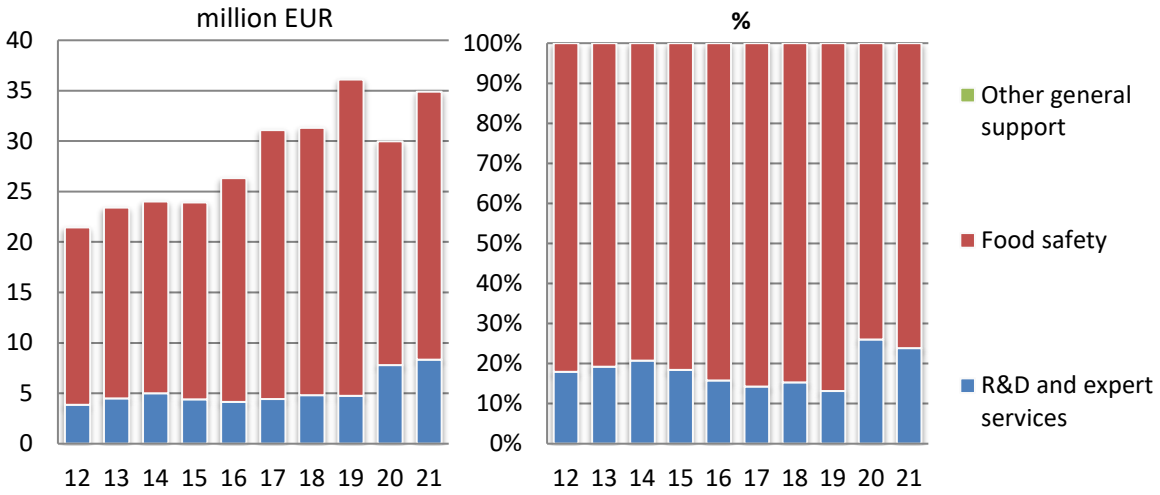

Figure 44. Other measures related to agriculture in Serbia, in million EUR and %, 2012-2021
Source: RS APMC database (2022).

Several new major measures were introduced in 2020 and 2021 (Table 33). The main successes and failures of agricultural policy instruments are presented in Table 34.

Table 33. Major new policy instruments/measures introduced in Serbia in 2020 and 2021

Instrument/programme	New measure and policy significance	Year of introduction
Improving competitiveness (RD measures)	Subsidies for investments in the procurement of new machinery and equipment for digitalization improvement in animal production	2019
	Subsidies for investment in building facilities and procurement equipment in the wine and spirit sectors	2020
	Subsidies for investment in field electrification	2020
	Subsidies for investments in the procurement of new tractors	2020
	Subsidies for achieving quality standards through support for wine and brandy quality improvement	2021
Improvement of life quality in rural areas (RD measure)	Subsidies for investments in rural infrastructure	2021
IPARD III – M4	Agri-environment-climate and organic farming	2024
IPARD III – M5	Implementation of local development strategies – LEADER approach" finances local action groups implementing their bottom-up local development strategies;	2024
IPARD III – M6	Investments in rural public infrastructure	2025
IPARD – M9	Technical assistance" supports training, analyses, programme monitoring, capacity building and preparation of local action groups.	2023

Table 34. Main successes and failures of agricultural policy instruments and measures, compared to the strategic objectives in Serbia in 2020 and 2021

Successes	Failures
Implementation of the IPARD II Programme with a high interest by the beneficiaries	Insufficient level of utilization of IPARD II funds
Adoption of the IPARD III Programme by the EC	Pending adoption of main legislative: - the Law on Quality Schemes, as a framework for recognizing GI products on the EU level; - the amendment of the Law on Subsidies in Agriculture and Rural Development, as a framework for further direct payment harmonization with the *acquis*
Abolishing input subsidies as price support measure (non-eligible in EU and WTO)	LPIS and IACS are not yet implemented, and numerous data registries are not compatible and not inter-connected, causing a lack of cross-compliance, and obstacles in the evaluation, monitoring and transparency of agricultural measures.
The beginning of the establishment of the LPIS (through a pilot project)	Lower direct support for plant producers compared with animal producers
Adoption of the Law on Organisation of Agricultural Product Markets, as a framework for the harmonization in the area of CMO	Paid milk premium is still not linked to quality. Small dairy processors processing dairy products at their own are excluded from the milk premium scheme. Only producers selling milk to dairies are eligible for subsidies (Kovačević et al., 2022).
Adoption of the amendments of the Law on Agriculture and Rural Development, as a framework for IACS/LPIS establishment	Postponement of decoupling payments
The law on Commodity exchanges ("Official Gazette of RS", No. 52/2019) for the first time created legal framework for improved spot and non-standardized derivative trade.	Delay in payment of subsidies (high outstanding payments from the previous years)
	Insufficient progress in the EU negotiations
	Export of swine or transport via EU is banned due to swine plague. Administrative capacity and instruments required by the EU are not established.
	Phytosanitary and veterinary border control is not based on a risk assessment, resulting in long delays on borders and inefficient controls.
	Legal framework of the foodstuff GI schemes still not harmonized with the EU *acquis* (Kovačević, et al., 2021b).
	Once well-developed, the public warehouse system enabling grain owners to lend against the stored grain is abandoned (Kovačević et al., 2021c). Support for organic production is coupled to conventional production support, as the organic sector has different requirements (Kovačević, 2021a).
	Agricultural insurance is lacking in systematic support. Additionally, farmers ensuring production are paying 10% on top of the premium for hail protection.
	The Farm Register is not structured at the most detailed level, with a possibility for data cross-checking and obtaining timely information for decision-making.

From the farmers' point of view, some of the most common complaints are delaying payments and non-transparent evaluation process (especially regarding direct payments per animal). This kind of delay disturbs the cash flow of the beneficiaries, which can

endanger the sustainability of a production cycle as well. The obstacle to efficient payments and the reason for delays in payments is the lack of a single application for direct payment, which would simplify the application procedure, but also would reduce significantly the administrative burden.

The main bottleneck of the policy cycle in Serbia is a lack of transparent data and procedures in implementing agricultural measures. The EC report for Serbia (2022) stresses the need to speed up the establishment of Integrated Administration and Control System (IACS), and the transition from manual to electronic processing of aid applications. The land parcel identification system (LPIS) should be extended to the whole territory of Serbia without delay. Applicants are complaining about the non-transparent process, evaluation of applications for some applicants is late for more than 2 years. Practically, farmers are directed to personally contact the Paying agency to receive information that should be easily accessible and transparent. The second consequence is that information is missing for agricultural policy. Evaluation of the evidence-based agricultural policy and measures is not possible without quality data. Steps towards fulfilling these gaps are necessary, especially in the view of CAP requirements regarding IACS and Paying Agency accreditation.

The agricultural policy must tackle a ban on GMO products as a very important limitation for the Serbian livestock sector. Serbian producers are not allowed to use GMO feed and, as a consequence, production is more expensive. On the other hand, animal products produced by GMO feed are imported freely in Serbia. Also export of swine in the EU needs to be tackled (Kovačević and Kljajič, 2021). Under the IPARD II Programme, EUR 175 million is allocated from the EU funds for the Republic of Serbia for the programming period 2014-2020. There are six measures in the IPARD II Programme (M1, M3, M4, M5, M7 and M9), =four of which are accredited (M1, M3, M7 and M9) and three are implemented (M1, M3 and M7). The IPARD Managing Authority is the accredited body within the MAFWM, while the Directorate for Agricultural Payments is accredited as IPARD Agency. These bodies make up the IPARD Operating Structure of the Republic of Serbia.

As of the end of 2021, from 2 521 submitted applications and 834 approved projects, 510 projects were paid, which is 20% of the total number of submitted applications. The total support requested is EUR 362 million, from which approved support is EUR 88.1 million, while EUR 29.1 million was paid (8% of total).

Table 35. Overview of the measures, funds and number of applications in IPARD 2014-2020 in Serbia

Indicator	M1	M3	M7	Total
No. of project applications	1 604	313	604	2 521
No. of approved project applications	680	100	54	834
Total approved funds (mill. EUR)	52.30	28.10	7.70	88.10
- National contribution (mill. EUR)	13.10	7.10	1.90	22.10
- EU part (mill. EUR)	39.20	21.00	5.80	66.00

Source: The Annual Report on the implementation of the IPARD II Programme for 2021. Note:
* Data for approved projects (as of 31st December 2021)

According to the eligible sectors, the sector of other crops has the biggest share of approved applications under Measure 1 - 62%, while the sector of fruit and vegetables participates the most in the value of approved public support (38%). Within Measure 3, the dominant sector is fruit and vegetable processing, with 91% of the number of approved applications, while this sector has 85% of the share in the value of approved support. Measure 7 started to be implemented last and all approved applications are within rural tourism and recreational activities.

Regarding the type of investments, the most common investments under Measure 1 are related to the procurement of equipment, machinery and mechanization (including

tractors) – 93% with 67% of approved public support. Within Measure 3, the largest number of approved projects is related to the modernization of processing and packaging equipment (55%), while all approved applications under Measure 7 are intended for rural tourism and recreational activities.

The majority of applicants for IPARD funds are individual farmers, who submitted 83% of the total number of applications, requesting 44% of funds. On the other side, 22% of applications were submitted by companies, but their share of the required funds is around 50%. This tendency indicates a significantly higher average value of investment per submitted application in the case of companies (EUR 544 543) compared to the individual farmers (EUR 138 952).

In terms of regional representation of submitted requests, the largest number of requests for Measure 1 was submitted in the Region of Vojvodina (67%), while the largest number of requests for Measure 3 and Measure 7 were submitted by potential beneficiaries from Šumadija and Western Serbia (50% for Measure 3 and 60% for Measure 7).

A significant step forward has been made by introducing the possibility of advance payment that makes it easier for beneficiaries to enable the realization of investment by providing initial funding. The visibility of IPARD measures is highly developed, based on the wide promotion of the IPARD measures through all specialized media. Also, specialized education and training regarding IPARD use are organized regularly for potential beneficiaries, and other stakeholders as well.

However, the process of project approval takes too long, which leads to some applicants withdrawing their application. An electronic application system has not been yet introduced by the Paying agency and the existing informational system is of low quality, having consequences in limitations in following applications and reporting. Also, the process of evaluation of applications is slow and lacking transparency, there are payment delays, and the monitoring and evaluation are still not fully developed.

The new measures that will be implemented under the IPARD III Programme are agro-ecological-climate and organic production (Measure 4), implementation of local rural development strategies (LEADER approach) (Measure 5) and investments in public rural infrastructure (Measure 6). The accreditation of M4 and M5 is expected in 2022/23, while the expectation for M6 accreditation is 2024/25.

The IPARD III Programme introduced new sectors as well – under the Measure 1, the fisheries sector was included, in addition to the already supported sectors (cereals and industrial crops, meat, milk, fruit and vegetables, eggs, viticulture). Also, Measure 3 in the new IPARD Programme includes the processing of cereals and industrial crops, as well as fish processing, besides the already included sectors (meat processing, milk processing, fruit and vegetable processing, eggs processing and wine production). Minimum support for these two measures was increased from EUR 10 000 to EUR 20 000.

The aim of the newly introduced Measure 4 is to encourage agricultural practices that are beneficial to the environment by preserving and improving natural resources and mitigating the negative effects of agriculture on soil, water and air. Four operations within Measure 4 are proposed: 1) Crop rotation; 2) Inter-row grassing and mechanical removal of weeds in perennial plantations; 3) Establishment and maintenance of flower beds; 4) Sustainable management of meadows and pastures. The support is implemented as an annual payment per area, as compensation for income loss and additional costs, which are the result of compliance with special requirements that exceed the baseline and common agricultural practice. Organic production is not supported under the IPARD III Programme, since it is supported through the national policy.

The beneficiaries of Measure 5 are local action groups (LAGs) as registered associations in certain rural areas and territories. LAGs must consist of a group of local partners from different socio-economic sectors in the same territory. Under this measure, the following investments will be eligible: acquiring skills and animating the population of LAG territory (activities related to capacity building of LAG members); ongoing costs (overhead

expenses); implementation of selected projects up to 5 000 EUR defined by the Local Rural Development Strategy; cooperation projects.

Through Measure 6, the support will be available to settlements with up to 10 000 citizens, which covers 98% of settlements in Serbia. The eligible sectors for investments under this measure are: water supply, sewage, construction and reconstruction of roads, waste management and energy supply. Eligible investments in these sectors need to be related to building and reconstruction and procurement of immovable equipment.

Measure 7 under the IPARD III Programme includes rural tourism, direct sales of agri-food and other local products and small-scale service activities in rural areas. Also, investment in renewable energy sources is eligible for funding as an integral part of the project within these sectors (e.g.: solar panels). The support within this measure is up to 60% of eligible costs, with an exemption of young farmers and organic producers that can get up to 70% of eligible costs.

Finally, Measure 9 is intended for the IPARD Managing Authority as the beneficiary, with 100% of support (85% EU contribution and 15% the national contribution).

7.3. Covid-19 interventions in policy and implications

Agriculture was identified as one of the sectors with the strongest resilience during the Covid-19 pandemic. During the Covid-19 crisis, GVA in the agricultural sector increased, while employment, despite the pandemic, increased in the food industry. Also, the import and export of agricultural and food products increased during the pandemic, reaching the maximum level in 2021.

However, agricultural producers have faced significant obstacles at the beginning of the pandemic, caused by the Government's decision on restricting citizens from moving in defined periods (from 5 pm to 5 am). To perform agricultural activities regarding animal feeding, milking and beekeeping, livestock producers could submit requests for movement approval to the Agricultural Inspection. Additionally, persons older than 70 years of age (65 in urban settlements) had strict movement restrictions. Having in mind the high average age of agricultural producers in Serbia, this decision made it difficult to perform regular agricultural activities, especially in animal production.

As a policy response to the Covid-19 crisis, to mitigate the effects of the pandemic, some new intervention measures have been introduced during the emergency. The MAFWM provided financial assistance to agricultural holdings engaged in vegetable production in protected areas and in livestock production through payments per area/animal.

Also, a special credit line was introduced to provide easier access to credit use for agricultural holdings during the pandemic. Easier access to credit use is provided for credits intended for livestock production development; development of crop, fruit, vegetable and flower production and viticulture; investments in agricultural mechanization and equipment; procurement of feed; and liquidity of holdings. This measure has been realized by subsidizing a part of the interest and under more favourable credit terms than commercial ones.

Financial support was provided also for livestock producers engaged in cattle breeding through the purchase of market surplus of fattening cattle in difficult economic conditions due to the pandemic.

To avoid physical contact between administration and beneficiaries and among the beneficiaries themselves, basic subsidies in plant production in 2020 were paid directly to the agricultural holding's account (without beneficiaries' applications).

Nevertheless, in relation to the crisis and shock, such as Covid-19, it is evident that Serbian agriculture proved to be highly resilient.

7.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources

In the last few years, a noticeable effort has been made in Serbia towards a greener agricultural policy, aimed at achieving a sustainable food system. The preparation of documents under the EU negotiating procedure is influenced strongly by the CAP reform, but the Green Deal and Farm to Fork Strategy as well. However, the pandemic and global market disturbances had a significant influence on redirecting the agricultural budget to income and investment support, which resulted in insufficient support through "green" measures (only 5-6% of the agricultural budget was directed at "green policy" in 2020-2021).

Nevertheless, Serbia for many years has been implementing some measures that are close to the Green Deal and Farm to Fork Strategy concepts. To mitigate climate change and adapt to its impacts, MAFWM implements subsidies for insurance premiums, aimed at improvement of producers' risk management. Considering the most vulnerable regions, which are important fruit producers, the level of support is adjusted to them. Also, stations with automatic actions against the hail were provided across Serbia.

Regarding the loss of biodiversity, there are subsidies for conservation of plant and animal genetic resources that focus on autochthonous varieties and breeds, characteristic of this region. Also, there is a gene bank for the conservation of animal genetic resources, subsidized by the MAFWM.

The most significant progress was made in the area of organic production since the area under organic production reached 20 000 ha, covered by fruit and oil seeds mostly. Still, having in mind the goal in the new CAP – reaching 25% area in the EU under organic production, the area in Serbia is still insufficient. However, exports of Serbian organic products are growing constantly.

Control of soil and improvement of land quality is also measured in line with the "green" policy, helping efficient use of the resource, while preserving its quality. Also, some measures under IPARD require fulfilling environmental standards. Additionally, measures in the area of forestry and plant health control have a strong influence on biodiversity protection and environment improvement.

Besides national measures related to the environmental aspects, there is an adopted Agro-ecological-climatic measure and organic production (Measure 4) within IPARD III. This measure is mainly focusing on crop rotation and similar practices. Unfortunately, it does not include organic agriculture, so that the organic agriculture subsidies are left to the national envelope. National schemes for organic production are coupled with conventional production (adding a percentage amount on the support in conventional production).

Unfortunately, there is not enough effort in decreasing and preventing food loss, which demands legislative changes first.

7.5. EU approximation process

The Republic of Serbia gained EU candidate status on 1st March 2012 and accession negotiations for the membership of Serbia in the EU were opened officially on 21st January 2014 at the Intergovernmental Conference. The screening process for the negotiating chapters related to agriculture (chapters 11, 12 and 13) was realized in 2014.

In the Screening Report for Chapter 11 (Agriculture and Rural Development), the European Commission has defined two opening benchmarks for this chapter:

1) Serbia submitted to the Commission an action plan, which will serve as a basis for the transposition, implementation and enforcement of the *acquis* in agriculture and rural development;

2) Serbia has submitted the request for entrustment with budget implementation tasks for IPARD II to the Commission, under the provisions of Commission Implementing Regulation 447/2014.

Both opening benchmarks were fulfilled by the Negotiating Group 11; the second opening benchmark was fulfilled in December 2015, by submitting a request for entrustment with budget implementation tasks for IPARD II to the Commission, while the first benchmark was fulfilled at the end of 2018, adopting the Action plan for Chapter 11 by the Government of the RS. Receiving the European Commission's Opening Benchmark Assessment Report (OBAR) is still pending. Nevertheless, drafting a Negotiating Position for Chapter 11 is ongoing.

The negotiations in Chapter 13 (Fisheries) were not conditioned by any opening benchmark and they were opened in June 2018 by presenting the Serbian Negotiating position for Chapter 13.

For the Chapter 12 (Food safety, veterinary and phytosanitary policies), three opening benchmarks have been received:

1) Serbia adopts framework legislation that complies with the *acquis*, enables full transposition of the *acquis* in this chapter and makes provisions for a clear assignment of responsibilities, in particular for food control bodies;

2) Serbia presents to the Commission a comprehensive national strategy, including an action plan with concrete timelines, which will serve as a basis for transposition, implementation, and enforcement of the *acquis* for food safety, veterinary and phytosanitary policy, including plans for the development of the relevant administrative capacities and an estimation of the financial resources required. Particular attention should be given to a detailed action plan as regards the control and eradication of Classical Swine Fever for domestic pigs and wild boars, after vaccination is discontinued;

3) Serbia presents to the Commission a classification of all food establishments and all establishments handling animal by-products based on the *acquis*, which will serve as a basis for a future National Programme for the upgrading of food and animal by-products establishments.

Serbia has made a strategic framework for the harmonization of the national agricultural and rural development policies with the CAP. In that sense, all strategic and programming documents are in line with the Action Plan for Chapter 11, which contains all planned steps, activities and their dynamics toward adjusting the CAP.

Serbia already applies some CAP-like agricultural and rural development schemes, which are partially harmonized with the *acquis*. The main obstacle to faster adjustment to the CAP schemes is a lack of functional Integrated Administrative and Control System (IACS) and LPIS. The farm accountancy data network (FADN) is established and functional, and Serbia has reached the required sample of 2000 agricultural holdings.

In the area of rural development, some CAP-like schemes are implemented – LEADER measure, payment in organic production, support for on-farm investments, etc. However, areas facing natural or other specific constraints (ANCs) are still not defined.

Significant steps in the last few years have taken place through the adoption of several laws or amendments to the existing ones. One of the laws that represents a significant step toward harmonization of the national policy with the *acquis* is The Law on Organisation of Agricultural Products Market transposing the EU Common Market Organization (CMO) regulation in the national legal framework. This Law introduces, among other issues, marketing standards, producer organizations, intervention measures, promotion measures, school schemes, price reporting, etc. The Directorate for Agrarian Payments (DAP) within the MAFWM, is the acting institution as Paying Agency and accredited as an IPARD Agency.

Some progress has been made in the implementation of the IPARD II Programme, but the utilization of funds needs to be improved. Significant progress in the programming period 2021-2027 was made since Serbia is the first candidate country whose IPARD III Programme is adopted by the EC.

Agricultural statistics are harmonized largely with the *acquis*, ensuring data comparable with the EU statistics. The official producer of statistics in the area of agriculture is the Statistical Office of the Republic of Serbia (SORS) and many governmental and state institutions are the administrative source for the data. The MAFWM is the administrative source for some statistical data too (organic production, delivered milk in diaries, pesticide statistics, subsidies payments, FADN data, etc). Based on SORS's and other data, the MAFWM publishes annually the "Green Book" – the report on the situation in agriculture and agricultural markets in the Republic of Serbia in the previous year.

The next Agricultural Census is going to be realized in autumn 2023. A lot of annual surveys are conducted by SORS in the field of crop production, livestock production, fisheries, forestry, environmental protection and other fields. Data are sent to Eurostat regularly, following *acquis* requirements.

7.6. Conclusions and policy recommendations

Serbian agriculture is characterized by an overall slow growth. One of the biggest obstacles is the small farm size structure and lack of cooperative activities. Small farms are not organized in cooperatives and have high production costs, low marketing bargaining power, etc. The second important characteristic is the uneven development of farms throughout the country. While medium-scale and big-scale holdings are dominant in Vojvodina, South and East Serbia are characterized by small-scale holdings. As Serbia has small and fragmented farmlands, competitiveness in most cases cannot be achieved through the economy of scale, but by adding value to products by processing, implementation of quality standards, etc. The path to achieving this goal is in increasing the cooperative activity, knowledge transfer, financial support, etc.

Only 2% of agricultural land is under irrigation, which places Serbia in the last place in Europe. This shows that Serbia has significant potential, which could be used in a wider extent through increasing irrigation infrastructure, increasing production in protected areas (greenhouses) and adding value by on-farm processing. With an orientation on high-value products, Serbia has the potential to improve foreign trade balance and sector profitability.

The policy framework has been significantly improved in the previous decade by the adoption of several key legal and strategic acts, which directed policy development towards harmonization with the CAP. The current policy framework has a strong emphasis on direct support per area and animal, and it still funds rural development measures only modestly. The direct payments (in livestock production particularly) are still dominant in the agricultural policy, but rural development has been supported increasingly in the previous period, aided by the beginning of using IPARD funds.

A slow process in the inspection service reform is evident. Phytosanitary and Veterinarian border inspection as well as the country inspection services are not performing inspection

based on risk analyses, causing inefficient inspection control, a long-time retention at the borders, etc.

The harmonization with the *acquis* in the pre-accession period made some progress. The process of adjustments of domestic agricultural policy to the CAP so far has been insufficiently coordinated. The still low level of usage of IPARD funds is a consequence of insufficient capacities of the paying agency. While on the positive side, it could be mentioned that we observe a slow improvement of IPARD implementation and increase of the IPARD III funds.

It can be concluded that there is a strong need for well-planned structural reforms on the Serbian long path for agricultural sector competitiveness improvement and rural development.

The main bottleneck of the **policy cycle** in Serbia is the lack of transparent data and procedures in implementing agricultural measures. The data registries are often not compatible and not connected, causing obstacles in evaluation, monitoring, and control of policy measures. Lack of cross-compliance between registries and automatization causes long periods for application evaluation, increased labour time, possible mistakes, and non-transparent procedures, which creates real possibilities for the design of measures, and their dynamics to be influenced by politics. Besides the obstacles in agricultural policy implementation, the lack of proper data is a significant shortcoming to the evaluation and design of policy measures. In order to shift to evidence-based agricultural policy among other electronic systems in the application process, LPIS, IACS and compatible cross-compliance registries, clear evaluation and reporting procedures, and transparency are very important.

In terms of the **agricultural policy**, further shifting of the budget structure by decreasing direct payments allowance in favour of the rural development measures is needed. Improvement of the greening policy is another issue. Serbia is implementing just a few greening–like measures. Currently, national schemes for organic production are based on the measures for conventional production (adding a percentage amount on the support in conventional production).

Small dairy processors making dairy products on their own are excluded from the milk premium scheme. Only producers selling milk to dairies are eligible for subsidies. A potential pathway may be the Montenegro example where all small milk processors enrolled in the Registry of small dairy processors are being paid fixed amounts per milking cow. In that sense, a milk premium can be introduced based on milk quality, in contrast to the current practice of having only milk quantity as a criterion.

Geographical indications should be oriented toward EU designation. This is an issue in all Western Balkans, where there is no single product registered within the EU. Individual registration with a national mark is proven to be unsuccessful in all WB countries. The first step is to harmonize national legislation with EU *acquis* and promote EU designation. With this strategy in place, numerous national GIs marks could be replaced with EU ones.

With regard to the **data collection and statistics**, the Farm Register needs improvement: as the main database for the policy implementation, the Farm Register needs to be structured at the most detailed level, with a possibility for data cross-checking and obtaining timely information for decision making. The annual renewal of registration must be mandatory, regardless of whether the parameters of production or the farm status change. Promotion and awareness-raising on the advantages of registration would lead to an increased number of registered holdings.

Other recommendations include development of risk management instruments in agriculture. Serbia is among the last countries in Europe regarding agricultural insurance. Estimation is that only 5% of parcels are insured. Recommended measures are: improvement in hydrometeorological data, coupling subsidies with mandatory insurance of

the subsidy's investments (often successful practice in the EU and the USA), appointing a central organization in charge of collecting the data on agricultural insurance, introduction of new technologies important for area-based insurance and so on.

Serbia is producing a surplus of main staple foods. The main policy instrument regarding food security is the Commodity directorate reserve, which purchases and stores commodity reserves. Recommendations for further improvement of food security are the first for the Commodity directorate reserve to use public warehouses to store state food reserves and to avoid the practice of banning the export of grain and oilseeds to shift policies to increase the purchase of Commodity directorate reserves.

In relation to the crisis and shock, such as Covid-19, it is evident that Serbian agriculture is highly resilient, having delivered in many lines of production better than average results. The recommendation is instead of populistic measures through support to all farmers, to tailor specific measures only for producers negatively influenced by the crisis. For example, in the Covid-19 crisis introduction of compensation schemes for farmers hit by the crisis as small vegetable producers, lamb producers, etc.

7.7. References

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CHAPTER 8. AGRICULTURAL POLICY DEVELOPMENTS IN TÜRKİYE

Ahmet Ali Koç[41] and Ahmet Bayaner[42]

8.1. Agricultural policy framework

The agricultural sector in Türkiye, given its economic and social role in the economy, along with the national goal of enhancing food self-sufficiency and food security, has long been a subject of government support and interventions. The key legal, strategic and planning documents are the Law on agriculture, 11th development plan, Third agricultural and policy council, National Strategy for Agriculture and Rural Development 2019-2023, IPARD 2021-2027, and the National Programme for Agricultural Support Policy. These relevant documents and their objectives on which agricultural policies are developed in recent years are presented in Table 36.

The Agricultural Law, adopted in 2006, sets targets and provides the guidelines to achieve them. The law also defines the new direction of the policies: the principles of implementation; a framework for rural development and environmental support; the financing and administrative structure; and creates the legal basis for certain management systems (such as the Integrated Administrative Control System, Farm Accountancy Data Network) necessary for implementation of the EU acquis.

The Presidency of the Republic of Türkiye prepares development plans in coordination with line ministries. The **Eleventh Development Plan** (2019-2023) delineated the main agricultural policy objective as to develop an efficient agricultural sector that is environmentally, socially and economically sustainable, which is in line with the EU agricultural policies. An adequate and balanced food supply should be provided, advanced technology should be employed and international competitiveness should be strengthened. For this objective, a number of targets and measures are set to be achieved by 2023. Among the targets are increased production of oilseeds and red meat, use of irrigation and land consolidation, pasture reclamation and land management area are some of the targets to be achieved in the plan (Presidency of the Republic of Türkiye, 2019).

The Ministry of Agriculture and Forestry (MoAF) developed a **Strategic Plan for 2019-2023**, which is in line with the 11th Development Plan. The objective of the 2019-2023 Strategic Plan of the Ministry is to increase the welfare of rural people in the rural area, to ensure a stable food supply by increasing the yield and quality in agricultural production. Other subsequent objectives are reducing rural to urban migration, improving access to finance for small farmers and cooperatives, supporting small businesses, decreasing the rural poverty by diversifying alternative income methods such as inland fisheries, handicraft works, agro-based industry and rural tourism including local food culture and local cuisine in rural areas and increasing the number of geographical indications by preserving traditional production methods for local products and local cuisine and strengthening its position in supply chains.

The strategic plan sets seven strategic objectives for the sector. These are: "(1) to increase economic welfare in rural areas, ensuring food supply by increasing yields and quality; (2) to ensure food and feed safety taking into account plant and animal health and animal welfare; (3) to protect aquaculture and fisheries resources; (4) to ensure sustainable management of land and water resources; (5) to efficiently combat climate change, desertification and erosion; (6) to protect biodiversity; and (7) to improve institutional capacity" (MoAF, 2019a).

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Table 36. Key legal, strategic and programming documents in Türkiye

Key documents	Key goal and objectives	Notes/remarks
Law on Agriculture	The law aims to develop and implement the necessary policies to improve the agriculture and rural areas in accordance with the development plans and strategic papers	Adopted Valid from 2006
11th Development Plan	Presents a long-term perspective / vision of "stronger and more prosperous Türkiye that produces more value added and shares more fairly" Agriculture: The main objective is to create an efficient agricultural sector that is environmentally, socially and economically sustainable, internationally competitive with its production structure that considers supply and demand balances as well as adequate and balanced nutrition of the people	Adopted Valid for the period 2019-2023
National Rural Development Strategy (NRDS) 2019-2023	NRDS aims to determine correctly the development dynamics of rural areas that fall relatively behind the national welfare level and to mobilize the economic and human resource potential in these areas within the framework of the determined strategies.	Adopted Valid for the period 2019- 2023
3rd Agriculture and Forestry Council	The aim is to develop plans for the sector. Actions to be taken: i) Agricultural production and supply security, ii) Food safety, iii) Rural development and marketing, iv) Fisheries and aquaculture, v) Soil and water resources, vi) Biological diversity and climate change, vii) Forest, and viii) Institutional capacity.	Adopted Valid until 2024
IPARD - 2021-2027	IPARD III aims to improve the rural vitality to invest in agriculture and related areas.	Adopted Valid for the period 2021-2027
National Programme for Agricultural Support Policy	Annual Presidency Decision aims to increase the competitive capacity of the sector, productivity and quality, develop new technology with national recourse, protect the genetic resources, apply environmentally friendly agricultural practices and to boost the efficiency of the agricultural policies to ensure the agricultural production and supply security.	Adopted 2020 and 2021 for fertilizer and certified seed use
Agricultural Drought Strategy and Action Plan 2018-2022	Aims to develop a capable institutional structure and to make the agricultural sector more resilient to drought.	For the period of 2018-2020

Source: Author's elaboration.

The **Agriculture and Forestry Council** gathered in November 2019 with the attendants of stakeholders in the agriculture and forestry sectors to develop plans for the sector. As a result, 38 action plans were established within the scope of the Council's meeting, covering topics such as: agricultural production and supply security, food safety, rural development and marketing, fisheries and aquaculture, soil and water resources, biological diversity and climate change, forest, and institutional capacity. The Council specifically addresses that agricultural policies will be designed using a holistic approach by taking into account the principles of the sustainability for at least five-year period based on the development plans (MoAF, 2019b).

A National Programme for Agricultural Support Policy is announced each year as a Presidency Decision. The programme for 2020 aims to increase the competitive capacity of the sector, productivity and quality, develop new technology with national recourse, protect the genetic resources, apply environmentally friendly agricultural practices and to boost the efficiency of the agricultural policies to ensure the agricultural production and

supply security. This decision also covers payments for the fertilizer and certified seed use in 2021. Basically, the policies do not change dramatically from year to year.

An important initiative approved to combat agricultural drought is the Agricultural Drought Strategy and Action Plan 2018-2022. The main pillars of the Action Plan are developing a capable institutional structure and making the agricultural sector more resilient to drought. Activities in the Action Plan are grouped under five categories: (i) drought risk estimation and crisis management; (ii) ensuring a sustainable water supply; (iii) effective management of agricultural water demand; (iv) increasing support to R&D activities, training and extension services; and (v) institutional capacity building (OECD, 2020).

The **National Rural Development Strategy 2014-2020** was adopted in 2014 to develop the EU Instrument for Pre-Accession Assistance Rural Development (IPARD-II). Strategic objectives are improving the rural economy and increasing employment opportunities, improving the rural environment and ensuring the sustainability of natural resources, developing social and physical infrastructure of rural settlements, developing human and social capital of rural society, reducing poverty and building institutional capacity for local and rural development (MoAF, 2014). It includes rural development projects requiring co-financing of beneficiaries, with the aim of mobilizing private sector resources. Public investments to improve agricultural infrastructure are targeted to boost agricultural production and increase the competitiveness of the sector.

Turkish Ministry of Agriculture and Forestry declared the new **National Rural Development Strategy (NRDS) 2021-2023.** The strategic framework is built on five main strategic objectives called "pillars", each of which consists of measures for a focus area. The five objectives are: (1) rural economy, (2) rural environment, (3) rural settlements, (4) rural community and (5) capacity for local-rural development. A multi-responsibility approach is adopted, differing according to the measures. The existing and new enterprises are to be covered for the modernization of agricultural and non-agricultural enterprises. The main objectives continue the previous strategy, to increase the employability of producer associations and family enterprises with the understanding of sustainable rural development, to improve the quality of life, to reduce poverty, to increase the welfare level of the rural community by providing regular and adequate income opportunities, to ensure, develop and sustain the living of the population in the rural area. The sub-objectives of the NRDP are to-evaluate the agricultural and non-agricultural economic activities for the growth of the rural economy, to protect the rural environment and natural resources, to increase the efficient use of resources by moving to a clean, circular economy, restoring biodiversity, and reducing pollution following the framework of the EU Green Deal, to carry out infrastructure investments, to strengthen human and social capital and enable social policy practices within the scope of poverty reduction, to develop the innovative practices that consider the settlement pattern and demographic structure of rural areas, and the local administration structure in the provision of public services, and to protect the rural pattern and development of local solutions (MoAF, 2021a). The policies are to determine, monitor and fulfil the investment and service needs for social and physical infrastructure, housing and resettlement works of rural settlements, to develop farmer-based and environmentally oriented programming of rural development supports, to develop institutional and local capacity for rural development in order to raise living standards in the rural area, positive discrimination towards women, young farmers, etc., ensuring that producer organizations are leading institutions in social solidarity, cooperation, education, and finance, to maintain the poverty alleviation activities in the villages with the focus on production and employment, to preserve the rural heritage and protecting natural and cultural assets to ensure the sustainability of rural production and lifestyles, and to record the rural statistics for strengthening the data-based rural policy approach (MoAF, 2021a).

MoAF provides project-based grants, also called **grant support programme**, for investment aimed at increasing the competitiveness of agriculture and strengthening the local economy under the rural development programme under NRDP. Grants are provided for the activities where there is a public interest and the beneficiary co-finances the

investment. Projects including one or more rural development measures are implemented by central/local institutions at the regional/provincial level or in cooperation with both. The European Union Rural Development Programme to finance Türkiye's harmonization process is taken as a model (MoAF, 2021a).

An important instrument for rural development supported by the EU is the new **IPARD-III Programme** covering the 2021-2027 period. The IPARD Programme includes investments in primary production, processing and marketing enterprises, diversification, crafts and local product enterprises, aquaculture, rural tourism and recreational activities; machinery parks and renewable energy, implementations for agriculture, environment, climate, organic agriculture, local development strategies projects (LEADER), rural infrastructure, development of education, technical assistance, and advisory services (MoAF, 2021a).

Türkiye carries out several projects in implementing intelligent agricultural applications, global positioning systems, data recording and imaging systems, geographical information systems, mapping and software, and remote sensing systems. Under MoAF coordination, several national data sets and the digital services established and used for improving agricultural service. MoAF employs technologies and decision support systems, technological agricultural applications, agricultural information systems, registration and database systems for Industry 4.0 (MoAF, 2021b).

These systems also support product verification and tracking, national research programmes, map and satellite imagery production, and other key Ministry operations. Türkiye will thus continue the improvement of those data sets and establishing needed ones for the benefit of all stakeholders along the value chain, increasing efficiency, equitability, and profitability of food systems while simultaneously reducing the environmental impact.

An overview of the institutional and administrative policy framework including the key role and responsibilities in the agriculture and rural development, their human and other capacity, and challenges is given in Table 37. There are three key institutions and administrative bodies responsible for the development and implementing the agricultural policies. These are the Ministry of Agriculture and Forestry; Agricultural and Rural Development Support Institute; and the Provincial Directorates (81) (National Extension System). These institutions are well-staffed. However, the capacity of policy impact analysis and evidence-based policy development, and monitoring and evaluation system for key performance indicators should be improved.

The Supreme Council of Science and Technology of Türkiye (BTYK) is the highest-level science and R&I policy making body at the political level. The National Science, Technology and Innovation Strategy was launched in 2011, identifying the national R&I strategy. Various strategic documents have been prepared in different thematic R&I fields such as energy, water and food following the national strategy[43].

[43] European Commission / Smart Specialisation Platform / S3 Beyond EU / EU Enlargement / Turkey (EC, 2022).

Table 37. Overview of the institutional and administrative policy framework in Türkiye

Key institutions and administrative bodies	Key role and responsibilities in Ag. and RD policy	Human capacities and competences	Other capacities	Other challenges for the institution
Ministry of Agricultur and Forestry	Responsible for policy creation and coordination, and supervision of its implementation	Well-staffed. Capacity of policy impact analysis and evidence-based policy development	Not needed	Monitoring and evaluation system for key performance indicators
Agricultural and Rural Development Support Institute	Responsible for the implementation of the rural development programme and IPARD	Well-staffed. Capacity of policy impact analysis and evidence-based policy development	Not needed	Monitoring and evaluation system for key performance indicators
Provincial Directorates (81) (National Extension System)	Responsible for the implementation of the policies in the field	Well-staffed. Capacity of policy impact analysis and evidence-based policy development	Not needed	Monitoring and evaluation system for key performance indicators

Source: Author's elaboration.

8.2. Measures and budgetary support of agriculture and rural development

While the agricultural budget in Türkiye has steadily been increasing in terms of the Turkish Lira, its share in GDP has significantly declined from 0.56% in 2012 to 0.40% in 2021. However, the budget has also been decreasing in terms of EUR since 2016. The budget was EUR 2.65 billion in 2021. The GDP share of the agricultural budget has been exhibited a declining trend, being about 0.56–0.40% during the last decade. Approximately average 2.2% (highest in 2012 with 2.45%, and lowest in 2021 with 1.8%) of the total government budget has been allocated to agriculture during last ten years' horizon. The largest proportion of agricultural payments go to market and direct producer support measures. The proportion going to structural and rural development measures has varied between 8% and 21% in the last ten years (Figure 45).

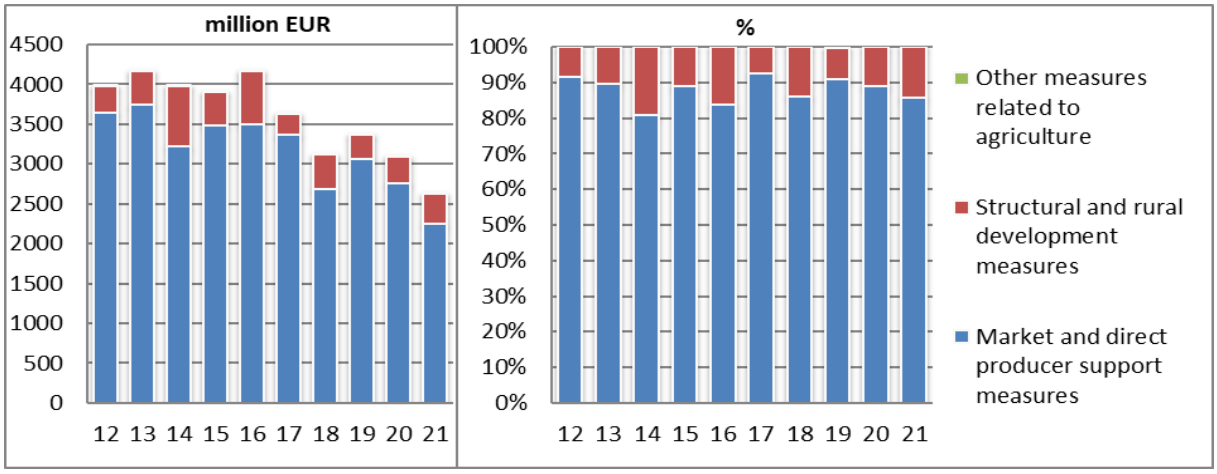

Figure 45. Total budgetary transfers to agriculture in Türkiye, in million EUR and %, 2012-2021
Source: TR APMC database (2022).

Market and producer support mechanisms have two components: direct support and input subsidies. Direct payments account for about 47% of the total market and direct producer support measures. Input subsidies making up of 44% of the total payments. Disaster and other compensation payments and market support payments account for about 9% of the total payments (Figure 46).

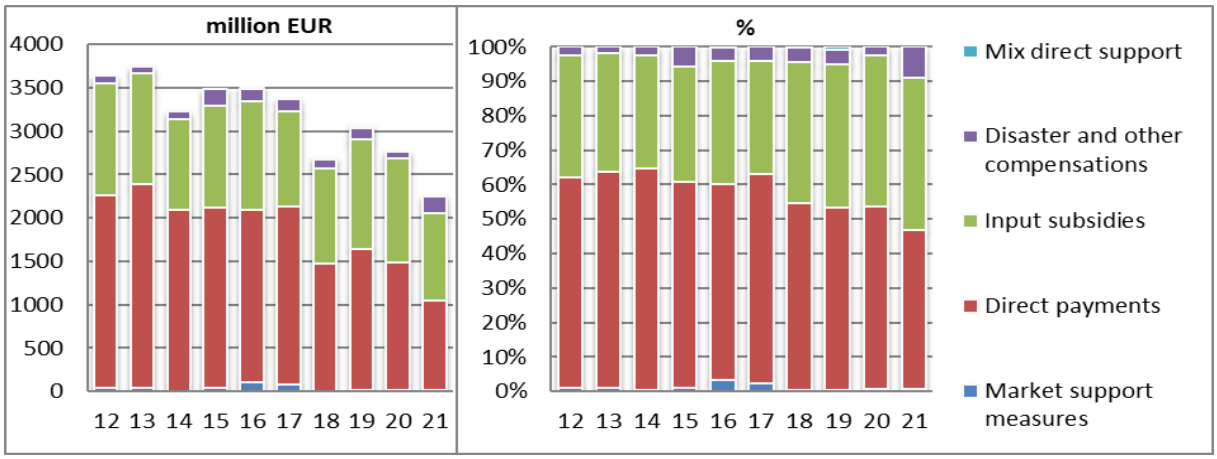

Figure 46. Market and direct producer support measures in Türkiye, in million EUR and %, 2012-2021
Source: TR APMC database (2022).

Agricultural policy implementations in Türkiye can be found in the Presidential decision (RG, 2020). Deficiency payments, named as "premium payments" are generally directed for 17 different agricultural products for which self-sufficiency rates are low and import dependency is high. These products are sunflower, rapeseed, maize, rice, cotton, soybeans, wheat, barley, oats, rye, triticale, safflower, olive oil, paddy, dry beans, chickpeas, lentils, soybean, olive tree and fresh tea. Support is provided to the products based on 945 basins determined according to the most suitable ecological and economical crops with high yield and quality.

There are several different rationales for the production linked area-based payments. Payments are directed to hazelnut producers based on production area. Area payments are also given to farmers for producing fodder crops, organic farming, using good agricultural practices, certified seeds and certified saplings and for the rehabilitation of olive groves. Farmers registered under the National Farmer Registration System (NFRS) also receive non-decoupled area-based payment for so-called "diesel payment" and a "fertilizer payment" separately.

Payments are granted to animal producers and breeders in about 30 different areas. Some of the areas are breed heifers, nomad sheep and goat producers, disease free regions, milk marketed through cold chain, genetic resources, livestock keeping and seldom milk processing. In addition, beekeeping and honey producers, fisheries also receive support payment. Animal supports also include payment for calf, vaccine and earing, angora, livestock fattening, milk powder, shepherd, purchasing breed animal, silkworm, artificial insemination, buffalo purchase and livestock investment.

Producers receive payments for soil testing and analyses, a prerequisite for fertilizer payments being that tests have to be carried out by authorized laboratories. Organic and organomineral fertilizer use are supported to reduce the use of chemical fertilizers, improve the soil structure, increase productivity and water holding capacity of the soil. Farmers are also paid for field levelling, drainage, soil improvement and protection and land consolidation to improve farm production capacity.

Farmers are promoted to use biological and biotechnical practices to reduce the chemical use and residues. Plant loses due to quarantine measurements are compensated. Electricity used in agriculture is subsidized. Payments are granted for the rehabilitation of the traditional olive orchards. Türkiye has invested in farming activities conducted by small

holders. Fresh fruit and vegetable production, floriculture and aromatic plant producers under 0.5 hectares, except for tea and hazelnut producers, receive small scale farm business payment.

Producers received payment for the production of alternative crops where potato production is prohibited due to the potato scabby developed from the long production of the plant on the same field. This was not applied in 2021.

The Ministry of Agriculture and Forestry developed a Law on agricultural insurance in 2005, with the aim to determine the procedures and principles regarding the implementation of agricultural insurance in order to compensate farmers for losses occurring due to the risks set out in the Law. Agricultural insurance covered the hail risk first. It has been extended to cover other risks in agriculture such as frost, drought and flood. Part of the premiums paid by farmers is subsidized. State-supported agricultural insurance (TARSİM) is a public-private partnership initiative. The state pays between 50% to 67% of the total insurance premium of the farmers. Coverage of support to agricultural insurance has increasingly been extended to include more products and types of risks. In 2018, coverage had initially been extended to production losses of barley, rye, oats and triticale and covering risks related to drought, frost, hot winds, heat waves, excess moisture and excessive precipitation. It was further extended to chickpeas, red lentils and green lentils in 2019. Starting from 2021, coverage includes heat damage to oranges, tangerines, grapefruit, lemons and grapes, rain damage to cotton during the harvest period, bird damage to sunflower and several new crops. In 2021, more than 2 million agricultural insurance policies were issued (Tarsim, 2022).

Agricultural enterprises and farmers benefit from interest rate concessions and concessional loans that the Bank of Agriculture (Ziraat Bank, TCZB) and Agricultural Credit Co-operatives (ACC) provide. Interest rate concessions vary by irrigation, livestock breeding, organic agriculture and users of good farming practices.

About 55% of the payments under the umbrella of structural and rural development measures are paid for competitiveness measures. Rural economy and rural population measures receive about 35–50 % of the payment on average. Environmental and societal services account for about 6 % of total payments, on average (Figure 47). These transfers include IPARD payments.

Those who are living or committing to live in rural areas graduated from the related departments of agriculture, animal husbandry, forestry, food and aquaculture education are granted for rearing animals and aquaculture, producing crops, local agricultural products, medicinal and aromatic plant and storage and processing of these products for the period of 2019-2024. Farmers also receive grants for the establishment of modern irrigation techniques.

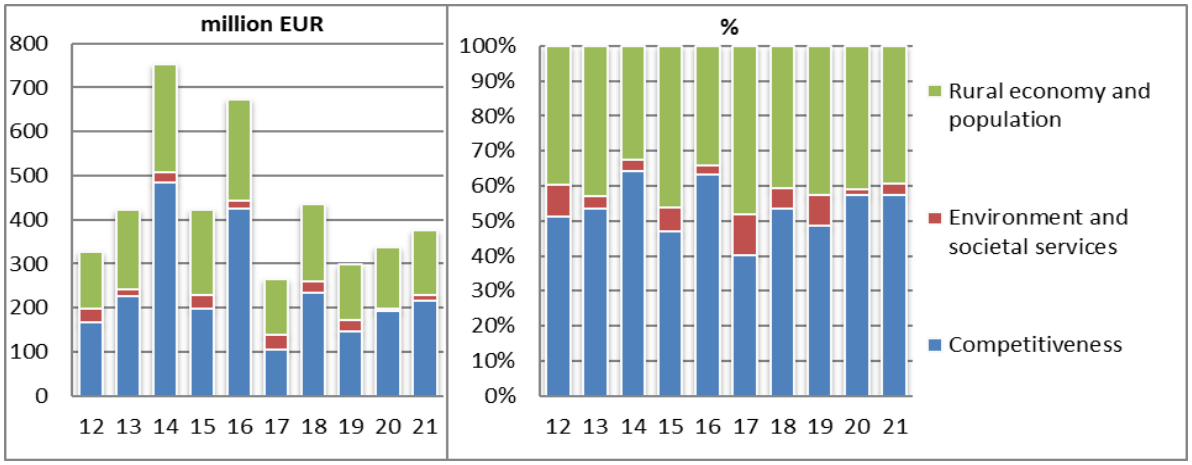

Figure 47. Structural and rural development measures in Türkiye, in million EUR and %, 2012-2021
Source: TR APMC database (2022).

The Turkish agricultural policy can be defined as open market economy with certain agricultural protection. As of 2010, agricultural tariffs continued, export subsidies were implemented, deficiency payments were differentiated according to 30 agricultural basins throughout the country and infrastructural investment were increased (OECD, 2021). Export subsidies are applied to 14 commodity groups, out of the 19 groups eligible under Türkiye's WTO commitments. This included processed fruit and vegetables, poultry meat and eggs. Export subsidies are granted in the form of reductions of the exporters' debts to public corporations (for example, for taxes, and telecommunications or energy costs). Production quotas are applied at the farm level for sugar beet (OECD, 2020).

New policy measures introduced are presented in Table 3. Türkiye experienced a season of drought in 2021. Due to this drought, farmers incurred income losses. Producers are granted drought payments for the crop losses in 2021 to compensate income losses. Additional payments for fertilizer were made due to increase in input prices in 2021. The Crop Production Improvement Project implemented to ease the Covid-19 consequences can be considered as a major success. This project aimed at accelerating, planting in 24 provinces, at least preventing the crop losses. As a result, crop production increased in cereals.

Table 38. Major new policy instruments/measures introduced in Türkiye in 2020 and 2021

Instrument/ programme	New measure and policy significance	Year of introduction
Drought payment	To compensate the income loss of farmers due to the drought in 2021	2021
Additional payment for the fertilizer	To compensate the cost increase due to the increase in input price for wheat, barley, oat, rye and triticale	2021

Source: MoAF, (2021d).

The IPARD Programmes, implemented since 2014, are developed within the framework of the EU integration process. Programmes are implemented through annual programmes (MoAF, 2021a). The measures, funds and number of applications in IPARD 2014-2020 are presented in Table 39. A total of EUR 491.8 million were paid to 5 824 applications approved during this period.

Table 39. Overview of the measures, funds and number of applications in IPARD 2014-2020 in Türkiye

Indicator[1]	M1	M3	M4	M5	M7	M9	Total
No. of project applications	1 241	665	92	n.a.	4 660	32	6 690
No. of approved project applications	901	591	92	50	4 158	32	5 824
Total approved funds (mill. EUR)	164.09	132.81	2.13	13.01	178.94	0.84	491.81
- National contribution (mill. EUR)	41.02	33.20	0.32	1.30	44.74	0.13	120.70
- EU part (mill. EUR)	123.07	99.61	1.81	11.71	134.20	0.71	371.10

Source: MoAF, 2015.

8.3. Covid-19 interventions in policy and implications

The global health crisis, i.e., the Covid-19 pandemic had devastating impacts on the world economy. These impacts were also felt by the food and agriculture sector. A Working Group and a Scientific Board were established within the Ministry of Agriculture and Forestry to carry out monitoring and evaluation studies of Covid-19 and coordinate the implementation of the measures to ease the effect of the pandemic. Türkiye's Ministry of Agriculture and Forestry announced several measures to cope with the Covid-19 outbreak on 29 March 2020. These measures were for seasonal workers, payments deadline extension, actions for accelerating planting, opening state land for cultivation and export restriction.

Seasonal workers continued to work. Agricultural workers were provided with hygiene and personal protection products. They were allowed to travel to agricultural areas to continue agricultural activities. Housing and transportation of seasonal workers were regulated. Untreated domestic or urban wastewater were not used for irrigation due to the potential contamination by Covid-19. A guidance document on reuse applications of wastewater was released. Measures were taken for access to agricultural inputs to prevent problems in distribution (OECD, 2021).

Application deadlines for payments were extended in some cases. Deadlines for crop production supports for cereals, legumes oilseeds and olives, good agricultural practices and organic agriculture were extended to the second quarter of 2020. Principal and interest payments of the producers on concessional loans were postponed by six months in April 2020. Interest-free loans were granted to food enterprises and small farmers. Tax payments of the food enterprises due between April and June were postponed. Moreover, some payments are made in advance to ease the burden brought by the (MoAF, 2020).

Actions were also taken to accelerate planting. The "Crop Production Improvement Project" was developed to apply in 24 provinces suitable for additional summer planting to improve food security. 75% of seed costs were provided as a grant. The project aimed to increase the yield, quantity and quality of crop production.

State lands not currently in use and suitable for agricultural activities were progressively opened for agricultural production. A pilot project was initiated to allow non-cultivated state lands to be used by farmers. Total 970 hectares of state land were to be planted to cereals, legumes, oilseeds and feed crops in the first stage of this project.

Lemon export was restricted due to rising domestic demand during the pandemic between early April 2020 and the end of August 2020 (OECD, 2020). Tariff rates were reduced to zero for 100 thousand tons of paddy rice until the end of May 2020.

8.4. Greener policy instruments and measures linked to climate change, biodiversity loss and management of natural resources

The Ministry of Trade prepared the Green Deal Action Plan of Türkiye. It is a roadmap aiming to support green transformation in all relevant policy areas. The action plan mainly aims to establish Türkiye's compliance with the European Green Deal in order to contribute to Türkiye's transition to a more sustainable, resource-efficient and green economy. The Action Plan determined goals as follows: 1. Limiting carbon emissions, 2. A green and circular economy, 3. green financing, 4. A clean, economic and safe energy supply, 5. Sustainable agriculture 6. Sustainable smart travels, 7. Combatting against climate change 8. Establishing diplomacy principles and 9. Raising awareness regarding the European Green Deal. The Action Plan covers 32 targets and 81 actions to be taken (MoT, 2021).

Türkiye is a signatory to the Paris agreement. Agriculture represents 7.3% of total greenhouse gas (GHG) emissions in the country. Türkiye's Nationally Determined Contributions (NDCs) to the 2016 Paris Agreement aims to reduce emissions by up to 21% compared with business-as-usual projections by 2030. There are no specific targets for agriculture and no current policies designed exclusively to reduce emissions from agriculture. However, in its Nationally Determined Contributions (NDCs), Türkiye proposes to reduce agricultural emissions through fuel savings resulting from consolidation of agricultural land, rehabilitation of grazing lands, controlling fertilizer use, implementation of modern farming practices and encouraging use of minimum tillage farming techniques (OECD, 2021).

Land consolidation has long been implemented in Türkiye. The Ministry of Agriculture and Forestry developed a monitoring system in which the priorities are identifying agricultural areas sensitive to erosion and applying erosion control methods more effectively in these areas, efficient use of renewable energy, reducing erosion by extending methods such as terracing and planting, updating the national basic soil maps and accordingly preparation and follow up of land use and production plans, establishment and support of production stations for fauna (MoAF, 2021b).

A number of regulations aim to control water and soil pollution and provide protection to wetlands. Land conservation payments are designed to maintain land quality and ensure sustainability of natural resources in agricultural lands. The government plays a major role in providing infrastructure investment, especially for irrigation, including within the South-Eastern Anatolia and Konya Plain Projects.

Approximately 74% of the water potential is used in agriculture in Türkiye. Saving water in the sector is one of the most important priority policies for the effective, efficient use and sustainable and resilient management of water resources, by considering the balance of protection and use. The Action Plan for the Programme on Enhancing Efficiency of Water Use in Agriculture was introduced in 2015 in accordance with the Water Council, with the aim to decrease the use of underground water and increase the use of water-saving irrigation technologies. Priorities of the Action Plan were to modernize irrigation infrastructure, extend water saving practice, reduce agricultural water pollution, revise support policies based on water scarcity and improving the governance of water policies, take measures to prevent water loss and waste and raising awareness on optimum water use in target groups, promote efficient use of water sources including ground water and preventing water pollution, and calculating the water footprint for agricultural products, expand the irrigation of economically irrigable lands with modern irrigation methods, provide remote control and automation of irrigation facilities with digital technologies (MoAF, 2021c). The 11th National Development Plan (2019-2023) aims to accelerate institutional arrangements, increase water use efficiency, and expand investments in irrigation infrastructure. The National Water Plan's (2019-2023) main aims are to ensure efficient, rational, and sustainable use of existing water resources and find new water resources (MoAF, 2019c).

Türkiye developed pressurized closed-system modern irrigation projects which are the most effective way of saving water used in agriculture. Türkiye will continue to invest in modern irrigation techniques through rural development.

Water management affects the environment, among other things. Therefore, the damage caused by the climate change has to be seriously addressed and water management systems should be adapted to new conditions. Sectoral Water Allocation Plans (SWAPs) are prepared to ensure the sharing of water resources at basin and sub-basin level by considering climate change such as the drought conditions. SWAPs are a scenario-based evaluation of water resources that considers the usable water potential, the needs of each sector and the economic outputs of water use of the sectors under the changing socio-economic and environmental indicators. In SWAPs; Projections of the water demand for the agriculture are calculated depending on the crop pattern, irrigation efficiency and irrigation areas. SWAPs identify optimized crop patterns that would minimize the water deficit during drought periods (MoAF, 2021b).

The Higher Planning Council of Türkiye approved the National Climate Change Strategy: 2014-2023 (NCCS) in May 3rd 2010. The vision given in the strategy document is to fully integrate climate change-related objectives into its development policies, disseminate energy efficiency, increase the use of clean and renewable energy resources, actively participate in the efforts for tackling climate change within its "special circumstances", and providing its citizens with a high quality of life and welfare with low carbon intensity (MoECC, 2012).

In Türkiye, the Agricultural Land Conservation Programme for Environmental Purposes (CATAK) has been implemented since 2006 in the areas where there is erosion, soil and water pollution, degradation of the nature to protect the water quality, to sustain renewable resources, to avoid erosion and to counter the problems in the crop production. The number of provinces where Agricultural Land Conservation Programme for Environmental Purposes reached 58 provinces in 2019. The implementation area covered a total of 721 443 ha. 188 661 farmers have benefited from the programme so far. Projects are financed on three-year bases. A new project has not been accepted since 2018 (MoAF, 2021c).

Under the track of Boost Nature Positive Production at Sufficient Scale, the strategies related to the green deal action plan are as follows: continuing evaluation studies for a national carbon pricing mechanism, development of green transformation of industry and circular economy in our country, integrated pollution prevention and control studies within the scope of sustainable consumption and production, improving the sustainable use of water in production and consumption and improvement of the reuse of waste water, reducing the use of pesticides and anti-microbials, improvement of organic agriculture, reducing the use of chemical fertilizers, land consolidation activities, increasing the use of renewable energy in agriculture, improving waste and residue management in agricultural production, raising awareness on the EU farm-to-fork strategy and biodiversity strategies, evaluation of the effects of climate change on terrestrial and marine areas and specific water resources through ecosystem-based approaches and practices (MoAF, 2021b).

8.5. EU approximation process

Within the framework of the Accession Partnership Document and National Programme Priorities, harmonization of the national legislation with the EU *acquis*, the progress achieved in the fulfilment of opening and closing benchmarks, planned activities in the coming period regarding Chapters 11, 12 and 13 are discussed in the Sub-Committee

meetings. The Sub-Committee on Agriculture and Fisheries is established based on Decision 3/2000 of TR-EC Association Council on 11 April 2000[44].

Six opening benchmarks were introduced in the EU Presidency letter dated 24 January 2007. As one of the preconditions for the opening of this Chapter to negotiations, Türkiye is required to ensure full and non-discriminatory implementation of the Additional Protocol to the Association Agreement. In addition to that, five technical benchmarks were laid down by the Council on 17 June 2008. These are (MoFA, 2021):

1. Türkiye establishes an IPARD Agency (Instrument for Pre-Accession Assistance in Rural Development) accredited in compliance with EU requirements.

2. Türkiye presents to the Commission a strategy to reverse the tendency of recent years of increasing importance of coupled direct support payments and price support measures in the agriculture budget, in favour of decoupled direct support in line with the current trend of the Common Agricultural Policy. This strategy should also include steps towards the alignment of public support for state economic enterprises with EU state aid rules, as well as the respect by such enterprises of the EU rules on transparency.

3. Türkiye presents to the Commission a detailed strategy referring also to sensitive products such as cereals, sugar, milk, livestock, fruit and vegetables (including targets, deadlines, responsible authority and cost estimates) to ensure sound and reliable statistical information about agriculture and rural development, in order to reach a satisfactory level to start negotiations.

4. Türkiye presents to the Commission a strategy on how it intends to further develop the system of land identification and the National Farmer Registration System to prepare for controls on agricultural land.

5. Türkiye lifts restrictions on trade in beef meat, live bovine animals and derivate products".

Within the context of the benchmarks mentioned above as well as IPARD tool, Türkiye conducted studies for harmonization with the *acquis* regarding the common market organization, agricultural support system, organic farming, rural development agricultural statistics and geographical indications. Some of the projects carried out and completed in this respect within the period of IPA I (2007-2013) and IPA II (2014-2020) are as follows: (1) development of organic agriculture and legal alignment to the EU (new changes in EU organic agricultural legislation is to be harmonized yet); (2) technical assistance in several areas such as, IACS and LPIS, agriculture and rural development support institution in the accreditation, strengthening the institutional capacity of the strategy, national fund in preparation for IPARD, capacity building, common agricultural policies and farm advisory system (IACS and LPIS have not yet been implemented nationwide, but technical infrastructure is fully established); 3) preparation of implementation of the EU Common Agricultural Policy (technical reports are prepared on how to align to CAP/CMO), sectoral analysis report for certain agricultural products (prepared) and implementation of environment and countryside measures under IPARD (are taken into account); (4) establishment of a Rural Development Paying Agency (legislation has put into force in 2007, however there is not yet an institution assigned) and a pilot Turkish Farm Accountancy Data Network (has been carried out); (5) strengthening the statistical capacity of the MoAF; (6) harmonization of cross compliance rules (partially implement, because agricultural policies has not aligned); (7) Support for the implementation of leader measure under IPARD (recently initiated).

Although Türkiye has not been informed about the opening benchmarks and the Chapter has not been opened to negotiations yet, studies for development of institutional capacity

[44] Directorate for EU affairs / Department of Sectoral Policies / Chapter 11: Agriculture and Rural Development, (MoFA, 2022a).

and alignment with the EU *acquis* have been carried out under the leadership of the Ministry of Agriculture and Forestry (MoFA, 2022b). Legal arrangements to be accomplished are given in Table 40. An elaboration of Türkiye's EU accession is also given in Koç and Bayaner (2021).

Table 40. Legal arrangements concerning the EU approximation in Türkiye

Measure envisaged	Objective
By-law on the Integrated Administration and Control System	Establishing an Integrated Administration and Control System, which shall ensure the management and control of farmer applications for various support schemes to be provided within the scope of EU's Common Agricultural Policy, and determining the cross-compliance rules
Amending the Law No.1163 on Cooperatives (OG: 10.05.1969/13195, Law No.5200 on Agricultural Producers Unions (OG:06.07.2004/ 25514, and the Law No.5957 on the Regulation of the rules and procedures of the commerce of fruits and vegetables and other goods to be determined according to their supply and demand (OG:26.03.2010/275 33)	Developing an organizational structure and function in line with the EU for agricultural producer organizations in Türkiye through amending existing laws or making a new legal arrangement; and establishing a system in line with the EU for the recognition of the producer organizations by the competent public authority in this respect
Strategy on Agricultural Supports	Fulfilling the second opening benchmark of the Chapter by finalizing and presenting to the Commission the draft Strategy on Agricultural Supports drafted within the scope of ESEI project on "Capacity Building and Support to the Preparation of a Regulatory Impact Assessment (RIA) for Decoupled Agricultural Support" conducted under the 2013 Financial Cooperation Programme
Establishing Farm Advisory System (FAS) in Türkiye	Aligning the farm advisory system in Türkiye with EU standards
Extending the "Implementation of Local Development Strategies – the LEADER approach" measure under rural development programmes	Improving cooperation among local actors involved in rural development under the umbrella of the Local Action Groups and strengthening local capacity for identifying development priority areas and targets by local actors
Extending the implementation of agri-environment measures under rural development programmes	Extending the implementation of the measures by completing preparatory work related to water protection, biodiversity, organic farming, as well as ground cover management and soil erosion control, currently implemented as pilot sub-measures under the IPARD Programme Increasing environmental supports for the extension of the measures to mitigate the adverse impact of agricultural activities on soil and water resources
Preparing a strategy, which provides for law amendment to align the Producers Unions established pursuant to the Law No. 5553 with the European Union System and covers arrangements needed within this scope	Developing an organizational structure and function in line with the EU for agricultural producer organizations in Türkiye, through amending existing laws or making a new legal arrangement; and establishing a system in line with the EU for the recognition of the producer organizations by the competent public authority
Preparing a strategy paper for the fisheries management	Aligning with the EU Common Fisheries Policy (CFP

Source: MoFA, 2021. Ministry of Foreign Affairs.

Türkiye reached some level of preparation in the area of agriculture and rural development in 2021. There was however some backsliding with respect to the recommendations from 2020. There is still no strategy for producing agricultural statistics. Türkiye is moving away from the principles of the common agricultural policy's and imports of agricultural products from the EU is restricted. Some progress has been made in the area of food safety,

veterinary and phytosanitary policy. The progress concerning the implementation of animal identification and registration was limited. Food establishments do not yet meet relevant EU standards. Good progress was made in implementation of the fisheries law, resources and fleet management, and inspection and control (EU, 2021).

8.6. Conclusions and policy recommendations

Türkiye's economy has gone through a period of macroeconomic uncertainty due to a depreciation of the Turkish Lira since mid-2017 causing a high inflation in 2021 on and decreased investment. Inflation expectation has been high for the entire year of 2022. Stimulus actions by the government in response to pandemic and the slow-down of the resulted a positive GDP growth although very low. GDP growth rate was 11% in 2021 due to a base effect.

The objectives of the policies were clearly stated and defined in policy and policy related papers of the government. There are several policy-related regulations and strategic documents on which the design and implementation of the policies are based. Some of the regulations are the Law on agriculture, organic farming, agricultural producer unions, protection of plant breeder's rights for new plant varieties, agricultural insurances, soil protection and land use and seed. In addition, there are several other strategic documents related to different aspects of the agriculture in general and the policies. These are development plans, ministry strategic plan and strategic action plan, rural development strategic plan, agriculture and forestry council, water action plan, climate action plan, green deal paper and EU harmonization paper.

Regulations and strategic papers set a target for the year 2023 which is the 100th anniversary of the Turkish Republic. Most of the past policies are consistent with the objectives of the development plans. However, legal arrangements, strategic plans and action plans have lots of strategies and targets, most of which takes time to accomplish.

A National Programme for Agricultural Support Policy is announced each year as a Presidency Decision. The programme for 2020 is basically the same as the one announced in 2019. Policies do not change much from year to year. The areas of support do not change much however the amounts of payments increase in nominal terms.

Although there are several policy documents and papers, a needs assessment for support policy development is still required, based on the current situation of agriculture and farm holdings. Areas of intervention, improvement, required legal arrangements and competitiveness can be determined and policy should be developed to close the gap. Payment or incentives should be directed to main problem areas instead of dividing it to so many different purposes. The EU policy frame can be a reasonable guide for this, too.

Several measures to cope with Covid-19 outbreak were announced on 29 March 2020 to ensure agricultural production. Among the measures are free movements of the workers, informing the workers about the measures, access to agricultural inputs to prevent problems in distribution, opening the suitable state lands for additional summer planting. Due to the measures taken and the nature of agricultural production in Türkiye, the food crisis worldwide was not felt drastically in Türkiye.

Türkiye prepared a Green Deal Action Plan, a roadmap of support green transformation in all relevant policy areas. It mainly aims to establish Türkiye's compliance with the European Green Deal with an expectation that Türkiye's transition to a more sustainable, resource-efficient and green economy is guaranteed. Türkiye is a signatory to the Paris agreement and developed necessary regulations to comply with it.

EU introduced six opening benchmarks on 24 January 2007. Türkiye is required to ensure full and non-discriminatory implementation of the Additional Protocol to the Association Agreement. Additionally, five technical benchmarks were laid down by the Council in 2008. Türkiye reached some level of preparation concerning the agriculture and rural

development. However, there was backsliding such as its agricultural policy diverged from the main principles of the EU common agricultural policy.

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