

Review

Agri-environmental Climate Measures in the Serbian Agricultural Policy in Relation to the Common Agricultural Policy

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Abstract: The agriculture and food production sectors are of great importance for the economy of every country, especially for the member states of the European Union (EU). The European Union started implementing the Common Agricultural Policy (CAP) in 1962. In order to solve the problems and adapt the agricultural policy to the needs of each member country, in the course of years, there have been numerous Common Agricultural Policy reforms. The new EU's agricultural policy emphasizes the multi functionality of agriculture and integrates the environmental component in the form of the environmental management that encourages the sustainable "green agriculture" and the implementation of environmental measures. On the other hand, the process of integration to the EU require from potential member states to pursue the necessary political, institutional, legal, administrative, social and economic reforms required to comply with EU values, progressively aligning with EU rules, standards, policies and practices. For the Republic of Serbia, this issue is extremely important as it should gradually harmonize its agricultural and rural policy with the CAP, in the viewpoint of a potential EU member state. IPARD, pre-accession EU assistance for rural development, focuses specifically on rural areas and agro food sectors of countries in the process of joining the European Union (EU). The new IPARD III programmes for the 2021-27 period further promotes a gradual alignment with the rules of the EU's common agricultural policy. However, the adoption and implementation of the Republic of Serbia acquis with the EU in the field of agricultural and rural policy will require significant financial and technical investments in the future.

Keywords: Common Agricultural Policy, IPARD III, agri-environment-climate measures, Republic of Serbia.

1. Introduction

Agriculture is the activity in which the single policy of the European Union, its centralized management and financing, has been felt for the longest period of time and to the greatest extent. In many official documents, agriculture is defined as a very important economic branch both for each member country and for the European Union as a whole. Vapa-Tankosić and Stojavljević point out that it is characteristic of the Common agricultural policy of the EU that it strives for a compromise between strong centralization and a unified policy, while at the same time respecting the needs of the local community and historical heritage [1].

The structure of agricultural holdings is often related to the historical development of agriculture in different member states. Changing the structure of agricultural holdings is a long-term process and therefore changes (from one year to the next) are difficult to notice. The agricultural holdings in the European Union are larger in the northern parts of the Union as compared to the Mediterranean

countries. However, the long-term trend shows a continuous consolidation, which results in a smaller number of agricultural farms with larger areas. According to official Eurostat data [2], in 2021, the value of trade (imports plus exports) of agricultural goods between the EU and the rest of the world hit €347.0 billion, €20.7 billion more than in 2020. The EU exported €196.9 billion worth of agricultural products and imported €150.0 billion, generating a surplus of €46.9 billion. Between 2002 and 2021, EU trade in agricultural products more than doubled, equivalent to average annual growth of almost 4.8%. In this period, exports (5.4%) grew faster than imports (4.2%).

Although the first steps in the creation of today's European Union are related to the European Coal and Steel Community (1951), and in the later period the creation of the customs union, the Schengen zone or the common foreign trade policy were highlighted as the greatest achievements of the process of the creation of a united Europe, agriculture is in reality that activity in which, for the longest period of time and to the greatest extent, the Common policy of the Union, central management and financing is felt. In many acts, agriculture is defined as a central, very important economic branch, both for each member country and for the European Union as a whole. The agriculture and food production sectors are of great importance for the economy of the European Union (EU). The new EU's agricultural policy emphasizes the multi functionality of agriculture and integrates the environmental component in the form of the environmental management that encourages the sustainable "green agriculture" and the implementation of environmental measures. The agro ecological measures are connected with the application of good agricultural practices and link financial support to EU rules on the environment, as well as human, plant and animal health [3]. On the other hand, Republic of Serbia gained EU candidate status on 1 March 2012 and the EU accession negotiations for Serbia's membership of the EU were opened officially on 21 January 2014. Republic of Serbia plans to continue the process of transposition of the *acquis* of the EU in the field of agriculture and rural development, which is carried out through the harmonization of the national agricultural policy. The action plan for Chapter 11, which covers the period 2018-2023, defines the way and dynamics of harmonizing national legislation with the *acquis communautaire* in the field of agriculture and rural development.

This paper shall in the first part review the elements of harmonization of Republic of Serbia agriculture and rural development with the principles of the Common Agricultural Policy (CAP). The second part shall focus on the current EU pre-accession funds (IPARD III program) for the possibility of introducing new agri-environmental climate measures that would further develop agro environmental components of the Republic of Serbia agricultural sector.

2. Elements of harmonization of Republic of Serbia agriculture and rural development with the principles of Common Agricultural Policy (CAP)

The promotion of cooperation between the countries of the Western Balkans with partners, primarily EU members, is also based on a comprehensive process of strengthening the stability, democracy and economic prosperity of the region. The countries of the Western Balkans are currently on the way to future integration into the EU, adoption and implementation of the *acquis communautaire*. Vapa-Tankosić et al. [4] emphasize that the economies of the countries of the Western Balkans on the way to European integration depend on increasing the economic efficiency and performance of their companies. Modernization of production, raising efficiency and competitiveness and accelerating structural changes based on knowledge-based services are the main generators of exports and new jobs [4].

The Republic of Serbia achieves a surplus in trade in agricultural products with the EU. As can be seen from Table 9, the Republic of Serbia achieved the highest value of export of agricultural products to the EU in 2019 with over 1,638 million euros. During 2019, Serbia exported 51.3% of the total export of agricultural products to the EU. On the other hand, the import of agricultural products from the EU has also increased, from 907 million euros in 2009 to around 1.2 billion in 2019 [5].

Table 1. Trade between Serbia and the EU in agricultural products (in millions of euros).

Import	2015	2016	2017	2018	2019
Export	907	969	1.012	1.105	1.245
Trade balance	1.248	1.411	1.286	1.306	1.638
Share of imports of agricultural products from the EU	341	442	274	201	393
Share of exports of agricultural products to the EU	64.6%	64.2%	61.5%	63.3%	66.2%
Import	47.9%	48.3%	46.1%	46.4%	51.3%

We can conclude that increased export volume has an important role in improving the competitiveness of the agriculture of the Republic of Serbia in the process of integration into the European economic environment [6].

On the other hand, the expansion of the European Union, by joining the countries of the Western Balkans where agriculture is significantly represented in the national economies and which lag behind in almost all aspects of the development of the "old" EU member states, represents an additional challenge for the makers of EU agricultural policy. The importance of the agricultural sector for the Serbian economy is great, because Serbian agriculture is relatively small in the European framework, but agriculture as a sector is of great importance on the path of the Republic of Serbia towards EU accession, and it is necessary to fulfill the requirements of the *acquis Communautaire* [7]. The National program of rural development of the Republic of Serbia for the period 2022-2024 contributes to the achievement of strategic goals established by the Strategy for the Development of Agriculture and Rural Development of the Republic of Serbia for the period 2014 - 2024 (Official Gazette of the RS, No. 85/14), which defines the long-term directions for the development of agriculture and rural development [8,9].

According to the report of the European Commission for the year 2021, the Republic of Serbia has achieved a certain level of preparedness in terms of agriculture and rural development [3]. Market mechanisms in Serbia are not in accordance with the measures of organization of the common market in the EU. In order for the Republic of Serbia to be able to implement in its system the requirements and measures related to the regulation of the market of agricultural products, as it exists in the EU, it is necessary to establish a unique legal basis in the domestic legislation, which should be regulated by the future law on the regulation of the market of agricultural products. In the coming period, Serbia should make progress in the implementation of the action plan for alignment with the EU *acquis* in agriculture and rural development. The recommendation of the European Commission is to continue the implementation of activities from the action plan for harmonization with the EU *acquis* in the field of agriculture and rural development and to speed up the establishment of an integrated system of administration and control, the land parcel identification system (LPIS). The Republic of Serbia must ensure the separation of payments from production and the linking of area-based payments with cross-compliance standards. As for rural development, with two new entrusted measures ("Diversification of farm activities and business development" and "Technical assistance").

Main challenges of the agricultural sector in Serbia are [1]: small and fragmented holdings (average farm size of 6.2 ha), a low productivity, insufficient consistent quantity of high quality products and a lack of organization among agricultural producers lead to excluding many of them from competitive agro-food chain; rural areas experience unfavorable population trends in comparison to urban areas (decline of rural population by 10.9% between 2002-2011, resulting in the

share of 40.6% in total population), lack of basic infrastructure and services in rural areas impacting the attractiveness of rural areas for living and investments and leading to a negative net migration and a low adherence of agricultural producers to environmentally sound practices resulting in inadequate management of manure and of usage of pesticides and fertilizers.

As for horizontal issues, the preparation of the national program for agriculture and rural development for the period 2022-2024 is underway, where complementarity with the IPARD III program should be ensured. The experience gained during the IPARD II period is of great importance for the development of the IPARD III program in Serbia, as well as the practical experience of the recipients in the implementation of EU-funded projects. Nevertheless, it is important to emphasize that in the formulation of the IPARD program, its goals, intended measures and beneficiaries, consistency with the national rural development program is insisted upon, in order to ensure better policy coordination in this area. In the Republic of Serbia, the IPARD program has been implemented since December 2017, and so far the following measures have been accredited (approved by the European Commission): 1. Investments in physical assets of agricultural holdings; 2. Investments in physical assets related to the processing and marketing of agricultural and fishery products; 3. Diversification of farm activities and business development, and 4. Technical assistance. This program foresees goals related to the achievement of EU quality standards, food health safety and environmental goals, and clear demarcations are drawn between potential users.

3. New opportunities for agri-environmental climate measures in IPARD III programme

The Common Agricultural Policy (CAP) highlights the ecological components and environmental management, sustainable "green" agriculture and the implementation of environmental measures. The new CAP has three clear environmental goals, each of which is grounded in the European Green Deal and the Farm to Fork Strategy: fight against climate change; protection of natural resources and improvement of biodiversity. Each of these goals is supported by the CAP through the promotion of organic agriculture and the responsible management of inputs such as pesticides and fertilizers. The CAP typically covers a seven-year period and it is composed of two pillars: the European Agricultural Guarantee Fund (EAGF) finances Pillar 1, and measures under Pillar 2 are based on Rural Development Programmes (RDP) co-financed by the European Agricultural Fund for Rural Development (EAFRD) and EU Member States.¹ Member State RDPs are deployed over the seven year CAP programming period. When it comes to European practice in the field of rural development policy, it is more flexible than market-price policy, insofar as member countries are given autonomy in terms of choosing priorities, measures and combining funding sources. Most member states apply a national rural development program that covers the entire territory, but in some countries several regional programs are applied (Republic of France 30, Kingdom of Spain 22, Republic of Italy 23, Federal Republic of Germany 15, Republic of Portugal 3, Kingdom of Belgium and Republic of Finland 2 each) [10]. Member states follow the EU rules for a given measure, but within those frameworks they have considerable flexibility in how they use it. For example, if a member state or region in its program foresees support for a measure of investment in physical assets, the funds may be available to beneficiaries only for investments related to the improvement of the state of the environment as foreseen by the common rules.

The European Commission adopted rural development programs (IPARD) as part of the pre-accession aid instrument for Albania, North Macedonia, Serbia and Turkey, with budgets of 112, 97, 288 and 430 million euros, respectively. The programs represent the basis for EU support in the field of agriculture, rural development and food security for the period 2021-27. The decision of the European Commission No. C (2022) 1537 of March 9, 2022 approved the IPARD III program of the Republic of Serbia for the period 2021-2027 [11]. The indicative maximum contribution of the European Union for the implementation of the IPARD III program from Article 1 is 288,000,000 euros, divided annually by budget items, in millions of euros (Table 2).

Table 2. Indicative amounts of EU contributions by measure.

Measure	EU contributions
Investments in physical assets of agricultural holdings	86 400 000
Investments in the processing and marketing of agricultural and food products and fishery products	60 480 000
Agro ecological and climate measures and support for organic agriculture	14 400 000
Implementation of local development strategies — LEADER	14 400 000
Investments in rural public infrastructure	51 840 000
Diversification of farm activities and business development	51 840 000
Technical assistance	8 640 000
In total	288 000 000

The adopted decision on multi-year funding represents an action plan for the implementation of the IPA III Rural Development Program (IPARD III) for 2021-2027 for the Republic of Serbia. The IPARD III program envisages a series of changes compared to the existing one, including an increase in the volume of available funds, the amount of minimum available support, greater intensity of incentives, as well as the introduction of new measures.

For example, in the European Union there is also a wide range of agro-ecological practices that reflect the complexity and interconnectedness of farming systems and ecosystems — some examples of measures include organic farming; integrated production; reducing the intake of fertilizers and/or pesticides; crop rotation on arable land; weeding the inter-row space in perennial plantings; establishment and maintenance of flower strips and sustainable management of meadows and pastures; improving wildlife habitat; introducing a buffer strip; livestock management to ensure adequate grazing pressure and avoid the risk of soil erosion; preservation of genetic resources in plant and animal species that are threatened by genetic erosion.

Republic of Serbia has, up till now, introduced ecological and climate component through the support measures for the preservation and improvement of the environment and natural resources, through national measures: sustainable use of agricultural land, sustainable use of forest resources and organic production (3.1 Organic plant production and 2.3.2 Organic livestock production), Preservation of plant and animal genetic re-sources (4.1 Conservation of plant genetic resources, 4.2 Conservation of animal genetic resources, 4.3 Preservation of animal genetic resources in the gene bank). Now in the framework of IPARD III, Republic of Serbia, in addition to the existing measures (measures 1, 3 and 7 of the IPARD program), shall introduce agro ecological and climate measures, LEADER support and support for the construction of rural infrastructure (measures 4, 5 and 6). Within the measure 4: agro-ecological-climatic measure and organic production, it is planned to finance the following:

1. Crop rotation on arable land;
2. Weeding the inter-row space in perennial plantings;
3. Establishment and maintenance of pollinator strips;
4. Sustainable management of meadows and pastures.

Measure 4 is intended for users who voluntarily undertake to comply with agro-ecological-climatic obligations for a period of at least 5 years, which exceed the defined baseline. Beneficiaries

in terms of this measure are agricultural holdings, physical and legal persons, including entrepreneurs, who are registered in the Register of Agricultural Holdings. Some of the general conditions shall be: the minimum area of agricultural land (Arable land 1 ha Orchard 0.5 ha Vineyard 0.3 ha Meadows and pastures 1 ha), voluntary acceptance of agro ecological-climatic obligations for a period of at least 5 years, mandatory training of potential users for 6 hours on topics from agro ecological climate areas, before the start of the implementation of the measure, adherence to relevant national standards and obligations specified in each operation, ownership or the right to use the plots on which the obligations will be implemented, for a period of at least 7 years, which must include the entire duration of the obligation period and that the agricultural holding registered in the Register of Agricultural Holdings. The specific conditions shall be: a mandatory training of users of the measure lasting 6 hours organized by the Ministry of Agriculture, Forestry and of Water management, and a certificate of attendance of the training must be provided before the start implementation of obligations; Additional training/counselling until the end of the third year of implementation of Measure 4, in order to make the efficient implementation of the operation and implies that support users receive advice from the agricultural advisor; Preparation of a farm management plan with relevant information for a specific operation, by an authorized consultant (all operations) [3].

5. Conclusions

Although highly industrialized, there are significant rural areas within the EU, where 56% of the Union's population lives. Among other things, this fact represents a significant motive for the EU's great involvement in the development of rural areas, stimulating and promoting the rural economy. Rural policy is being developed in the Common Agricultural Policy of the EU, with the aim of contributing to economic and social cohesion, i.e. balanced rural development of the member states, in an area that may be particularly affected by the functioning of the single market. Environmental protection measures in the CAP that encourage green agriculture and enforce environmental rules form the central part of the new CAP. In light of the opening of negotiations for the Chapter 11, the Republic of Serbia plans to continue the process of transposition of the acquis of the EU in the field of agriculture and rural development, which it implements through the adjustment of the national agricultural policy. In 2017, the implementation of the IPARD II program began. The Republic of Serbia is currently implementing four measures within the IPARD II program. New opportunities for farmers are present in the next program period from 2021-2027 within the IPARD III program, with the main focus on young farmers, organic agriculture and all investments that are in line with the Green Agenda. The aim of new measures is to contribute to the sustainable management of natural resources, including water, soil, air and biodiversity, and in this way to strengthen agricultural holdings for easier adaptation to climate change, as well as to raise farmers' awareness of the importance of environmental protection to a higher level.

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