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THE IMPORTANCE OF EU PRE-ACCESSION FUNDS FOR AGRICULTURE AND THEIR INFLUENCE ON COUNTRY'S COMPETITIVENESS*

Značaj EU pretpristupnih fondova za poljoprivredu i njihov uticaj na konkurentnost zemlje

Abstract

IPARD is the fifth component of the Instrument for Pre-Accession Assistance (IPA) of the European Union (EU) established in 2006. The implementation of IPARD Programme started in late 2009, and an in-depth analysis of its utilization is missing. Official annual reports on the implementation are available at the managing authority website, but for a better insight additional research is needed. The main goal of this paper is to assess the impact of IPA funds on the country's competitiveness considering data on funds specifically intended for agriculture (IPARD), and their impact on the export of agricultural products to beneficiary countries. In addition, analyses of available data on starting a business and trading across borders, and their correlation with data on absorption of IPA funds, were used to determine the importance of EU pre-accession funds for the country's competitiveness. This research is based mainly on the available data of EU statistics and Doing Business reports of the World Bank. Other sources of information are from the Agricultural Payments Agency, Ministry of Finance and Treasury Administration of the Republic of Serbia. The authors consider that this paper is contributing to the knowledge base regarding the structure of IPARD Programme and EU funds available to candidate countries in general. The conclusions reached can help improve the implementation of IPARD funds in Serbia in the future, since the conclusions indicate the main problems that are affecting the absorption of the programme funds.

Keywords: *IPA funds, IPARD, agriculture, competitiveness*

Sažetak

IPARD je peta komponenta instrumenta za pretpristupnu pomoć (IPA) Evropske unije (EU) ustanovljena 2006. godine. Implementacija IPARD programa je počela krajem 2009. godine i stoga nedostaju dublje analize njihovog korišćenja i realizacije. Zvanični godišnji izveštaji o realizaciji dostupni su na sajtu upravnih organa EU, ali za bolji uvid potrebna su dodatna istraživanja. Glavni cilj ovog rada je da se oceni uticaj IPA sredstava na konkurentnost zemlje uzimajući u obzir i podatke o sredstvima koja su posebno namenjena za potrebe razvoja poljoprivrede (IPARD) i to sa stanovišta njihovog uticaja na izvoz poljoprivrednih proizvoda u zemljama korisnicima. Pored toga, analiza podataka o pokretanju biznisa i prekograničnoj trgovini, kao i njihova korelacija sa podacima o apsorpciji IPA fondova, korišćena je da se utvrdi značaj EU pretpristupnih fondova za unapređenje konkurentnosti zemlje. Sprovedeno istraživanje zasniva se na raspoloživim podacima EU statistike i Doing Business izveštaja Svetske banke. Drugi korišćeni izvori informacija vezuju se za Agenciju za agrarna plaćanja, Ministarstvo finansija i Upravu za trezor Republike Srbije. Autori su mišljenja da ovaj rad značajno doprinosi unapređenju znanja o strukturi IPARD programa i EU fondovima koji stoje na raspolaganju zemljama kandidatima. Izvedeni zaključci na osnovu dobijenih rezultata istraživanja, kao i iskustva drugih zemalja u okruženju, treba da posluže kao primer za bolju i uspešniju implementaciju IPARD sredstava u Srbiji u budućnosti, jer se fokusiraju na glavne probleme sa kojima se zemlje korisnice susreću u procesu apsorpcije navedenih sredstava.

Ključne reči: *IPA fondovi, IPARD, poljoprivreda, konkurentnost*

Introduction

The Common Agricultural Policy (CAP) supports the creation of market principles, sustainable growth of the agricultural sector, increase in environmental benefits and contributions to the general public goods of the European Union (EU). The new CAP adopted in 2013 by the Agreement on Reform of the Primary Policy contributes to a more efficient and more competitive EU. The total amount foreseen by the EU's financial framework for the period 2014 to 2020 is 362.787 billion Euros (European Commission, Brief No. 5: "Overview of the CAP reform 2014-2020", Agricultural Policy Perspectives Briefs, Brussels, December 2013, p. 3, according to DG Agriculture and Rural Development). The beginning of the CAP reform process is caused by the budget constraint and pressures of globalization (The MacSharry reform package from 1992). The result of reform processes is the competitiveness and sustainability of the agricultural sector of the countries of the present and future EU member states.

A new Instrument for Pre-Accession Assistance (IPA) was established by the European Council Regulation no. 1085/2006, replacing all previous pre-accession funds: PHARE, ISPA, CARDS and SAPARD. The major change introduced by IPA compared to previous pre-accession instruments is the necessity to establish an institutional framework for the use of pre-accession funds, like the structure of the EU Cohesion Fund, the structural funds, and to implement the CAP. The Instrument for Pre-Accession Assistance for Rural Development (IPARD) aids potential candidate countries in strengthening democratic institutions, sustainable development of the agricultural sector and rural areas, implementation of the acquis in the field of the CAP.

The analysis provided in this paper shows the impact of IPA funds on the country's competitiveness through two indicators: starting a business and trading across borders. Also, the analysis uses data to assess the utilization of IPARD funds and the impact thereof on the export of agricultural products in beneficiary countries. The dependence of exports of agricultural products and funds allocated through IPARD was done through regression analysis. In the rest of the paper, the absorption capacity of EU funds and influence on the competitiveness are examined. The last part of the analysis is dedicated to Serbia and examines the importance of IPARD funds for agricultural sector development extenuating the problems Serbia will be confronted with during IPARD implementation process.

Literature review

The analysis carried out in the new EU member states shows that the use of EU structural funds is one of the most important instruments for economic development. Problems of limited possibilities of absorption of resources from EU funds are related to poor absorption capacity at the level of the local government [20]. The efficiency of the administrative services depends exclusively on the ability to coordinate the project participants [2]. The use of structural funds is provided to the countries of Central and Eastern Europe, if they have established an appropriate coordination structure before using the funds. The consequences of a stable coordination structure are the modification of the paradigm of hierarchical, legalistic, centralized and inefficient planning. The goal is to create a more responsible, inclusive, networking method of coordination, regardless the outcomes are not always in line with expectations. The structure, functioning and efficiency of coordination of national systems are the basis of the high absorption capacity of EU funds [6], [12]. The structure of IPA funds is "designed to mirror the Structural Funds" of the EU [21]. The Multi-Annual Indicative Financial Framework (MIFF) defines the allocation of funds for each IPA component and for each beneficiary country. The European Commission identifies priorities in a three-year EU enlargement strategy and proposes a MIFF.

There are findings that the experiences of the countries which have already had an opportunity to use similar funds, primarily the IPARD funds, are indicative. From 2007 to 2012, Croatia, Macedonia and Turkey received the support of €30, €65 and €650 million, respectively, which is about four-fifths of the total support intended for rural development. The largest part of these funds was used for investments in agricultural farms (39%), investments in the development of processing and marketing (26%), as

well as in development and farm diversification (20%). A considerably smaller amount of funds was used for other measures (≤ 5%). Namely, all three countries directed the largest amount of the funds towards Axis 1 - the improvement of efficiency and reaching of the EU standards, around 70%; for Axis 2 - the environment and the Leader approach, only between 2-5% of the funds was used, depending on the country, whereas for Axis 3 - the development of the rural economy, 23% of the funds was used. The rest of the funds were spent on the measures of technical support (around 2%). In comparison to the other two countries, Croatia spent the largest part of the funds on Axis 3, Macedonia on Axis 1, and Turkey on Axis 2 [11].

Research methods and data

The hypotheses of research are justified by the application of many methods of quantitative and qualitative analysis. The survey monitors the impact of IPA funds on the competitiveness of the country through the following indicators: starting a business and trading across borders. The ranking of economies on the ease of starting a business is determined by sorting their distance to frontier (DTF) scores for starting a business. These scores are the simple average of the DTF scores for each of the component indicators. The DTF score shows the distance of an economy to the frontier, which is derived from the most efficient practice or highest score achieved on each indicator. The trading across borders indicator set records the time and cost associated with the logistical process of exporting and importing goods every year. It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner—the economy that is the largest purchaser of this product. An economy's DTF is reflected on a scale from 0 to 100, where 0 represents the lowest performance and 100 represents the frontier. For example, a score of 75 in 2017 means an economy was 25 percentage points away from the frontier constructed from the best performances across all economies and across time.

Data on funds allocated to IPARD funds and their impact on the export of agricultural products to beneficiary countries in the period 2007 – 2013 were analyzed using the statistical software Minitab. The correlation between the two variables, i.e. the strength and direction of association between them, has been interpreted. Minitab offers two methods of correlation: the correlation between the moment of the Pearson product and the Spearman ranking correlation. Pearson's correlation (also known as r) is the most common method, and measures the linear relation between two variables. The values of the correlation coefficient r range from -1 to 1. If the values obtained are closer to -1, then this represents a strong negative relation. The values closer to 1 mean that a strong positive relation between the variables is strong. Correlation coefficient equal to zero indicates that there is no correlation. The P-value indicates the statistical significance of the analysis if its value is less than 0.05 (5%).

The research explains the dependence of export of agricultural products on funds allocated to IPARD funds through a regression analysis in Minitab. Dimensional representativity is the standard error of regression (s) and the determination coefficient (R sq). S is measured in the units of the response variable and represents the standard deviation of how far the data values fall from the fitted values. The lower the value of S, the better the model describes the response. R2 is the percentage of variation in the response that is explained by the model. The higher the R2 value, the better the model fits data. R2 is always between 0% and 100%. A standard error indicates how much data deviates from the arithmetic mean. The lower value of the standard error (S) indicates a better model and that the histogram data is more uniformly distributed. The first number in the equation of regression is a section on the ordinates – a constant. It corresponds to the average estimated value of the dependent variable when the independent variable value is zero. The coefficients b1 and b2 correspond to the average change in the expected value of the dependent variable for the unit change of the independent variable. They are called regression coefficients.

The absorption capacity of EU funds and influence on the competitiveness

In 2006, the EU Council adopted a Regulation introducing a simpler framework for the use of financial assistance

to developing countries. The new instrument for pre-accession assistance, already mentioned IPA, combines the pre-accession instruments of the past: PHARE, SAPARD, ISPA and CARDS. The main goal of the IPA is to provide support in the process of reforms that the European integration process requires and prepare countries to use resources from the EU funds when they become full members. The beneficiary countries of IPA funds are divided into two categories:

1. Candidates for EU membership and
2. Potential candidates for EU membership.

The EU IPA programme is intended exclusively for already planned and elaborated projects that contribute to the achievement of EU strategic goals, and whose priorities are set in EU strategic documents. The similarity between pre-accession funds and the Cohesion Fund, which is intended only for EU member states, is in line with objectives, principles and means of asset management. The priorities of both funds are convergence, regional competitiveness, reduction of unemployment rates and European territorial cooperation. The components of IPA funds during the period 2007 – 2013 are:

1. Assistance to transition and institution building
2. Cross-border cooperation
3. Regional development
4. Development of human resources
5. Rural development.

In the coming period (2014–2020), the components will relate to policy areas. The European Commission sets out the funding priorities of a five-phase cycle model: programming, identification, formulation, implementation, and evaluation and revision. IPA for the period 2007 – 2013 was provided for the countries that were EU candidates at that time (Iceland, Macedonia, Montenegro, Serbia, Turkey and Albania) and then for potential candidates (Bosnia and Herzegovina and Kosovo). Table 1 presents a comparative overview of IPAs from period I (2007 – 2013) and period II (2014 – 2020), as well as the coverage of the sectors they cover.

The novelty introduced by IPA II through the increased impact of financial and technical assistance is a priority given to achieving the reform goals by linking pre-accession assistance with the EU's internal policies. The benefits of the new IPA are: simpler programming and implementation, the flexibility of allocating assistance within different policy areas, and the introduction of two levels of strategic planning in place of multi-year strategic planning. IPA II is in line with the EU 2020 Strategy that promotes smart, sustainable and inclusive development. Table 2 gives an overview of the spending of IPA I funds in the seven-year cycle from 2007 – 2013.

Table 2 clearly shows that all the countries observed have or have had the growth of resources as they are approaching EU membership. The largest recipients of

Table 1: IPA component headings and policy areas according to IPA I and IPA II periods and their sector coverage

Component name (according to IPA I 2007-2013)	Name of policy area (according to IPA II 2014-2020)	Sectors covered
Transition assistance and institution building (IPA 1 component)	Transition process and capacity building (TPCB)	Public administration reform Public finance management Judiciary and internal relations Human rights and minorities
Regional development (IPA 3 component)	Regional development	Traffic Energy Environment Private sector development Competitiveness and innovation
Human resources development (IPA 4 component)	Employment, social policy and labour development	Education and human resources Workforce and employment Social policy
Rural development (IPA 5 component)	Agriculture and rural development	Agriculture Rural development
Cross-border cooperation (IPA 2 component)	Regional and territorial cooperation	Regional cooperation in the mentioned areas-sectors. Territorial cooperation: no.

Source: [3].

Table 2: Overview of spending of IPA funds in the period 2007 – 2013 (in millions of EUR)

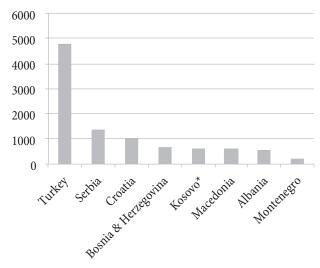| Country	2007	2008	2009	2010	2011	2012	2013
Albania	61.0	70.7	81.2	94.1	94.4	94.5	95.3
Bosnia & Herzegovina	62.1	74.8	89.1	105.3	107.4	107.8	108.8
Croatia	142.2	146.0	151.2	153.5	156.5	156.1	93.5
Macedonia	58.5	70.2	81.8	91.6	98.0	101.8	113.2
Kosovo*	68.3	184.7	106.1	67.3	68.7	68.8	71.4
Montenegro	31.4	32.6	34.5	33.5	34.1	35.0	34.5
Serbia	189.7	190.9	194.8	197.9	201.8	202.0	208.3
Turkey	497.2	538.7	566.4	653.7	779.9	860.2	902.9
Multi-beneficiary programme	129.5	137.7	188.8	141.7	186.2	176.2	177.2

Source: [10].

IPA funds were Turkey, Serbia, Croatia (observed in 2012, 2013 was a sharp decline due to joining the EU in 2014 and termination of IPA funds), followed by Macedonia and Bosnia and Herzegovina.

Figure 1 clearly shows that in the period 2007 – 2013, Turkey implemented most IPA funds with a share of 48% in the total funds invested by IPA, followed by Serbia with 14% and Croatia with 10%.

The indicator Starting a Business in the period 2007 – 2013 shows that IPA funds beneficiary countries (Table 3) Macedonia and Albania in the observed period significantly increased the level of development of advanced economies. Macedonia has made the most progress in this indicator, because in 2007 it achieved 32% of the performance of the best economies, and in 2013 it was only 8%.

Figure 1: Overview of allocated IPA funds 2007 – 2013

Source: The authors' adaptations based on [10].

Table 3: Positioning by Starting a Business criteria from 2007 – 2013 by DTF

Country /Starting a Business - DTF	2007	2008	2009	2010	2011	2012	2013
Albania	69.04	68.21	82	87.24	87.29	87.6	90.19
Bosnia & Herzegovina	51.19	52.55	51.39	53.7	54.67	60.85	63.36
Croatia	79.35	81.76	81.88	82.32	84.03	84.34	84.34
Macedonia	68.68	77.94	82.73	88.55	90.28	90.28	92.02
Kosovo*	0	0	0	65.53	61.7	62.44	74.15
Montenegro	75.56	75.63	76.63	82.06	88.52	90.01	90.04
Serbia	77.89	78.03	78.26	87.15	86.67	86.69	88.8
Turkey	85.07	85.94	87	87.17	86.77	87.61	87.62

Source: The authors' adaptations based on [25].

Table 4: Positioning by the Trading across Borders criteria from 2007 – 2013 by DTF

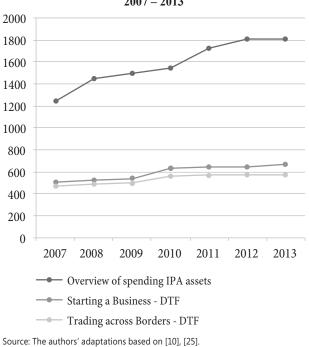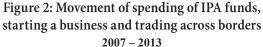| Country /Trading across Borders - DTF	2007	2008	2009	2010	2011	2012	2013
Albania	69.08	69.77	69.69	72.1	72.22	72.26	72.41
Bosnia & Herzegovina	67.33	67.74	69.42	69.6	68.81	69.35	69.55
Croatia	68.24	70.54	71.47	71.97	72.21	72.01	72.25
Macedonia	68.06	68.37	71.93	73.44	73.86	74.12	74.43
Kosovo*	0	0	0	60.87	61.15	61.61	66.71
Montenegro	74.91	75.56	75.37	75.9	79.2	79.35	79.22
Serbia	65.89	67.8	67.79	69.5	70.26	70.52	71.24
Turkey	57.33	69.9	69.84	71.29	71.75	72.22	72.3

Source: The authors' adaptations based on [25].

The trend of spending IPA funds, the movement of starting a business and trading across borders indicators show the same tendency (Figure 2). By investing IPA funds in the country's economy, performance improves the country's competitiveness in the foreign market in all segments.

Although IPA II aims to promote smart and inclusive development, agriculture remains an important segment of financing. As already mentioned, the IPA fifth component, IPARD, refers to assisting candidate countries in strengthening and developing the agricultural sector and rural areas. Therefore, it is important for these countries to make the most of their use of agriculture and to benefit from entry into the EU such as (1) a larger market, (2) raising product competitiveness, not at the level of primary production but at the level of processing, and (3) more subsidies from the EU budget.

When we speak about IPARD funds, it is important to emphasize that Special Accession Programme for Agriculture and Rural Development (SAPARD) is the first system development programme in agriculture and rural development designed for potential accession candidates. It has been created for a group of 10 candidate countries for a period 2000 – 2007, and later it was adjusted to the

Figure 2: Movement of spending of IPA funds, starting a business and trading across borders 2007 – 2013

- Overview of spending IPA assets
- Starting a Business - DTF
- Trading across Borders - DTF

Source: The authors' adaptations based on [10], [25].

new and unique pre-accession assistance framework in the financial period 2007 – 2013 and renamed to IPARD. The experience of countries that have implemented SAPARD shows that only the Czech Republic, Slovakia and Slovenia have succeeded in accrediting everything they have envisioned in the plan within the duration of the programme. The rest of the countries were less successful (although this is a speculative estimate, since the number of accredited measures is not an indicator of success). Estonia and Hungary have both accredited 6 out of 9 measures, in Lithuania 7 out of 8 measures have been accredited, and in Latvia 7 out of 9, Poland has accredited 6 out of 7 measures, Bulgaria 9 out of 11 measures, Romania 10 out of 11 measures, and Croatia only 2 out of 4 envisaged measures. Croatia is the only candidate country that had implemented both, SAPARD and IPARD. For one SAPARD programme year, Croatia had about three and a half years, after which it could use IPARD. During the SAPARD, the agencies were accredited in mid-2002, except for Hungary which was late and received accreditation in September 2003. Bulgaria had the lowest percentage of used resources and the highest level of frauds, but was the first one to accredit the agency. In none of the countries the approval of resources for the beneficiaries had started before the mid-2002, while the highest number of projects was approved in 2003 and 2004. The first payments started later in the process. It is generally estimated that almost all states had been very successful in implementing SAPARD. The utilization of funds was 99%; only in Latvia it was lower (95%). This estimation excludes Bulgaria and Romania, because the average value of the completed projects in these two countries was almost five times higher than the average value for EU-8. The main reason for this was the increasing number of rural infrastructure projects, especially in Romania, and such projects demand more time. The previous experience with SAPARD has shown that with each round of EU enlargement, the degree of utilization of pre-accession programme for assistance to agriculture decreased. There are two main reasons for this. The first one is poorer preparation of candidates, low absorption capacity. The second is a more demanding procedure which had, in cases of Bulgaria and Romania in the final years of implementation, already been somewhat

tightened. The more complex procedures with IPARD were experienced by Croatia, Macedonia and Turkey. Table 5 presents allocated funds from IPARD I, by years, for the three mentioned countries.

From the above data it is noted that the most defined funds were for Turkey, then for Croatia, and the least for Macedonia. In fact, Croatia's participation in IPARD funds was 16%, Macedonia 8%, while Turkey's commitment was the highest, 76% of total funds. It was interesting for authors to observe the value of exports in the same period to see if there is a certain correlation between the allocated IPARD funds and increased agricultural production. In other words, in the following section, it is examined how the contribution of IPARD funds grows exports and thus impact on competitiveness. Table 6 summarizes the export of agricultural products in the period 2007 – 2014. It took one year more so as to actually be realistic to follow the real effect of invested funds. In agriculture, it is not possible to see the current effects of invested funds, but it takes at least one season to see the results.

Exports of agricultural products in Croatia and Macedonia recorded mainly upward trend, while growth in Turkey is significant. In order to measure the strength and direction of the association of two variables, we used the Pearson method, which shows for all three countries a positive correlation between two factors: IPARD funds and agricultural products exports in the period 2007 – 2013 (Table 7).

In addition, the study shows that the analysis is statistically significant, because the P-Value for the countries observed is less than 0.05. The link between the investment of resources from IPARD funds and the export of agricultural products is statistically significant. It is important to point out that strong positive correlation has been expressed in the countries of Macedonia and Turkey, unlike Croatia, where there is a lower Pearson

Table 5: Annual allocation of funds under IPARD for the period 2007 – 2013 (in millions of EUR)

Countries/Year	2007	2008	2009	2010	2011	2012	2013
Croatia	25.5	25.6	25.8	26	26.5	27.268	27.73
Macedonia	2.1	6.7	10.2	12.5	16	19	21.02
Turkey	20.7	53	85.5	131.3	172.5.	197.89	212.63

Source: The authors' adaptations based on [10].

Table 6: Export of agricultural products 2007 – 2013 (in millions of EUR)

Countries/ Year	2007	2008	2009	2010	2011	2012	2013	2014
Croatia	2.6	2.7	2.7	2.7	3	3.1	3.1	3.4
Macedonia	0.9	0	0.9	1	1.2	1.2	1.3	1.2
Turkey	18	21.5	21.2	23.8	28.5	30.2	33.6	35.6

Source: The authors' adaptations based on [23].

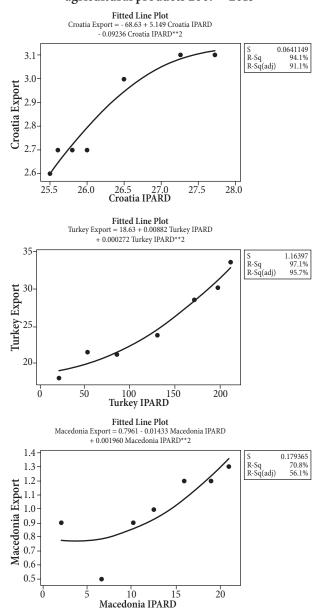### Table 7: Correlation of IPARD funds and export of agricultural products 2007 – 2013

Countries	Pearson correlation	P-Value
Croatia	0.889	0.008
Macedonia	0.926	0.008
Turkey	0.970	0.000

Source: The authors' own calculation based on software Minitab.

Figure 3: Regression plot IPARD - Export of agricultural products 2007 – 2013

Source: The authors' own illustration based on software Minitab.

correlation, which indicates a positive relationship between the correlation factors. The results obtained are confirmed by the facts that Croatia did not have a large absorption capacity of the IPARD funds [27].

The impact of IPARD funds on the export of agricultural products can be seen through the analysis of regression equations for selected countries (Figure 3). The export of agricultural products is a dependent variable, and resources received from IPARD funds are independently variable, which explains the movement of exports to a large extent (which can be seen using R Sq - Coefficient of Determination). The greater this coefficient is, or closer to 1 (100%), it shows a good/high explanation of export dependent variables. The justification of the regression equations shows us the coefficients of determination, which are above 50% for all three countries. Turkey has been identified with a correlation coefficient of 97.1%, which shows the great dependence of exports of agricultural products on IPARD funds. The research proves that Turkey has made maximum use of the EU funds with great efforts [1].

Importance of agriculture sector and IPARD funds: Case of Serbia

The previous analysis showed that IPARD is a very good programme which can help the agricultural sector in a candidate country and contribute immensely to the sustainable development of the rural areas in the broadest sense. The results and experiences showed that the most successful part of the SAPARD and IPARD programmes was preparation of member countries for using resources intended for rural development when they become members. Table 8 shows allocation of funds from the EU budget for rural development in the pre-accession period as well as the accession period. The conclusion is that the EU allocates large funds directed toward rural development, which are on average 8 times higher upon joining the EU than in the pre-accession period.

Serbia has a big advantage in using IPARD funds, because it has experiences, analyses and recommendations from other countries. For the Serbian economy, the agricultural sector plays a very important role. Its importance is primarily reflected in contribution to the country's gross domestic product (GDP). The share of agriculture in GDP is around 8% on average during the last 10 years (EU-27 average is less than 3%), while it accounts for 12-13% of GDP with food industry included. According to Statistical office data, agricultural land in Serbia totalizes around 5 million hectares, of which arable land, orchards and vineyards account for 70%, and meadow and pasture make remaining 30%. This means that Serbia has 0.46 hectares of arable land per capita, which is two times more compared to the EU average. The only problem with land is the high fragmentation of the land stock. Average arable land per family holding is 4.5 ha, and that is well below the European average. Also, according to the data of the statistical office, it is interesting to notice that around half a million people are employed in agriculture, which is 19.4% of the total employed in 2015 (this employment

Table 8: Annual EU funds for rural development (in millions of EUR)

State	Upon joining the EU EAFRD (A)	Candidate status SAPARD/IPARD (B)	Ratio A/B
Slovenia	130.856.104	8.883.586	14,7
Czech Republic	408.215.193	30.929.235	13,2
Croatia	333.000.000	25.952.571	12,8
Slovakia	285.272.583	25.638.615	11,1
Hungary	551.441.627	53.346.376	10,3
Poland	1,914.132.594	236.469.929	8,1
Romania	1.269.406.054	193.297.615	6,6
Estonia	103.390.979	17.014.373	6,1
Lithuania	252.256.299	41.816.078	6,0
Bulgaria	412.851.343	74.124.833	5,6
Latvia	150.624.786	30.627.834	4,9
Total: EU-11	5.811.447.563	738.101.045	7,9

Source: [24].

is being influenced by seasons; seasonal workers regularly drive employment up from May until September). The total value of the agricultural production was estimated at €4.7 billion in 2016, out of which 67% relates to crop farming, and 33% to livestock production. In terms of trade, agriculture is one of the most important export sectors in Serbia. For certain fruit products, such as raspberries, Serbia is among top producers and exporters worldwide. On the other side, in the production of sour cherries, it holds the 7th position, while in corn production it positioned itself as the 10th corn exporter globally. All these data confirm considerable contribution of the agricultural sector to the total economic value added and employment in Serbia. Also, the most important trade partner for Serbia is the European Union (EU), followed by CEFTA countries. Although trade is expanding, the structure of import is more versatile in comparison to export structure. Agricultural production in Serbia is mostly organized in a traditional manner with low level of applied technology and insufficient areas with irrigation systems. Primary and low value-added products are prevailing in production and exports, and that is one of the main indicators of relatively low development level. Because of that, there is room for improvement, and according to some estimates, Serbia has capacity to produce three times the amount of food it does today.

Bearing in mind the importance of agriculture for Serbia, it is particularly important to have the national measures which would be complementary to IPARD. IPARD will not solve all the problems in villages and agriculture, and therefore the focus should be on what is important and what can be implemented during the designated programme period. The current financial cycle for IPARD is the period 2014 – 2020, under which Macedonia, Turkey and Serbia can use the IPARD funds (plus potentially, but not at this time, there will be included Albania, Bosnia and Herzegovina and Kosovo). Through this cycle, the European Commission set aside €175 million (in addition to this amount, the Serbian government will add €55 million) to support Serbia's agriculture and rural sector, to improve competitiveness of the agro-food sector and increase food-safety, as well as alignment with EU standards. More precisely, Serbia's IPARD 2014 – 2020 programme is built around six measures presented in Figure 4. The first measure is investments in physical assets of agricultural holdings (43% of the IPARD 2014 – 2020 allocation); the second one is investments in physical assets in processing and marketing of agricultural and fishery products (36%); the third is about farm diversification and business development (10%); the fourth is dedicated to agro-environment-climate and organic farming measure (5%); the fifth measure is about implementation of local development strategies (3%) and the last, sixth is about technical assistance (3%).

In Serbia, the programme was expected to begin in late 2016, but the main precondition to start using these funds is that Agricultural Payments Agency be accredited. The implementation of the IPARD programmes cannot be initialized before the involvement of the accredited bodies in their implementation, and the subsequent accreditation of the measures in the programme. When

Figure 4: Serbia's IPARD 2014 – 2020 programme allocation

- Investments in physical assets of agricultural holdings
- Investments in physical assets in processing and marketing of agricultural and fishery products
- Farm diversification and business development
- Agri-environment-climate and organic farming measure
- Implementation of local development strategies
- Technical assistance

Source: [14].

Croatia became the candidate country in 2004, they wanted to take advantage of the possibility to use the resources in the financial period 2000-2006, which meant withdrawal of funds by 2009. They succeeded in signing the financial agreement by January 2006, approved the programme by February, and accredited two measures and the paying agency by June. Croatia has shown that it is possible to complete the entire process in less than a year and a half. Serbia had the same opportunity in the mentioned financial cycle (2014 – 2020), but unfortunately, it failed to get accreditation and funds have not been withdrawn. However, according to recent statements coming from the competent Ministry officials, a repeated audit by the Directorate General for Agriculture (DG AGRI) was carried out in the third week of November 2017 to see whether the country would finally receive accreditation. In the past ten years or so, Serbia has sold its agri-food products in markets with which it has had some form of international economic ties, whether natural (geographic proximity) or based on trade agreements with specific countries or groups of countries. The key markets for domestic products (all sectors, including agri-food) include the EU, with which the Stabilization and Association Agreement (SAA) was signed in 2008; the Central European Free Trade Association (CEFTA) region, more specifically its member countries, as well as Russia, Belarus, Kazakhstan; and Turkey, with which Serbia has also entered into free trade agreements [18, p. 63].

Now, Serbia is waiting for the list of preliminary recommendations by auditors and its finalization is expected by the end of December. The audit opinion regarding the trust in the management of the IPARD II programme can be expected at the end of January next year or early February. If all current findings are resolved, signing of the IPARD II Financial Agreement can be expected in February 2018. The first call for the IPARD II programme was expected at the end of 2017.

Problems with IPARD in Serbia

As stated in the previous paragraph, progress towards actual IPARD 2014 – 2020 implementation was hampered by delays in setting up the required operational structures.

As the European Commission's Progress Report on Serbia from 2014 noted, major recommendations included the relocation of the IPARD Agency from Šabac to Belgrade and the related recruitment and training of staff needed for successful implementation of the programme. Also, according to the report of DG AGRI auditors, the Agriculture Payments Agency (APA) needs to conduct several key activities to obtain approval to function as a part of the operational structure, responsible for implementation of the IPARD programme. These activities primarily relate to the establishment of an adequate legal framework (by adopting the proposal of amendments to the Law on Agriculture and Rural Development), as well as to the technical aspects of the building where APA is located, regarding fulfilment of ISO Standards 27001 and 27002. Besides that, APA needs to establish proper reference price database, as a tool for control of the reasonableness of the costs made by IPARD beneficiary, and to sign a Memorandum of Understanding with technical bodies responsible for control of national and EU standards on the farm and investment of IPARD beneficiaries.

Recent months have brought considerable progress on most pending issues. First, the relocation of APA from Šabac to Belgrade has taken place and APA has begun with its self-assessment. In addition, the work on defining national standards for animal welfare, public health, environmental protection and safety at work is underway in collaboration with the relevant technical bodies. Second, staff recruitment has gathered pace, yet more time will be needed to complete the process. At this stage, 86 staff positions at APA have been filled, out of 170 foreseen. Similarly, of the 24 posts assigned for rural development, only half have been filled so far. Third, draft Memorandums of Understanding on the relationship between the various IPARD-associated bodies and APA have been drawn up. Three issues now remain critical. First, there should be established and continued commitment to the work on IPARD. Second, permanent recruitment and training should be developed, as well as broader preparations on the actual implementation of IPARD should be introduced. The recruitment process is a key to the finalization of the IPARD accreditation process and the preparation of the wider environment, especially the beneficiaries and rural

finance institutions, for the actual absorption of IPARD funds remains crucial.

Conclusion

Analysis showed that better absorption of EU funds leads to improved performance that raises the competitiveness of the country. Unfortunately, the previous experience with SAPARD has shown that with each round of EU enlargement, the degree of utilization of pre-accession programme for assistance to agriculture decreased. Also, all three analyzed countries (Croatia, Macedonia and Turkey) have a positive correlation between the two factors: IPARD funds and export of agricultural products. As a final research result, analysis showed that IPARD is a very good programme which can help the agricultural sector in a candidate country and contribute to the sustainable development of rural areas.

Concerning the case of Serbia, agricultural production, trade and prices are becoming more and more affected by global and regional trends, since Serbia is increasingly integrating with other European economies. Openness creates more opportunities for exports, at the same time increasing competition coming from the EU importers. Current competitive position of the agricultural sector can be assessed as positive but fragile. The country has weaknesses and constraints that need to be gradually eliminated. Experience with delays in implementation of CARDS and IPA has shown the need to ensure that projects do not become obsolete because of late implementation. Experience has shown that the preparation of the project is a complex process and that the risk of project implementation depends only on the preparation of the project itself.

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