

## Sector fiche – IPA National programmes / Component I

### 1. IDENTIFICATION

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| <b>Title</b>  | <b>12 - Support to Agriculture and rural development</b>  |
| <b>MIPD Sector Code</b>   | Agriculture and rural development   |
| <b>ELARG Statistical code</b>   | 11 – Agriculture and rural development  |
| <b>DAC Sector code</b>  | 31110   |
| <b>Total cost</b><br>(VAT Excluded) <sup>1</sup>  | EUR 4,800,000   |
| <b>EU contribution</b>  | EUR 3,230,000   |
| <b>Management mode</b>  | Decentralised   |
| <i>Decentralised mngmt:</i><br><b>Responsible Unit or National Authority/Implementing Agency(ies)</b> | Central Finance and Contracting Unit (CFCU) - Ministry of Finance and Economy, Department for Contracting and Financing of EU Funded Projects<br>Programme Authorising Officer (PAO) – Assistant Minister at the Ministry of Finance and Economy, Head of Department for Contracting and Financing of EU Funded Projects Mrs. Nataša Šimšić |
| <b>Implementation management</b>  | Nominated SPO at the Agriculture, Forestry and Water Management – Ms. Milanka Davidović, Assistant Minister, Department for International Cooperation   |
| <b>Implementing modality</b>  | Sector – based approach   |
| <b>Zone benefiting from the action(s)</b>   | Republic of Serbia  |

### 2. RATIONALE

This Sector Fiche (SF) contains only one measure related to food safety and animal health issues. The measure and the results have been identified based on the strategic framework presented in the SF. In addition, support specified through measure is in line with the recommendations of the **EC Analytical Report**<sup>2</sup>. The report indicates that additional efforts should be given to achieving full alignment with the EU acquis and the implementation of the harmonised legislation, while in the area of food chain safety, the EC Analytic Report emphasises the requirements related to further strengthening of the administrative capacity of the institutions involved in controlling food chain safety.

Support in the field of Animal health remains a priority for Serbia and should be addressed through continuation of support to the Veterinary Directorate of the MAFWM in policy and strategy development, and strengthening the capacity within the veterinary services, including both human and technical resources to implement effective and efficient disease control and eradication measures for Classical swine fever (CSF) and rabies. Through provision of support in this area, substantial improvements of animal health in Serbia and surrounding countries will be obtained, thus creating improved prospects for trade of agricultural products. The long-term objective to be accomplished is to eradicate the disease from Serbia and to maintain the disease free status of the country by all control measures, including vaccination

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<sup>1</sup> The total cost should be net of VAT and/or of other taxes. Should this not be the case, clearly indicate the amount of VAT and the reasons why it is considered eligible.

<sup>2</sup> Commission Staff Working Paper-Analytical Report accompanying the Opinion on Serbia's application for membership of the European Union, Brussels, 12.10.2011, SEC(2011) 1208 final

in case of outbreaks and post-vaccination monitoring. Moreover this measure partly represents continuation of activities referenced to previous IPA 2008, 2009, 2011 and 2012 projects. It will continuously improve the animal health status in Serbia and consequently in the region with regards to the Classical Swine Fever and Rabies.

In addition, this measure will improve the systems for control of zoonoses and food borne diseases and enable the alignment with the EU *acquis*. In order to provide a high level of public health/consumer protection with regard to food safety, the European Community has introduced a system for integrated monitoring of zoonoses, zoonotic agents and related antimicrobial resistance to ensure that food-borne outbreaks receive proper epidemiological investigation. All Member States (MS) are required to collect evaluate and report data to the European Commission each year. The essential goal regarding implementation of this system is based on harmonization of procedures between MS but **Serbia is still not able** to exchange information with EU Commission and other Member States. National surveillance and monitoring programmes for certain zoonotic and food-borne pathogens and the system of official controls are in place. Also, food business operators are obliged to implement a hazard analysis and critical control points (HACCP) system. However, the proposed **programme of official controls is still not fully harmonized** with EU legislation and there is no structured database on the occurrence/prevalence of some pathogens (e.g. Salmonella, Campylobacter, Yersinia and VTEC) at the slaughterhouse and processing plant level.

Legislation in the field of zoonotic diseases is in line with EU requirements only in one part (for Salmonellosis in poultry farm), but there are several EU documents that need to be transposed and adopted: Decision 90/424/EEC, Directive 2003/99/EC and additional legislation, which is indirectly connected with zoonotic tasks: Regulation (EC) No 200/2010, Regulation (EC) No 2009/213/EC, Decision 2006/668/EC, Commission Decision 2008/55/EC. Also, there are specific EU demands in sampling strategy, collecting data, monitoring of antimicrobial resistance and submitting relevant information to EU, which we have to prepare during this intervention.

## **2.1 LINKS WITH NATIONAL SECTOR OBJECTIVE(S) AND MIPD SECTOR OBJECTIVE(S)**

**The Needs Assessment Document 2011-2013** defines a range of priorities for agriculture and rural development. Agriculture is focused around the need to increase the competitiveness of agriculture, to improve food safety, and ensure that animal welfare and plant health laws are harmonised with the EU integrated approach to food safety. **The MIPD for 2011-2013** sets out a similar range of objectives related to improving capacity for policy formulation and implementation, transposing the *acquis*, further strengthening the food safety and veterinary sectors, increasing the competitiveness and environmental sustainability of the agriculture sector.

Support in this sector is specified through one measure in line with the recommendations of the **EC Analytical Report**<sup>3</sup> focusing on the requirements related to further strengthening of the administrative capacity of the institutions involved in controlling food chain safety, in particular of the veterinary.

Support in this sector is in line with priorities identified in **European Partnership** with Serbia of 18 February 2008 (2008/213/EC) and these are related to updating legislation and strengthening implementation and controls in the areas of food safety and veterinary issues.

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<sup>3</sup> *Ibid.*

Also, support in this sector is relevant in accordance with the **Stabilisation and Association Agreement (SAA)**, under Article 97, where it is stated that: “*Agriculture and the agro-industrial sector cooperation between the parties shall be developed in all priority areas related to the Community acquis in the field of agriculture, as well as veterinary and phytosanitary domains*”.

## **2.2 SECTOR ASSESSMENT – POLICIES AND CHALLENGES**

### **2.2.1 National sector policy, strategy and context.**

The agricultural and rural development sector encompasses agricultural production, forestry, fisheries, food safety, animal welfare, and sustainable rural development. The Ministry of Agriculture, Forestry and Water Management (MAFWM) is the key government body developing and implementing legislation for the sector.

The agricultural sector is economically significant: agriculture, food and beverages together accounted for 22.9% of exports in 2011<sup>4</sup>, but it is struggling to adapt to the new conditions created by external forces (e.g. new markets, trade rules, EU regulations). Despite the importance of agriculture in the Serbian economy, agricultural production in many areas is weak and uncompetitive; a result of historically low levels of investment, large numbers of very small farms, and an uncertain land market.

The last decade was characterized by substantial annual fluctuation of agricultural production (which generally remained lower than in the pre-transition period). Agricultural production in Serbia is of a typically extensive nature and strongly influenced by the weather conditions, especially droughts. Yields and production vary considerably and are still lower than the yield of the pre-transition period. Yields are close to regional averages and significantly below the EU27. In terms of the value of agricultural production the most significant part is crop production, within which cereals dominate. Livestock production is steadily declining and reached its lowest level in decades.

A key characteristic of Serbian agriculture is the variability between different production sectors, some of which are more competitive than others.

The structural features of the agri-food supply chain in Serbia point to a dual structure in every part of the chain. Serbia's farm structure is complex, ranging from small subsistence agricultural households and small semi-subsistence farms to large family farms, as well as privatized large enterprises with a mixed ownership structure. At the primary level, farms are highly fragmented, with a large part of the farm holdings being (semi-) subsistence. Some research (Living Standards Measurement Study, 2008, World Bank and Statistical Office of the Republic of Serbia) estimated that about 60% of farm holdings do not have surplus production to sell or sell on the market only infrequently. By contrast in the northern part of the country there are large farms which are well equipped and whose production is organized on the principles of modern management. However, farms above 20 ha represent less than 1% of the holdings and use 7% of the total agricultural area. Regional differences in the structure of land, farm size, yields and production, are large and arise from heterogeneous natural conditions. A large number of small to very small firms dominate both the upstream and downstream industries. Next to these there are only a few medium to large scale operators. The structure of the food processing industry varies across branches. Nevertheless, only a few

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4 Statistical Office of the Republic of Serbia

companies account for a major share of turnover. The number of enterprises registered in the food, drinks and tobacco sector (NACE 15 and 16) is about 3,300<sup>5</sup>. The number of enterprises has increased since the mid-2000s. Around one third of this number can be found in the meat and bread manufacturing.

A large part of the agricultural sector is not integrated in the agri-food supply chain, either by contracting or by (any other means of) sustainable commercial relationships. Home consumption and direct sales of food (the informal economy) is highly significant in Serbia. The position of small scale operators is critical as they have to comply with the requirements of an increasingly demanding retail chain. These requirements are driven by the coinciding forces of increasing consumer awareness and public policies aiming at establishing the legal framework for food safety and quality standards. Even the larger enterprises have difficulties in adapting to EU requirements, given the limited number of licenses for export to the EU within the meat and dairy sectors. Therefore, a major challenge for the farming and processing sector is to meet the growing number of EU requirements and standards all along the food supply chain. Failure to meet such requirements may result in decreasing exports and increasing import penetration.

Although much EU legislation and many procedures have been transposed into rules and guidelines for all participants in the Serbian agri-food chain, legislative and administrative changes alone do not guarantee proper implementation of the EU veterinary and phytosanitary *acquis*. The implementation of regulations with the rigour and expertise needed for them to function requires appropriate institutions and effective organizations, and sufficient time to build up necessary expertise. Twinning projects focusing on capacity improvements in these areas have been started recently. Yet, the complexities are high, while inspectors, extension officers and farmers all need to be trained; building up the capacities to implement the regulations on animal and plant sanitary control just takes time. It should be noted that there are important differences between the plant and animal sectors. Currently, Serbia's animal sector is moderately involved in international trade since it is envisaged that animal products would not be competitive on the EU market. However, even with small export flows to the EU, the country's health status should be indisputable and up to EU standards in order to maintain the confidence of trading partners in the EU market for animal products. The small-scale and fragmented structure of Serbia's agriculture - at the primary, processing and trade levels - makes monitoring and control on animal and plant health diseases difficult. Furthermore, investments in production facilities and methods that help to achieve higher standards fall short of what is necessary in order to comply with EU requirements.

A clear policy direction for agriculture is provided in the Agricultural Strategy for Serbia (adopted in 2005), while the new Agricultural and Rural Development Strategy 2014-2020 is in the process of preparation.

The Agricultural Strategy for Serbia (2005)<sup>6</sup> commits the country to the process of EU accession and underlines that Serbia must prepare for, and adopt, the support systems of the Common Agricultural Policy of EU (CAP). Other goals of Serbian agricultural policy are: (i) to increase the wealth of the nation through an efficient agricultural sector, producing products that are internationally competitive in terms of quality and price; (ii) to ensure that the food provided to Serbian consumers meets acceptable standards of quality and safety; (iii) to prepare Serbia's agricultural trade and support policies for accession to the World Trade

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<sup>5</sup> Government of Republic of Serbia (GoRS), Answers to the Questionnaire of EC, chapter 20, 2011: 448-449

<sup>6</sup> Official Gazette of the Republic of Serbia, No.78/05

Organisation (WTO); (iv) to secure support to the living standards of people depending on agriculture as major source of income, but who are unable to keep up with economic reforms; (v) to provide support to sustainable rural growth; (vi) to protect the environment from adverse effects of agricultural production. The strategy identifies three strategic objectives: improving food safety, veterinary and phytosanitary control; aligning with the standards required by the EU *acquis*; and encouraging sustainable development of the rural economy and rural areas through diversification.

Agricultural Strategy is re-iterated in the National Programme for Agricultural of the Republic of Serbia 2010-2013 (adopted in 2010); which has three overarching aims: restructuring (of producers, ownership and institutions), development of market and market mechanisms, and improving rural development and environmental protection. Particular production units also have specific objectives in relation to agricultural produce. There is a focus on improving quality of production, through schemes such as Protected Designation of Origin (PDO), and Protected Geographical Designation (PGD) for agricultural products and food.

In addition the National Action Plan (NAP) for the Development of Organic Farming, which is a draft version at this moment, has the overall aim of increasing the amount of land in certified organic production, or in conversion to 30,000 ha by 2014 (from a base level of 596 ha in 2009). In the Indicators table, stated values of Area under organic production (3.1.) are in accordance with recent analysis in this field, and may differ from draft version of NAP.

The Forestry Development Strategy of the Republic of Serbia (2006)<sup>7</sup> has the overall strategic aim of preserving and expanding forests and developing forestry as an economic activity. Key aims include supporting the economic and social functions of forests whilst preserving their ecological features; institution building and support for management to enable sustainable exploitation of forest resources.

Other key areas of activity include plant health, seed and plant materials, plant protection products, and veterinary policy, which are only partially harmonised with EU legislation and need further laws and by-laws to be adopted.

The National Programme for Rural Development of the Republic of Serbia for 2011-13 (adopted in 2011) identifies three strategic objectives relating to improvement of the agricultural and food sector: encouraging the improvement in food safety, veterinary and phytosanitary activities, bringing into line with standards required by the EU *acquis communautaire*; and, encouraging sustainable development of the rural economy and rural areas by encouraging diversification.

From 1 October to end of December 2012, the Statistical Office of the Republic of Serbia conducted the Census of Agriculture after more than fifty years. Data processing is on-going. The Census is envisaged to cover all agricultural holdings on the territory of the Republic of Serbia. The data obtained by census will provide the summary of the status of agriculture in Serbia: resources on one side, and shortcomings and issues to be solved on the other side. The obtained data shall be useful to agricultural policy makers for their decision taking and for short-term and long-term strategies of agricultural development. The data users will be able to better anticipate their agricultural production, apply with the national and EU funds for agricultural grants and support, and gain knowledge on the agricultural branches where

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<sup>7</sup> Official Gazette of the Republic of Serbia, No.59/06

investments are required and welcome. Furthermore, the Census of Agriculture will provide variety of information (identification of agricultural holdings, their structure etc.).

**Other national strategies** affecting the sector include: the Energy Development Strategy of the Republic of Serbia; the Biomass Action Plan for the Republic of Serbia 2010-2012; the National Sustainable Development Strategy (2008) with a focus on sustainable development (including preservation and improvement) in the areas of water, land (soil) and forests; and the Strategy for Regional Development (2007-2012), which addresses the specific problems of rural areas and obstacles to their development; The Biodiversity Strategy of the Republic of Serbia for the period 2011-2018 (2011)<sup>8</sup> recognises the linkages between biodiversity and agriculture. The strategy identifies specific threats and pressures on biodiversity from the agriculture and forestry sectors and proposes concrete actions for their mitigation. The National Strategy for Sustainable Use of Natural Resources and Goods in the Republic of Serbia (2012-2021)<sup>9</sup> defines the following objectives: ensuring the conditions for sustainable use of resources by proper planning of each resource balance and consumption; reduction of resource-use impacts on the economy and the environment; and establishing monitoring indicators.

### **Regional and transnational strategies**

**EU Strategy for the Danube Region** indicates the following:

Pillar I ‘Connecting the Danube Region’ and more specifically the Priority area ‘*To improve mobility and multimodality*’ (Action: Improve the regional/ local cross-border infrastructure and the access to rural areas); Priority area ‘*To encourage more sustainable energy*’ (Action: Set-up a cooperation mechanism of cities and villages in the region with the view to commit to greenhouse gas emissions reduction, exchange best practices and test pilot projects on energy efficiency and renewable energy”; Action: Build on the ‘Renewable Energy Cooperation of Rural Areas)

Pillar II ‘Protecting the Environment in the Danube Region’ and more specifically the Priority area ‘*To restore and maintain the quality of waters*’, (Action: Foster and develop an active process of dialogue and cooperation between authorities responsible for agriculture and environment to ensure that measures are taken to address agricultural pollution; Action: Establish buffer strips along the rivers to retain nutrients and to promote alternative collection and treatment of waste in small rural settlements).

The key strategic documents in this sector have similar goals in terms of balancing the three overarching aspects of the sector: modernisation of agriculture, the economic and social development of rural areas, and agri-environmental and biodiversity protection. The main sector strategies complement each other and their implementation is strongly supported by past and on-going interventions within the sector.

#### **2.2.2 Sector and donor coordination.**

The coordination and harmonisation of donor activities in Serbia, with a particular focus on country ownership to coordinate aid-funded activities, will be ensured under the leadership of the Serbian European Integration Office (SEIO) – Sector for Planning, Programming, Monitoring and Reporting on EU funds and Development Assistance.

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<sup>8</sup> Official Gazette of the Republic of Serbia, No.13/2011

<sup>9</sup> Official Gazette of the Republic of Serbia, No 33/12.

Serbia has signed the Paris Declaration and Accra Agenda to improve the effectiveness and impact of development aid, and to ensure donor aid is aligned and harmonised with nationally adopted strategies. Coordination of programming at the highest policy level is the responsibility of the Commission for Programming and Monitoring of EU Funds and Development Assistance. The Commission meets annually and is chaired by the Vice Prime Minister in charge for European Integration. The Commission is composed of 11 ministers and the Director of the SEIO. The task of the Commission is to review draft documents that will be presented to donors, suggest priorities for use of resources of international development assistance, and consider and make proposals to the Government on other significant issues related to the use and management of EU funds and development assistance. As a monitoring tool regularly “bottleneck meetings” have also been established between the EU Delegation (EUD), NIPAC and the line ministries to discuss the progress of IPA funded projects and to ensure their smooth implementation.

In order to better align donor support and IPA funding with national strategies, the NIPAC Technical Secretariat established eight Sectoral Working Group (SWGs) in 2010, among them SWG Agriculture and Rural Development, to prepare the Needs Assessment Document (NAD) for international assistance in 2011-13, and as the basis for identifying annual IPA I programmes, multi-annual IPA III-V programmes and bilateral donor projects. The SWGs comprise representatives from Line Ministries and other beneficiaries as the main actors in programming and project identification. The SWGs contribute to the identification and prioritisation of projects, ensuring co-financing and analysis of project implementation. Additionally, the NIPAC Technical Secretariat prepares annual action plans for programming and reporting on international assistance to ensure synchronization with national planning and budgeting processes. By defining activities, timeframe and roles and responsibilities of relevant institutions, it serves as a tool for coordination and aligning donor activities. ISDACON, as both a website and database of development assistance and priority projects, serves as a programming, reporting and communication tool.

Aiming to include Serbian civil sector in development assistance planning in a substantial way, SEIO decided to establish a consultation mechanism with civil society organisations in the end of 2010. The so-called Sector Civil Society Organisation (SECO), where each SECO was to represent one sector, has been established in the following 7 sectors that corresponds to the NAD classification: Rule of Law, Public administration reform, Civil society, media and cultural rights, Human resources development, Agriculture and rural development, Environment and energy and Competitiveness. During 2012 SECOs as representatives of their associated networks participated in the identification phase of programming by taking part in sectoral working group meetings composed of line ministries and other state bodies and by providing inputs for identification of the needs and development of sector (gap) analysis.

An “aid coordination<sup>10</sup> group” for Agriculture and Rural Development has been created to focus on developing relationships with donors. This group is led by the Ministry of Agriculture, Forestry and Water Management, co-chaired by the EUD and consists of approximately 20 donors who meet regularly with representatives of different sectors within the Ministry. This enables an exchange of information and views as well as more focused discussion on technical issues.

### ***2.2.3 Sector budget and medium term perspective.***

With the aim of increasing predictability of public financing for the budget users, as well as of improving transparency of the planning process in general, the Budget system Law prescribes the obligation of presenting the medium term expenditure framework as the three-year expenditure limits for budget users. According to the Draft Fiscal Strategy for year 2013, with Projections for years 2014 and 2015, based on the medium-term macroeconomic projections and the targeted deficit for the respective years, the following funds are planned to be allocated from the state budget to the state institutions associated with the Agriculture and Rural Development Sector<sup>11</sup>:

*Budget expenditure limits for 2013-2015 (in EUR\*)*

| Institution  | 2013        | 2014        | 2015        |
|--|-------------|-------------|-------------|
| Ministry of Agriculture, Forestry and Water Management | 310,533,119 | 322,954,457 | 335,872,625 |

\* *Converted at the agreed budgeting rate of 119.6 RSD: 1 EUR*

The **strategic goal** of the Government economic policy on the medium-term 2013-2015 as outlined in the Draft Fiscal Strategy is the ***acceleration of the European integration process*** of the Republic of Serbia, by undertaking activities leading to the initiation of accession negotiations and by implementing systemic reforms leading to the fulfilment of the Copenhagen criteria. To this end, the adoption of the necessary systemic laws shall be accelerated, as well as the implementation of the adopted legislation with the aim of establishing market economy, macroeconomic stability and suppression of the corruption and the organized crime. The document further clarifies that in order to fulfil economic and political criteria for membership to the EU, the resources shall be provided for strengthening of the administrative capacities and for the stability of institutions guaranteeing democracy, the rule of law and the protection of minorities, for the development of market economy and of its potentials to respond to the competition and market pressures from the EU, as well as for creating the stable economic and monetary surrounding.

Having in mind the above strategic goal of the country, the focus of the economic policy in the medium-term perspective shall be on the economic recovery of the country and on the creation of conditions for the sustainable and balanced economic growth based on the increase of investments and export, and leading towards the increase in employment and of the living standard. With this regards, the Draft Fiscal Strategy outlines the agricultural policy among the key sector policies to be promoted in the period 2012-2015. The measures within the scope of this policy shall consist of increasing the incentives for the agriculture as the development chance and the comparative advantage of the country, with ensuring adequate institutional and budget support for farmers, with a fair distribution of subsidies and with a predictable system of incentives guaranteed to at least five years period. The investments in the agriculture shall be given due consideration and resources, specifically with regards to irrigation systems. In particular, when elaborating the priority real state sector reforms, the Draft Fiscal Strategy sets out the following principle objectives and directions of the agricultural policy:

- Acceleration of restructuring of the agricultural sector according to EU standards and the increase of investments in agricultural infrastructure;

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<sup>11</sup> The data presented herewith originate from the Fiscal Strategy adopted by the Government of Serbia in November 2012

- Setting up of a functional advisory services and mechanisms of management changes;
- Improving the supply chain preventing the market distortions;
- Continuing the trade liberalization, promoting export-oriented agricultural production, repealing ad hoc trade and non-customs barriers and the reduction of export subsidies.

#### **2.2.4 Sector monitoring system**

Sector performance should be monitored by sector outputs and consequent impacts that will be continuously monitored based on the existing strategies and action plans. Sector monitoring is currently under development. Sector performance in terms of sector outputs and impacts will be monitored on a continual basis. Sector monitoring, is based on a system of performance indicators which have been developed to accompany the document 'Needs of the Republic of Serbia for International Assistance, 2011-2013'). A results-based system of indicators defines baseline and target values (benchmarks) for a three-year period and is revised annually. These benchmarks provide a basis for comparisons and therefore the basis for making a judgement on sector performance. Using good quality data is the key to benchmarking and monitoring sector performance, which involves establishing appropriate data collection and reporting systems. International sources of data (like EUROSTAT, WB, FAO, WHO, etc.) will be utilised where relevant, while use of national statistics will require attention to reliability, availability, timeliness, and validity.

Result-based system of indicators accompanying document "Needs of the Republic of Serbia for International Assistance" defines baseline and target values (benchmarks) for a four-year period and will be revised annually. Indicators are linked with the relevant sector priorities and measures defined in the document, and are, to the extent possible, taken from sector performance frameworks described in the first paragraph. It is intended that this system of indicators is used in planning and monitoring of EU funds and development assistance and integrated in the relevant planning/ programming documents (including sector/ project fiches).

The monitoring system under decentralised management of IPA (DIS) is defined in detail in relevant Manuals of Procedures. System is based on a set of monitoring committees examining relevant monitoring reports- IPA Monitoring Committee, Sectoral Monitoring Committees (TAIB MC being one of them) and Sectoral Monitoring Sub- Committees (SMSCs). SMSCs will be examining IPA monitoring reports on activities funded through first IPA component per sector (it is envisaged that 8 SMSCs will be functional in the following sectors: rule of law; public administration reform; civil society, media and culture; transport; energy and environment; competitiveness; human resource development and agriculture and rural development). Progress in achieving the target values per indicator set in the relevant sector / project fiches will be included in the relevant monitoring report and examined at the SMSC and TAIB MC meetings.

The monitoring regarding measure 2 of this SF, will be conducted in compliance with the rules and procedures of monitoring of the fifth component.

#### **2.2.5 Institutional setting.**

According to the Law on Ministries, the agriculture and rural development reform policies are predominantly addressed by the Ministry of Agriculture, Forestry and Water Management. Several units have been established within the Ministry to carry out the activities, these include the following: Sector for Agricultural Policy, Sector for International Cooperation, Sector for Legal, Normative and Administrative Affairs, Department for Rural Development, Department for Agrarian Inspection, Internal Auditors, Plant Protection Directorate, Forestry

Directorate, Veterinary Directorate, Directorate for Land Management, Water Management Directorate, Directorate for Agrarian Payments, Directorate for National Reference Laboratories. Within the Ministry, there are two parts that are directly involved in development and implementation of rural development policy: Department for Rural Development, as well as Directorate for Agrarian Payments.

Significant activities have taken place over the past decade to deal with some of the identified problems in the agricultural sector. The law on agriculture and rural development was adopted in 2009 setting the objectives for agricultural policy and providing the general framework for development and support for agriculture and rural areas. The policy is currently implemented through the Agricultural and Rural Development Strategy (2005), while the strategy for the period 2014-2020 remains to be adopted. The preparatory work for development of the new agricultural strategy has already started. New strategies have been developed for forestry and organic production, as well as national programmes for agriculture and rural development.

In addition, 37 new **primary laws** have been adopted since 2009 and 126 by laws in order to harmonise with the EU *acquis*, addressing implementation requirements for agriculture, food safety and phytosanitary issues, water, forestry and rural development sectors.

### **2.2.6 Macro-economic context and Public Financial Management**

According to the Fiscal Strategy 2013-2015 and the macro-economic indicators presented therein, it is obvious that at the end of the year 2012 Serbian economy is in the recession. In general, the negative tendencies started with the second wave of economic crisis in the second half of year 2011, and continued throughout 2012 (the evident slow-down of the economic activities and of export and import of goods, the increase of fiscal and current account imbalances, growth of inflation, decrease of employment, dinar deterioration, decrease of foreign exchange reserves and of crediting activities in the banking sector, the increase of the share of the non-performing loans in the dept. portfolio, etc.). The stagnation of economic activities at the EU Member states, the recession in the countries of EURO-zone, and particularly in the countries of the region, strongly affected Serbian economy being heavily dependent exactly on those trade partners. This shall continue to represent major external risk for the national economy, but the comparative anticipations are such that the recession shall decelerate during 2013, while modest growth in economic activities and employment can only be foreseen in the horizon of year 2014. The Draft Fiscal Strategy forecasts a macroeconomic scenario with real GDP growth at average rate of 3.2% per year over the period 2013-2015.

The prospects of economic recovery and growth are based on the projections and expectations of the increase of export, of savings in public sector, of productivity and of competition, as well as on the anticipation of the economic recovery of the markets of EURO-zone. As presented in the Draft Fiscal Strategy, the macro-economic stability is the key pre-condition for fulfilling the outlined priorities of economic growth and the increase of employment and of the living standard in the Republic of Serbia. In that sense, a strict coordination of fiscal and monetary policy in the following three years is of crucial importance for macro-economic stability and for the decrease of macro-economic imbalances (inflation, fiscal deficit, current account deficit). The prevailing orientation is therefore towards undertaking rational economic policies and on the acceleration of structural reforms. Fiscal policy shall focus on the decrease of fiscal deficit by introducing changes in tax policy and mostly through fiscal adjustments on the expenditure side in line with the rules of fiscal responsibility. Monetary policy shall aim at attaining targeted inflation and on carrying out the floating exchange rate regime. In parallel, structural policy shall promote reforms leading to increasing productivity and export capacities, improving the business environment and attracting potential foreign investors, as well as reforms in the public sector. With this regards, a particular challenge for

the economic policy shall be to ensure the financial incentives for the most effective programs, particularly in agriculture, energy sector and in infrastructure. By strengthening the rule of law, suppressing the systemic corruption and with mitigation of the rigidity on the labour market, a better investment climate is to be created. Complementary special economic policies to be emphasized in the medium-term perspective are: policy of protection of competition, active population policy increasing birth-rates, balanced regional development policy, social policy (guaranteeing social rights and inclusiveness); Key sector policies towards which more substantial financial resources are going to be allocated, are again closely interlinked with the aims of economic growth and employment and presented as follows: agricultural policy, mining and energy, transport, telecommunications, tourism, health policy, education and science.

Envisaged structural reforms of the public sector are of great influence to the efficient management of public finances. The principal legal bases for the public financial management in the Republic of Serbia are set out with the Budget System Law which is assessed rather positively in terms that it “provides for many of the essential components of a sound budget system<sup>12</sup>”. In the recent years (2010/2011), important new institutes such as medium-term expenditure framework and fiscal responsibility rules, have been introduced to streamline the management system. However, the implementation of those new concepts has not been fully exercised, largely because of the challenges the state faced with the financial crisis, and due to incremental approach in introducing the changes in practice. In addition to this, a significant reform potential is to be seen in the recent amendments of the Budget System Law (BSL)<sup>13</sup>. One of the major changes concerns the broadening of the definition of public finances, which previously referred exclusively to budget (local and central level) funds and did not encompass the totality of revenues/incomes (for example, the so-called own, or proper revenues of some public sector institutions were left out of the system of managing the public finances and of the treasury single account). The system and the Law as amended in September 2012 now provide for a more comprehensive approach in planning, spending and reporting on public funds and as such create conditions for a better control of spending in the public sector. Likewise, the amended BSL has incorporated system changes concerning the approach in establishing and charging of various taxes, levies and duties affecting particularly the private sector. Namely, the assessments carried out with this regards, revealed that much of the fiscal duties were being introduced in opaque and unpredictable manner. The amended BSL establishes fairly transparent principles in introducing such financial charges and obliges for the subsequent adjustment of other pieces of legislation not aligned with the outlined principles; Further on, in line with the recommendations of the EC DG BUDGET, the definition of the managerial accountability has been adjusted, while in anticipation of the conferral of management powers for decentralized management of EU Funds, a new budget reserve has been introduced in order for Serbia to cope with the requirements of accreditation criteria.

Notwithstanding those improvements in the budget system, the public expenditure management still remains short of a consolidated plan for reforming the public expenditure management, which would focus exactly on implementing reforms that have already been agreed and launched. In 2010 Public Financial Management in the Republic of Serbia has been reassessed in accordance with the Public Expenditure and Financial Accountability

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<sup>12</sup> SIGMA Assessment for Serbia, published in March 2012.

<sup>13</sup> The Law on Amendments to the Budget System Law was adopted by the Parliament on September 25th and published in the Official Gazette No. 93/12, September 28<sup>th</sup>, 2012.

(PEFA) methodology<sup>14</sup>. A basis is therefore now available for information and monitoring of PFM, for planning of the reform strategy and capacity development programme. Assessment of the PFM institutions, processes and systems, has been carried out in several important areas: budget credibility; transparency and comprehensiveness; policy-based budgeting; predictability and control in budget execution; accounting, recording and reporting; external scrutiny and audit; and donor practices. A standardised scoring system is applied in the structure (sub-elements) of each of the topics, so that weaker scoring directly signals the necessity to concentrate efforts on improvements in a medium-term perspective. The PEFA Report recognises the dependency between PFM reforms and the EU accession agenda and recommends a more systematic approach and stronger specific leadership to ensure consistency of future PFM reforms.

### **2.2.7 Sector assessment**

The Government of Serbia is firmly committed to capacity-building within the Agriculture and Rural Development sector, in pursuit of its national policy objectives and reform agenda, and accession to the EU. Beneficiaries have expressed a desire to improve capacity, notably with regard to policies and strategies, institutional setting, and implementation and enforcement of regulations. IPA 2013 programming processes utilised the established consultation process developed during preparation of the NAD 2011-2013 and IPA 2012 programme preparation. In order to identify priority areas relevant for the IPA 2013 programme, a strategic gap analysis has been conducted through a range of actions including analysis of the NAD, analysis of EC Analytic Report for Serbia (2011) and MIPD 2011-2013 and correlation with on-going and proposed 2012 assistance. Analysis has been carried out through the framework of Sector Working Groups (SWG), SEIO, Line ministries, EUD representatives, and Civil Society Organisations. The SWG has discussed the key messages derived from the gap analysis mentioned above and identified IPA 2013 priority area (which the EUD and DG Enlargement have also commented upon. It has been originally foreseen the allocation in the sector for 2013 to envisage the IPARD measure but due to legal issues on the side of the Commission which disabled the accreditation process to be finished in time, this measure had to be excluded and the money had been reallocated, therefore the SF ended up with one measure. This measure is:

- **Further Support of the Control/Eradication of Classical Swine Fever and Rabies as well as support for the control of zoonoses and food borne diseases in the Republic of Serbia**

## **3. DESCRIPTION**

### **3.1. OVERALL OBJECTIVE OF THE IPA SECTOR SUPPORT**

**The overall objective** of the IPA sector support is modernisation of agriculture and development of a vibrant rural sector, as well as achieving progress in transposition of the *EU acquis* and alignment with the Common Agricultural Policy's (CAP) principles and objectives.

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<sup>14</sup> The Republic of Serbia PEFA Assessment and PFM Performance Report 2010 has been published in November 2010

The IPA support outlined in this document is being used to continue establishment of the foundations on which to build a modern and efficient agricultural sector. The key benefits arising from IPA support will be in relation to enhanced capabilities within the Ministry to:

- Enhance food safety and disease control systems;

These enhanced capabilities provide a solid foundation on which to modernise agricultural production aimed at improving quality of product and enhancing the potential for exporting the agricultural products.

### **3.2. SPECIFIC OBJECTIVE(S) OF THE IPA SECTOR SUPPORT**

**In line with MIPD sector objectives, IPA support to the sector for 2013 should contribute towards:**

- Improving capacities within state institutions for policy formulation and implementation with respect to agriculture and rural development giving an equal opportunities for women and men;
- Progressing in transposition of the *acquis* and alignment in line with the Common Agricultural Policy's (CAP) principles and objectives;
- Further strengthening the food safety and veterinary sectors with a particular focus on the national system of consumer protection, food safety, animal welfare, control of diseases and controls at external borders.

In the light of the sector assessment given in section 2.2 (7) and taking into account the assistance currently on-going and so far provided, the scope of IPA 2013 support should be broad enough to provide support in strengthening the capacity of the MAFWM to adapt its structures and systems to EU requirements in the field of food safety and veterinary policy.

### **3.3. RESULTS**

**Result 1: Enhanced food safety and zoonotic diseases control system (CSF, Rabies and zoonotic/food borne diseases)**

### **3.4. MEASURES/OPERATIONS<sup>15</sup> TO ACHIEVE RESULTS**

**Measure 1: Further Support of the Control/Eradication of Classical Swine Fever and Rabies as well as support for the control of zoonoses and food borne diseases in the Republic of Serbia**

This measure will provide continued support for Rabies and Classical Swine Fever control and eradication programmes built on previous IPA and national budget funding (since 2008), and linked to cross-border disease eradication project. Previous programmes are indicating high levels of success, but the continuation is necessary in 2014/2015 when a full evaluation will take place in Serbia and other beneficiary countries (regional project).

Support will be provided for development of a 'channelled' system (a controlled and certified food-chain system) in high biosecurity level of pig production according to EU regulations and further development of the national compensation fund to improve management of disease outbreaks and provide support for those affected by disease

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<sup>15</sup>As defined in Article 6(2) of the IPA Implementing Regulation No 718/2006. IPA Component I programmes are subdivided into sectors (priorities), each of which define a global objective to attain and which shall be implemented through measures, which may be subdivided into operations, or directly through operations. Operations shall comprise a project or a group of projects (implemented by the Commission or the beneficiary country).

The awareness campaign and continuing of vaccination of wild animals against rabies and domestic pigs against CSF is on-going process in aim to keep very low level of incidence or, ideally, no any case of rabies/ Classical swine fever and there is permanent need for continuous supply of vaccines, diagnostics and laboratory reagents for surveillance and monitoring according to harmonized veterinary legislation, equipment for improvement of biosecurity measures on pig farms and consumables/equipment for management of (possible) disease outbreaks . In regards to CSF vaccines, support is needed for procurement of the highest-quality vaccines in the case of emergence vaccination. This would be continuation of IPA 2012 where resources for CSF vaccine were allocated in EU contribution while Beneficiary paid for vaccinations (not less than 4.5 million of EU annually).

With regards to request to procure oral vaccines against rabies for four campaigns, it is necessary to have continuous vaccination in the whole Balkan region and not only in Serbia. Namely, Serbia is the only one beneficiary country without discontinuation of ORV from 2010 while other have some difficulties with negative influence on vaccination or have not even started vaccination (Albania). Having in mind that virus is present in the region, including Romania and some Central European MS faced with outbreaks of rabies, it is necessary to continue vaccination for few additional years. With 4 campaigns, Serbia will have sustainable vaccination in case of out brakes (please see Annex 6).

In addition, support under this measure will enhance the capabilities of Competent Authorities to better formulate the necessary capacity building programme, which would assist and result in preparation and adoption of the national strategy and continuous conduction of harmonized surveillance and monitoring programmes of zoonoses and foodborne diseases listed in EU legislative, as well as antimicrobial resistance.

In accordance with Directive 2003/99/EC, Serbia will improve capacities, including legislation and develop and implement monitoring programs, on mandatory basis, for the following zoonotic diseases:

- Brucellosis and agents thereof
- Campylobacteriosis and agents thereof
- Echinococcosis and agents thereof
- Listeriosis and agents thereof
- Salmonellosis and agents thereof
- Trichinellosis and agents thereof
- Tuberculosis due to Mycobacterium bovis
- Verotoxigenic Escherichia coli
- Antimicrobial resistance
- Rabies
- Tuberculosis others than tuberculosis due to Mycobacterium bovis

This measure will support establishment of an effective operational inter-sectorial framework between veterinary and public health authorities, as well as network of food safety and public health laboratories, with capacities fully in line with EU legislation and international standards (e.g. ISO 17025, ISO 17020), capable to ensure integrated monitoring, surveillance and reporting of zoonoses, food borne diseases and antimicrobial resistance in Serbia and adequate inspection system. Furthermore it will enhance communication and coordination related to food safety and public health issues and support of the development of rapid alert system between the veterinary and public health sectors (within Ministry of Health), at national and local levels, including the relevant laboratories.

**Measure 1 will be implemented through two operations:**

**Operation 1.1.1** - Supply contract for purchase of vaccines for eradication programme for rabies in wildlife population (4 ORV campaigns) and vaccines for vaccinations of domestic pigs against CSF

**Operation 1.1.2** - Twinning contract for development of legislation and national monitoring or control programs for main zoonosis, food borne diseases, antimicrobial resistance verification of deliveries, activities related to strengthening capacity to manage zoonoses and food borne disease control, and continuation of training and awareness programme

### **3.5. OVERVIEW OF PAST OR ONGOING ASSISTANCE, LESSONS LEARNED, MECHANISMS FOR DONOR COORDINATION/SECTOR WORKING GROUP AND/OR POLICY DIALOGUE**

Bilateral and multilateral projects contribute to addressing the sectors challenges. ODA has been received from 15 donors during the period including: Germany, Japan, the Netherlands, Denmark, Norway, Romania, Spain, Sweden, the United States, the United Nations, and the World Bank. Only the EU, Germany and the United States are significant donors with commitments over € 10 million during 2007-12.

Data extracted from the ISDACon database shows a total commitment of € 89.53 million in the period 2007-11 from these 15 donors (€ 50.6 million when the EU allocation is excluded – (see Annex 6 for recorded allocations and disbursements of ODA). The majority of these funds were committed to the agriculture sector (€ 88.39 million, or € 49.46 million without EU contribution). The figures for disbursements show that € 77.01 million was disbursed in the period (€34.9 million excluding the EU). However, these are indicative figures since they rely on what is reported and entered into the database.

There have been six annual programmes of IPA I assistance since 2007, allocating € 41.5 million to the agriculture and rural development sector.

#### *Complementarities and synergies with other needs and directly linked forms of assistance*

Acquis related measures and priorities (NAD/MIPD) have been mostly covered through previous IPA National Programs.

Measure 1 has been built on activities referenced to previous IPA 2008, 2009, 2011 and 2012 projects and represents their logical continuation.

**Measure 1 “Further Support of the Control/Eradication of Classical Swine Fever and Rabies as well as support for the control of zoonoses and food borne diseases in the Republic of Serbia”** will improve the animal health status in Serbia and consequently in the region with regards to the Classical Swine Fever and Rabies, and will upgrade and align with the EU acquis the systems for control of zoonoses and food borne diseases in order to assure the sustainable protection of consumers, animal and public health, along with developing capacity to control zoonoses and food borne diseases.

**In the four annual programmes 2007-2010, IPA Component I** is financing projects in the agriculture and rural development sector worth a total of around € 34 million.

#### **IPA 2007:**

Strengthening the capacities of the Republic of Serbia for the absorption of EU Rural Development funds in pre-accession period; Project started in August 2010, it was extended up to 31 March 2013 and it is finished. Project had three components – Twinning, LEADER and Equipment supply.

It provided a sound overview on the actual situation of the MAFWM and DAP and elaboration of rural development management system before accreditation in the framework

of the IPARD. The project supported developments in the important priority areas contributing to implementation of the relevant European Union's regulations which can be now implemented in a more appropriate, efficient and effective way by the MAFWM:

- improved interpretation of tools and methodology applied in the claim management process so as to guarantee the correct implementation and payment of the subsidies paid by the European Union
- adjusting implemented and elaborating new procedures in line with new requirements and to the CAP
- setting up a consolidated draft of IPARD-PD

Impact likely to have on the Beneficiary Country (BC) Administration (MAFWM and DAP):

One of the impacts of the project on BC administration was that DAP and MA implemented or re-considered or proceeded the proposals of the MS experts concerning the structure of the aforementioned institutions.

Approximately 20 BC experts participated on regular bases on the missions; the largest possible number of staff had been trained and gained significant experiences in the implementation of rural development policies. Recruitment of new staff was always an open issue during the project implementation, therefore trainings had been repeated at some cases to cover the gaps of recent recruitment.

Since all mandatory results formulated in the objectives of the twinning project fiche have been accomplished to a large extent, the following impacts are likely to be stated:

- More exact implementation of European Community Law
- Easier adaptation of new types of support and requirements set forth within the framework of Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA) and Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)
- Better compliance with the requirements of the Sectoral Agreement (SA) in terms of subsidy management
- Upgraded implementation of the national legislation
- Written procedures of the different measures applied by DAP have been adapted by the staff of DAP, in accordance with the findings of short term experts, based on a mutual partnership approach
- Written procedures for all relevant functions of the MA elaborated
- NRDP overworked and IPARD PD developed in close cooperation with DG Agri and STEs
- Training plan for MA staff has been developed and partially carried out
- Consideration on the effectiveness and practical implementation of the ISOSUM software in the near future, its parameters helping the financial activity
- Better communication with organisations undertaking delegated tasks for the Paying Agency

#### **IPA2008:**

Support for the Control/Eradication of Classical Swine Fever and Rabies in the Republic of Serbia; Project has two components: TA and equipment supply. The project is being implemented in the Department of Veterinary since January of 2010. Technical cooperation has been agreed at the amount € 2,100,000, in the planned duration of 2.5 years. TA is implemented by a consortium led by the consulting company Opera, from Italy. Supply of equipment, vaccines and IT equipment is planned in amount of € 4,000,000 (previously

purchased vaccines in the amount of 520,000 € are included in the expenditure on the basis of notes between the Ministry and the delegation). In September, the agreement was signed for the procurement of vaccines and in November and December of 2010, the first vaccination was carried out from the air. After that, two more vaccination campaigns were carried out - in May and November/December of 2011. The equipment was delivered and out of the rest of the money additional procurement was approved. Strategic multi-year plans for rabies and classical swine fever are defined.

Harmonisation of national legislation with EU legislation for placing on the market and control of Plant Protection Products and implementation of new legal provisions; Twinning partner is England. The project began on 1 October 2010. The aim of the project is the implementation of legislation, working procedures, approval, usage and control of plant protection products, in accordance with EU standards. The user is Plant Protection Department

Capacity Building and Technical Support to Renewal of Viticulture Zoning and Control of Production of Wine with Designation of Origin; Project has two components: TA and equipment. Implementation of TA began on 1 July 2011, in the MAFWM.

#### **IPA 2009:**

Support for the Control/Eradication of Classical Swine Fever and Rabies in the Republic of Serbia-Publicity Services for Rabies and Classical Swine Fever Vaccination Campaigns and Supply of rabies vaccines and equipment for surveillance of animal diseases. The project began in late 2010 and it is conducted in the Veterinary Directorate. Vaccines against rabies are delivered and vaccination is completed. Tender documents for the laboratory equipment are completed, a bidder is selected and contract signing and deliveries are in progress. The following is successfully implemented: Procurement of vaccines for oral vaccination of wild carnivores against rabies and delivery of two campaigns (autumn 2011, spring 2012), total of four campaigns, Procurement of laboratory equipment for supervision of contagious animal diseases/CSF (Classical Swine Fever); publicity project for awareness raising regarding CSF and rabies is successfully implemented and finished in May 2013 (service contract); Procurement of IT equipment for development of GIS component is successfully implemented.

#### **IPA 2010:**

Equipment and courier service supply and capacity building of Serbian National Referent Laboratories Directorate in food chain;

Establishment of the Serbian Farm Accountancy Data Network (FADN);

Project "Rural Development: Effective Land Management" implemented within the framework of the GIZ project "Strengthening Municipal Land Management in Serbia"

#### **IPA 2011:**

**Support for Food safety, Animal welfare and control/eradication of classical swine fever and rabies.** Project consists of Twinning for food safety and animal welfare and procurement of laboratory equipment and reagents for the control, supervision and monitoring of contagious diseases of animals. Twinning partner is selected; implementation of the project began in late March 2012.

Project of support for the control and eradication of CSF and Rabies in the Republic of Serbia is on-going: the following activities are planned and/or implemented: Procurement of vaccines for oral vaccination of wild carnivores against rabies is successfully finished; first campaign (autumn 2013) was completed and second started in mid May 2013; third will be

finished in autumn 2013 (seven in total starting in autumn 2010), Procurement of laboratory and IT equipment, diagnostics, consumables and vaccines for CSF in progress (to be finished in second semester of 2013).

The **IPA I 2012 programme** in this sector is envisaging allocation of 15.6 million EUR. This support is streamlined through 5 measures in the Sector Fiche aimed at: developing capacity for improving food processing establishments and hence the quality and safety of meat and milk products; developing strategic direction for managing animal by-products; strengthening controls over pesticide use; continuing efforts to reduce incidence of Rabies and Classical Swine Fever (CSF) with consequent potential for improvement in quality of livestock and processing establishments; developing capacity for improvements in rural and agriculture development, food safety and consumer protection in Serbia in line with EU standards and requirements; providing capacity for managing rural development and agricultural support schemes, and development of a strategy and methodology for implementing a land parcel identification system (LPIS), including software development.

Although considerable interest has been shown in twinning projects, this requires a high level of organisation on the part of beneficiaries. A key issue has been inability of the beneficiary country to absorb all the funds from previous years' projects (for example, spending on laboratory equipment) due to inadequate preparation of facilities. In addition, institutional and legal issues (e.g. long licensing and permitting procedures) have slowed down project implementation<sup>16</sup>. A Land management project has also been subsequently included in the IPA 2010 annual programme due to delay in contracting of the project initially envisaged to be a part of the IPA 2010 annual programme.

Support for the control/eradication of animal diseases, **MB IPA 2008 Programme**. The project purpose is to improve regional and cross-border cooperation among the beneficiaries in the Western Balkans, neighbouring EU Member States and the Commission by sharing best practices and lessons learned in the control of animal diseases, ensure a regionally harmonized implementation of animal disease control strategies, support operational cooperation, and the intensification of communication between the authorities in the Western Balkans, Control and eradicate important animal diseases such as rabies and classical swine fever in the Western Balkans so as to decrease the risk to EU Member States posed by these diseases and to facilitate the ability of the Beneficiaries to export live animals and animal products without disruption of regional trade.

Support from other donors is a significant contribution to the sector of agriculture and rural development. It has been focused on the following: in the phytosanitary area, veterinary, veterinary inspection and milk testing capacities, domestic fertilizer, biodiversity and the development of a National Agri-Environment Programme, increasing the competitiveness of agri-businesses, helping farmer cooperatives; support for organic farming and for partnerships to revitalise rural areas, facilitating the development of sustainable rural tourism.

Continuous programme according to Memorandum of Understanding on the management of Counterpart Fund – Food Aid. It is in implementation continuously through 5 tranches from June 2004. Many projects have been financed through this programme, especially for food chain, such as reconstruction and furnishing of National reference laboratories, animal identification, cross border infrastructure, etc. in total value from 2004 up to now in 8,500,000 €, Donor is EU Delegation from Counterpart Fund through commodity reserves. Preparation of project proposals for VI Tranche is in progress.

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16 Report on International Assistance to the Republic of Serbia in 2008, Ministry of Finance, Belgrade (2009)

### **Projects implemented through bilateral assistance in the previous period are:**

- Development of South East European Network for Plant Genetic Resources (SEEDNet) - Swedish International Development Agency – SIDA targeted assistance on plant genetic resources;
- Wood-based energy for sustainable rural development- UNDP;
- Implementation of EU Water Frame Directive, funded by the Dutch government through the G2G programme;
- Support to the Agricultural Sector of Serbia through Vitalization of Domestic Fertilizer Production- Donation of the Government of Japan;
- Improvement of work organisation of farmer's cooperatives in Serbia based on Norwegian model – donation of the Kingdom of Norway;
- Partnership for revitalization of rural areas - donation of the Government of Romania;
- Institutional capacity building in Plant Protection Directorate - (CARDS);
- Support sustainable development of dairy sector in Šumadija – USAID;
- Sustainable tourism in rural development- Donation of Kingdom of Spain;
- Institutional capacity building in Plant Protection Directorate (CARDS 1,500,000€), finished in May 2011.
- Twinning Programme “Institutional Capacity Building for the Veterinary Directorate” CARDS 2005
- Within UN Joint Programme ‘Sustainable Tourism for Rural Development’, among other activities, UNDP involved in promotion of EU LEADER approach giving support to establishment of LAGs in targeted municipalities. Donation of Kingdom of Spain – through Millennium Development Goals Fund – 4,000,000 \$).
- Serbian Transition Agriculture Reform (STAR)- World Bank and GEF;
- Project in implementation phase are:
  - Construction and reconstruction of Preševo and Batrovci border crossings – funded through Counterpart Fund, EU Delegation;
  - Implementation of a Private Sector programme for Support to the Fruits and Berries Sector in Southern Serbia - Kingdom of Denmark;
  - Support of Cheese Production in the Pester Region planned duration 2011-2014- Czech Development Agency (CzDA) and USAID; and
  - “Government-Government technical assistance in the areas of animal and plant health, food safety, market information system, agricultural extension service, agricultural statistics, grades and standards (USDA \$US 16 Million since 2004).
  - USAID's Sustainable Local Development Project (SLDP) supports regional economic development in 32 municipalities across Serbia that are cooperating in local municipal "clusters" to jointly address issues and opportunities that extend beyond any one municipality's borders. SLDP is helping each of the clusters to identify market-based opportunities for growth through increased domestic and foreign investment.
  - Project “Rural Development: Effective Land Management“ implemented within the framework of the GIZ project “Strengthening Municipal Land Management in Serbia“ on the basis of the Delegation Agreement, beneficiary is Directorate of Agricultural Land within MAFWM-funded by IPA 2010 programme, German Government and Government of the Republic of Serbia

### Linkages between IPA and other donor assistance

IPA funding has been focused in a relatively small number of activities, namely support for control of Rabies and CSF (this also provides valuable cross-border impacts as activities are

co-ordinated with neighbouring countries), legislative development in relation to plant protection products, capacity building in relation to rural development, support for upgrading national reference laboratories, and food safety laboratories, support for viticulture, and for developing a Farm Accounting Data Network (FADN).

Although considerable interest has been shown in twinning projects, this requires a high level of organisation on the part of beneficiaries as stated above.

It can also be seen that additional donor funding has been concentrated in two main areas: capacity building and plant genetic resources support in the Plant Protection Directorate, food chain laboratories and animal identification systems, a pilot project on rural development and sustainable agriculture (STAR), support for the berry and soft fruit sector, fertiliser production, and support for dairy farming in a localised area. Smaller amounts have been donated for farmer cooperatives and localised rural development projects. USAID has supported agribusiness companies to become more competitive.

#### Summary of key achievements/impact via project support.

Multi-annual support for control of Rabies and CSF which is likely to have significant impact in the reduction of incidence of diseases. Initial indications suggest a decline of cases Rabies in 2010 (by 43%) and in 2009 (by 75%) in comparison with 2009.

- The STAR project has increased understanding of how sustainable agriculture and rural development might be achieved in Serbia through implementation of a pilot project. In addition the ecological value of the Stara Planina area has been improved and local farmers in the area have benefitted from investment. A range of measures have been developed and tested and can be utilised as a basis for developing programmes applicable across other parts of Serbia.
- IPA funding has resulted in harmonisation of Serbian legislation capacity building, supply of goods.
- The wine growing sector has been improved through capacity building that now enables growers and producers to obtain PDO labels.
- National reference laboratories have been upgraded.
- A FADN is currently being developed through a TA contract with expected results in preparation of national plan for FADN in Serbia and pilot project implementation in order to test methodology and establishment of structure: harmonisation with EU legislation: Institutional building (trainings, data collection, analyse of collected data); IT system established;
- The fruit and berry sector is currently receiving support to improve production and marketing.

Currently, there is on-going a number of evaluations aimed at providing information on effectiveness of IPA and development assistance in relevant sectors in the past period and drawing conclusions and recommendations for the future planning of assistance. They include: EC funded evaluations of assistance implemented and financed by IPA programs and other donors in the Republic of Serbia per sector; IPA Interim Evaluations and meta-evaluation of IPA assistance, funded by the EC; and Evaluation of Effectiveness and Efficiency of Development Assistance to the Republic of Serbia per sector in the period 2007-2011, initiated by SEIO and implemented with the Sida support. Also, EC has initiated a project "Monitoring and Evaluation Capacity Building in Western Balkans and Turkey", implemented by the World Bank, in order to assist the beneficiary countries in strengthening capacities in monitoring and evaluation, with a focus on defining the performance indicators on the sector level.

### 3.6. SUSTAINABILITY

Sustainability in the agricultural sector requires modernisation of the whole sector to ensure farmers can market their produce across the whole EU as well as Serbia, and to ensure they can withstand competition from the opening up of Serbian markets to EU products. The measure proposed in this Sector fiche will provide support for making agricultural products healthier and more competitive.

Sustainability will be achieved through the interaction of the programmes, measures, and institutional changes implemented over the period. Sustainability is dependent on effective regulatory change, financial resources to support the changes, improvements in human capital (i.e. through training), and the political will to ensure effective enforcement and implementation of new legislation and regulations. Sustainability is thus dependent on all stakeholders being in broad agreement to the direction of change, which implies putting in place participatory decision making processes.

Veterinary Directorate and the Ministry of Agriculture, Forestry and Water Management within its budget provides all costs for the maintaining of existing equipment and the continuous renewal of consumables (e.g. protective clothes, disinfectants).

Funding for goods that are delivered through all projects is provided continuously for the sustainability of the established systems. Supplies that will be procured through Measure 1 will be treated the same way ensuring sustainability.

### 3.7. ASSUMPTIONS AND PRECONDITIONS<sup>17</sup>

**Risks identified in relation to IPA sector support are following:**

Assumptions relevant for this SF are:

- Serbia's EU integration orientation,
- Political and economic stability
- Sufficient technical and professional capacity available in order to carry out the operations
- Relevant IPA projects having successfully contributed to building institutional capacities
- Success of the rabies and CSF control projects requires continued support for vaccination and control programmes, and support from bordering countries.

**Preconditions that have to be met:**

- Sufficient technical and professional capacity available in order to carry out the activities
- IPA unit of the MAFWM will in close cooperation with Veterinary Directorate and inspection service ensure monitoring and exchange of information of the rabies vaccination campaigns, from the point of import of the vaccines in Serbia to

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<sup>17</sup> Assumptions are external factors that have the potential to influence (or even determine) the success of a project but lie outside the control of the implementation managers. Such factors are sometimes referred to as risks or assumptions but the Commission requires that all risks shall be expressed as assumptions. Pre-conditions are requirements that must be met before the sector support can start.

completion of the each specific campaign, in accordance with Memorandum of Understanding that will be signed with EU Delegation in the Republic of Serbia.

#### **4. IMPLEMENTATION ISSUES**

All the envisaged operations will be implemented by the Ministry of Agriculture, Forestry and Water Management and its Veterinary Directorate. In case of operation that will be delivered through twinning contract, implementation will be a shared responsibility between beneficiary and twinning partners. These twinning providers should be part of the public administration in their own country, or a semi-public organisation performing a public task, delegated by the Administration and will ensure availability of an RTA and experts from the public administration.

##### **4.1. INDICATIVE BUDGET**

**Indicative budget (amounts in EUR)**

| <i>SECTOR TITLE</i> Support to Agriculture and rural development |       |        |                    |                          | SOURCES OF FUNDING |            |                              |            |                    |                           |                 |                      |          |
|--|-------|--------|--------------------|--------------------------|--------------------|------------|------------------------------|------------|--------------------|---------------------------|-----------------|----------------------|----------|
|  |       |        | TOTAL EXPENDITURE  | TOTAL PUBLIC EXPENDITURE | IPA CONTRIBUTION   |            | NATIONAL PUBLIC CONTRIBUTION |            |                    |                           |                 | PRIVATE CONTRIBUTION |          |
|  | IB(1) | INV(1) | EUR<br>(a)=(b)+(e) | EUR<br>(b)=(c)+(d)       | EUR<br>(c)         | %<br>(2)   | Total EUR<br>(d)=(x)+(y)+(z) | %<br>(2)   | Central EUR<br>(x) | Regional/Local EUR<br>(y) | IFIs EUR<br>(z) | EUR<br>(e)           | %<br>(3) |
| <b>Measure 1</b>   |       |        | 4,800,000          | 4,800,000                | 3,230,000          | <b>67%</b> | 1,570,000                    | <b>33%</b> | 1,570,000          | 0                         | 0               | 0                    | 0        |
| Operation 1.1.1.- Supply contract                                |       | X      | 3,800,000          | 3,800,000                | 2,280,000          | 60%        | 1,520,000                    | 40%        | 1,520,000          | 0                         | 0               | 0                    | 0        |
| Operation 1.1.2 - Twinning contract                              | X     |        | 1,000,000          | 1,000,000                | 950,000            | 95%        | 50,000                       | 5%         | 50,000             | 0                         | 0               | 0                    | 0        |
| TOTAL IB / IPA I comp  |       |        | 1,000,000          | 1,000,000                | 950,000            | <b>95%</b> | 50,000                       | <b>5%</b>  | 50,000             |                           |                 |                      |          |
| TOTAL INV/IPA I comp   |       |        | 3,800,000          | 3,800,000                | 2,280,000          | <b>60%</b> | 1,520,000                    | <b>40%</b> | 1,520,000          |                           |                 |                      |          |

|                             |  |  |           |           |           |            |           |            |           |  |  |  |  |
|-----------------------------|--|--|-----------|-----------|-----------|------------|-----------|------------|-----------|--|--|--|--|
| <b>TOTAL SECTOR SUPPORT</b> |  |  | 4,800,000 | 4,800,000 | 3,230,000 | <b>67%</b> | 1,570,000 | <b>33%</b> | 1,570,000 |  |  |  |  |
|-----------------------------|--|--|-----------|-----------|-----------|------------|-----------|------------|-----------|--|--|--|--|

*NOTE: DO NOT MIX IB AND INV IN THE SAME OPERATION ROW. USE SEPARATE ROWS*

Amounts net of VAT

- (1) In the Operation row, use "X" to identify whether IB or INV
- (2) Expressed in % of the **Public** Expenditure (column (b))
- (3) Expressed in % of the **Total** Expenditure (column (a))

#### 4.2. INDICATIVE IMPLEMENTATION SCHEDULE (PERIODS BROKEN DOWN PER QUARTER)

| Operations                          | Start of Tendering/ Call(s) for proposals | Signature of contract(s) | Activity Completion |
|-------------------------------------|---|--------------------------|---------------------|
| Operation 1.1.1. - Supply contract  | T+1Q                                      | T+3Q                     | T+11Q               |
| Operation 1.1.2.- Twinning contract | T+1Q                                      | T+3Q                     | T+11Q               |

##### *Timing and Sequencing*

**Measure 1** will be implemented through two tenders:

1. One supply tender for purchase of vaccines for eradication programme for rabies in wildlife population (4 ORV campaigns) and vaccines for vaccinations of domestic pigs against CSF (Operation 1.1.1)
2. One Twinning contract (Operation 1.1.2)

Tendering documents, such as Terms of References and Twinning Fiche will be prepared by the beneficiaries (Ministry and Veterinary Directorate) in close cooperation with SEIO and CFCU.

#### 4.3. CROSS CUTTING ISSUES

##### **4.3.1 Equal Opportunities and non-discrimination**

The proposed measures/operations will be equal opportunity sensitive and ensure access of women, disabled and elderly, particularly with regard to access to training and increasing opportunities for business expansion, employment and career advancement. Gender, disability and old age needs will be considered as an integral part of the programme with regular monitoring to ensure these issues are given due prominence.

##### **4.3.2 Environment and climate change**

Proposed measures/operations directly relate to environmental issues and protection of environment, and strengthening environmental aspects of the Serbian legal framework by improving food safety, animal health and animal welfare with minimum environmental impact after proper risk assessment according to EU requirements. Those measures will strengthen biosecurity measures in meat processing industry in respect of veterinary, health and environmental protection standards.

##### **4.3.3 Minorities and vulnerable groups**

The programme will be sensitive to minority issues and will ensure access for all ethnic groups to resources and services. The needs of minorities will be considered as an integral part of the programme.

##### **4.3.4 Civil Society/Stakeholders involvement**

A consultation mechanism with civil society organisations (CSOs) has been developed in order to enable their participation in programming and monitoring of EU funds and other international development assistance. A consultation mechanism with CSOs recognises the main actors in the process as Sector Civil Society Organisations (SECOs). SECO is a consortium of CSOs of maximum three partners where one is clearly defined as a lead partner in the application. By 25<sup>th</sup> February 2011 SECOs had been selected in six sectors, among which is the Sector for Agriculture and Rural Development, comprising Agronet, Serbian Rural Development Network and NIMBUS (leading partner is Agronet). So far SECO

organised four consultative workshops focusing at the topics related to EU integration process in the area of agriculture, in particular rural policy, as one of the first for which financing from pre-accession funds will be available, as well as on financial and timeframes of EU integration in agriculture and rural development.

#### **4.4. SECTOR MONITORING, EVALUATION AND AUDIT**

Monitoring of the progress in sector support implementation will be done in accordance with the rules and procedures for monitoring under Decentralized Management (DM), as specified in the DM Decree and DM Manuals of Procedures. Manuals of procedures include detailed procedure for monitoring on different levels (contract, sector support/ project, IPA TAIB Sub-Committees, IPA TAIB Committee, IPA MC), with clear responsibilities and deadlines in the monitoring process. Specifically, it is envisaged that on the spot checks (monitoring visits, verification checks and supervisory checks) will be performed throughout the implementation process by the SPO and CFCU, as part of the contract management activities, while regular monitoring of the implementation will be done through the Steering Committee meetings and regular reporting by the Contractor. In addition, IPA monitoring process organized and lead by the NIPAC/ NIPAC TS includes regular meetings of Monitoring Committees on different levels, examining relevant monitoring reports and providing recommendations for ensuring delivery of planned results, as well as follow up of their implementation. With regards to the monitoring of sector support, it is envisaged that responsible SPO submits a Sector Support Monitoring Report to NIPAC twice a year, in a prescribed template. After quality check, NIPAC TS prepares the TAIB Sub-Sector Monitoring Report to be examined by the relevant Sector Monitoring Sub-Committee (SMSC), in this case- SMSC for Agriculture and Rural Development Sector. Report examined by the SMSC is envisaged to include information on status and progress in implementation of all relevant sector support/ projects in that respective sector. Depending on the issues/ problems identified, conclusions and recommendations of the SMSC may be taken forward to the TAIB MC and ultimately, the IPA MC. Monitoring process envisages participation of various stakeholders such as EC/EUD, NIPAC/ NIPAC TS, SPO/IPA Unit, CFCU, NF, AA and other institutions and civil society organizations per need

Evaluation and audit of sector support will be done in accordance with the Decentralized Management rules and procedures, defined in the DM Decree and DM Manuals of procedures. In line with IPA IR, Manuals of procedures envisage responsibility of the national authorities to provide for the IPA Interim evaluation, while other types of evaluation (ex ante, ex post, thematic, etc.) may be initiated by national institutions on ad hoc basis and per need. With regards to the audit, procedures on internal controls under decentralized management regulate in detail various types of audit to be performed (internal and external), audit planning, carrying out of audits, following up on audit recommendations and reporting on follow up activities.

