



Governance of Agricultural and Rural Development in Serbia: A Review

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Abstract Agriculture still ranks among the most important sectors of Serbia's economy, with significant contributions to economic and social stability. Primary production accounts for about 10% of the gross domestic product. Over half of the population is rural. Serbian agriculture and rural areas face many problems including an underdeveloped institutional infrastructure. The paper aims at analyzing governance of agricultural and rural development (ARD) in Serbia. The work is based on an extensive secondary data review. It focuses on ARD policy design, implementation and evaluation and organizations dealing with ARD in each phase of the policy cycle. Agricultural policy objectives are set by the Law on Agriculture and Rural Development (LARD). The LARD, implemented through specific measures included in the Agricultural and Rural Development Strategy, also provides a general rural policy framework. ARD policy effectiveness and efficiency is linked also to governance arrangements and coordination mechanisms adequacy. Many national, regional, provincial and local public institutions are involved in the ARD arena. The range of key actors includes also some civil society organizations. Bilateral and multilateral donors implemented many projects during last years. However, the ARD policy framework needs further adjustments to be aligned with the European legal framework. The Serbian agricultural policy requires fundamental reforms at all levels and in all stages of the policy cycle. More attention should be given to rural development. Collaborations between the sectors dealing with rural development can lead to substantial improvements and push for more innovation and cross-sectoral participation. Governance levers require government leadership at all levels - from national to local. Improved policies should maximize complementarities between public, civil society and private stakeholders.

Keywords rural development, agriculture, governance, Serbia

INTRODUCTION

The Western Balkan region is now in a phase of consolidation and overall economic growth. Economic development went hand-in-hand with rising agricultural productivity (Volk, 2010). The countries of the Western Balkans face different challenges in transforming and modernizing their agriculture. Their rural sectors have lagged behind the rest of the economy in growth and poverty reduction, their agro-food sectors are undercapitalized and highly fragmented, and their agro-processing capacities limited. Added to this scenario are the challenges and opportunities of adopting the European Union (EU) *acquis* relating to agriculture (Lampietti et al., 2009).

Agriculture is still an important sector of Serbia's economy, with significant contributions to overall economic development and social stability (EC, 2011a; Volk, 2010; Bogdanov and Bozić, 2010). Primary production from agriculture, hunting, forestry and fisheries accounted for over 10% of GDP in 2009 (EC, 2011a). The share of the food, beverage and tobacco industry in GDP is 5.5% on average (Bogdanov and Bozić, 2010). Agricultural exports contributed about 24% of total Serbian exports in 2009 (EC, 2011a). About 43% of the total population lives in rural areas (RDNS, 2010). Around a third of the active population depends at least partly on agriculture for their livelihood (EC, 2011a). In rural areas more than 45% of the active population is employed in agriculture, forestry, hunting and fishing (Stevanović et al., 2005). Rural areas have suffered from intensive migrations and low levels of economic diversification. They lag behind urban areas in terms of service delivery and household incomes. Rural businesses lack access to affordable credit for investment and support services (European Integration Office-Serbia, 2011).

Effectiveness of agricultural and rural development (ARD) policy is linked, among others, to the adequacy of the policy system and governance arrangements put in place. The term *governance* has been deployed and used in the scientific literature with different meanings (Rhodes, 1996; Lewis et al., 2002). According to FAO (2012), the concept of governance is built around notions such as transparency, participation, consensus orientation, accountability, *responsivity*, efficacy and the rule of law. The World Bank distinguishes between an analytical and an operational use of governance thus referring to three aspects of governance: (i) the form of political regime; (ii) the process by which authority is exercised; and (iii) the capacity of governments to design, formulate, and implement policies (World Bank, 1992). Governance is also defined as '*the process of decision-making and the process(es) by which decisions are implemented*' (UNESCAP, 2009). Governance analysis focuses on the actors involved in decision-making and implementing the decisions made and the structures that have been set in place to arrive at and implement decisions (Sheng et al., 2007).

The review paper aims at analyzing governance of ARD in Serbia. In particular, it analyses the legal and political framework (policies, laws, strategies) in the field of ARD and identifies the main public and civil society institutions dealing with ARD policy in Serbia.

RESULTS AND DISCUSSION

Actors Dealing with ARD in Serbia

The design and implementation of ARD policies involves several different supra-national, national and sub-national actors (regional and local) (OECD, 2006). In order to define the key public, private and civil subjects who have influence on and interest in supporting the rural development process, an analysis of key stakeholders was implemented by the Rural Development Network of Serbia (RDNS). The range of stakeholders identified by the founders of the RDNS is very wide and varied. The main stakeholders include (RDNS, 2010): Ministry of Agriculture; Ministry of Economy and Regional Development; Provincial Secretariat for Agriculture - Vojvodina; regional chambers of commerce; regional development agencies; veterinary stations; institutions of higher

education and scientific research; local governments; public companies and institutions; tourism organizations; agricultural expert services; donor organizations; religious communities; rural local communities; agricultural and rural development associations; media; registered farms; and private companies.

Agricultural and rural development policy is under the jurisdiction of the Ministry of Agriculture; the key government body developing and implementing legislation for the sector. The Ministry of Agriculture set up a new Department for Rural Development in 2005 (Arcottrass et al., 2006). Nevertheless, many other ministerial departments - such as those in charge of environment, regional development, tourism, health, etc. - have been dealing with rural development (Tar, 2007).

Agricultural and rural development design and, especially, implementation, have been increasingly decentralized during the last decade. The opportunity is given to the Autonomous Province of Vojvodina (APV) and local governments to implement agricultural policies in their territories (RDNS, 2010). Significant funds were invested by the APV in support for mechanization, land amelioration, introduction of food quality standards, and promotion of local products and events in Vojvodina region (Bogdanov and Bozić, 2010). Local governments mainly have active offices to assist the village and/or offices to support agriculture. After adopting the Law on Agriculture and Rural Development, local governments have begun with the establishment of local funds for agricultural development (RDNS, 2010).

Since 2007 the strengthening of local partnerships and the capacity of local rural stakeholders has been supported (Bogdanov and Bozić, 2010). The Ministry of Agriculture established the Rural Development Support Network of 16 regional and 140 local offices to prepare local communities for LEADER (*Liaison Entre les Actions de Développement de l'Économie Rurale*)-type programs (European Integration Office-Serbia, 2011). Different associations are active in the field of agricultural and rural development at local and regional levels. These include the members of the Rural Development Network of Serbia (RDNS, 2010). Nevertheless, as for the area of rural development, it seems that strong links between the administration and stakeholders through the extension service and rural finance institutions have yet to be put in place (EC, 2013).

The ARD sector in Serbia is also characterized by the presence of many bilateral and multilateral donors and financial institutions. The most significant donors in the ARD sector, according to the amount of disbursed funds in 2011, are the European Union (EU), the World Bank, the USA and Denmark (Serbian European Integration Office, 2012). Apart from the EU, other donors are also contributing to the adoption of agro-environment and agri-business schemes, and rural development, with support from Japan, the Netherlands, Norway, Romania, Spain, Sweden, the United Nations and the USA (USAID) (European Integration Office-Serbia, 2011). The main specialized agencies of the United Nations System operating in Serbia are FAO, ILO and UNDP.

Coordination and programming of the assistance at country level is the responsibility of the Department for Planning, Programming, Monitoring and Reporting on EU Funds and Development Assistance (DACU) within the Serbian European Integration Office (SEIO). Other donor coordination capacities at central level include the high-level Commission for Programming and Management of EU Funds and Development Assistance and Sector Working Groups (Forum on Aid Effectiveness, 2011).

ARD Policy-Making and Governance

Agricultural and rural development policy-making in the Western Balkan region in general and Serbia in particular has often been dictated by ad-hoc considerations and lacked a clear orientation towards the EU's Common Agricultural Policy (Volk, 2010). In Serbia, the institutional framework of agricultural policy was not transparent, lacked continuity and often resulted in conflicting solutions. From 2007, the implementation of agricultural policy has been continuously changing (Bogdanov and Bozić, 2010).

The Law on Agriculture and Rural Development (LARD) was adopted in May 2009. The LARD regulates the objectives and implementation of agricultural policies, forms of incentives in agriculture and rural areas, the eligibility for incentives and its beneficiaries. Major parts of the

LARD in terms of rural development policy are related to the adoption of the Rural Development Program and establishment of a new structure of the Sector for Rural Development (RDNS, 2010). As regards rural development, the LARD put in place a strategic framework that largely resembles the one established under the current EU legislation (EC, 2011b).

Implementation of the policy is based on the Strategy of Agriculture and Rural Development, the National Program for Agriculture and the National Program of Rural Development (RDNS, 2010). The Agricultural and Rural Development Strategy for the period 2011–2020 has not yet been adopted (EC, 2012, 2013). A clear policy direction for agriculture is provided in the Agricultural Strategy (2005) and re-iterated in the National Agricultural Program 2010-2013 (2010), which aims at production and institutions restructuring; market development; and improving rural development and environmental protection (European Integration Office-Serbia, 2011).

The EU has funded a technical assistance project titled Support to Rural Development Programming and Payments System (2006-2008), managed by the European Agency for Reconstruction. The project introduced the Ministry of Agriculture staff to the preparation, implementation, monitoring and evaluation of rural development programs, as well as planned procedures and tools to support these actions. Some of these skills have been developed, and National Rural Development Strategy Plan 2008-2013 and National Rural Development Program for 2008-2013 were prepared (Bogdanov and Bozić, 2010).

The National Rural Development Program 2011-13 identifies different strategic objectives: improvement in food safety, veterinary and phytosanitary activities; and, sustainable development of the rural economy and rural areas by encouraging diversification (European Integration Office-Serbia 2011).

In addition to the Law on Agriculture and Rural Development, a whole set of laws regulating specific issues related to agriculture and rural development was adopted (RDNS, 2010). In fact, thirty new primary laws have been adopted in 2009-2010 to harmonize with the *acquis communautaire*, and 94 regulations were passed in 2010 alone, addressing the implementation of the requirements for agriculture, food safety and phytosanitary issues, water, forestry and rural development sectors (European Integration Office-Serbia, 2011).

Other key national strategies affecting the agricultural and rural development sector include: 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); the Strategy for Regional Development (2007-2012); the National Employment Strategy 2005-2010; the Strategy for the Development of Tourism of Serbia (2005-2010); the National Program for Environmental Protection (2010); and the Poverty Reduction Strategy of the Government of the Republic of Serbia (2003) (European Integration Office-Serbia, 2011).

Main Governance Challenges

The biggest challenge for Serbia will be the institutional changes and the capacity building that will be necessary for creating a system in ARD field comparable to the EU countries (Arcotross et al., 2006). Harmonization in the area of agriculture is particularly demanding, especially for countries whose agricultural policy usually has a different role than that in the EU (Erjavec, 2008). In order to achieve all this, Serbia needs effective governance and coordination in the design and implementation of ARD policies.

In Serbia, the institutional framework of agricultural policy was not transparent, lacked continuity and often resulted in conflicting solutions. From 2007, programs and regulations were changed and/or abolished several times during the year, and payments to the users were delayed (Bogdanov and Bozić, 2010).

The agricultural policy in Serbia is only partly designed on a strategic basis and in recent years it has been characterized by the increasing estrangement from the EU model of support. The current strategy has not been supported by the accompanying program documents, so the measures for its implementation inconsistently followed the goals. Frequent changes in administrative structures brought radical changes in the system of support (Bogdanov and Bozić, 2010).

Agricultural policy is still implemented mostly based on annual programs of budget allocation, which are not stable in terms of funds, support measures and eligibility criteria (Volk, 2010). Implementation of agricultural policy is done through the following types of subsidies (RDNS, 2010): direct subsidies (bonuses, subsidies for production, recourse and support to non-commercial farms), market incentives (export subsidies, storage costs and credit support) and structural incentives (measures of rural development, improvement and protection of agricultural land quality and institutional support).

In relation to State aid, apart from market-related subsidies and rural development measures, Serbia applies a number of additional measures. Direct aid payments are currently granted for Serbia's key production sectors: dairy, meat and crops (EC, 2011b). In addition to a substantial drop in total support, dramatic change in the structure of direct producer support can be seen in recent years – a switch from direct payments to input subsidies. The prevailing direct producer support form is input subsidies (Volk, 2010).

In the 2012 agricultural budget direct aid payments account for more than 90% of the support measures. There was an increase in the allocation for rural development measures in the budget. Support measures continue to be reviewed and revised on an annual and ad-hoc basis. This does not provide security and predictability for producers and processors to engage in the required investments (EC, 2012).

Generally speaking, in the last decade, there have been quite substantial changes to agricultural policy. Rural development policy is generally subordinate to production support. Funds aimed at supporting rural development are much lower, although show an increasing tendency. These funds are mainly intended for restructuring agriculture through investment support. Serbia has been preparing to implement rural development policy according to EU rules. However, progress has been relatively slow, since rural development is a demanding policy, and also because the country has different sectoral and development priorities (Volk, 2010).

CONCLUSION

The agricultural and rural situation has gradually improved in Serbia but the country lacks a stable ARD policy and a true strategy of reforms. The main problem of the existing legal framework is that it is not fully developed and doesn't have adequate action plan and strategy for enforcement. Policy-making and measures definition has often been dictated by short-term ad-hoc considerations rather than long-term strategic goals. Problems regarding rural development span over the whole policy cycle. Rural development policy is subordinate to production support. Funds aimed at supporting rural development are still low. While there were some attempts to decentralize the implementation of ARD policy, most of local and regional development strategies, including measures regarding ARD, have not been transformed in concrete and time-bound action plans due to the lack of human and financial resources.

Serbian ARD policy requires fundamental reforms at all levels. More attention should be given to rural development, which should gradually become a central policy. Integrated rural policy design and implementation requires changes in relations between governance levels and among the governance actors (public structures, the private sector and the civil society). Overcoming weaknesses and setting the conditions for an increasingly harmonized policy approach will be crucial for moving closer to EU accession. Among the necessary steps towards this goal are the modernization of agricultural policy administration and the implementation of appropriate policy monitoring and evaluation systems. With this respect, strengthening the capacity and *modus operandi* of the Ministry of Agriculture, Trade, Forestry and Water Management is a priority. A systematic implementation of the ARD strategies and the modernization of public services regarding agriculture and rural development are also necessary elements. Increased capacity for monitoring, analyzing, evaluating and programming policy is another important part of agricultural and rural development policy reform process.

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