



European Commission  
Agriculture and Rural Development



# **EU-Support to Rural Development Policy in Western Balkans**

and cooperation with FAO and other donors.

Christine Meisinger, DG AGRI

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## Instrument for Pre-accession (IPA)

- Council Regulation (EC) No 1085/2006 = Framework Regulation
- Commission Regulation (EC) No ? = Implementing Regulation
- Single Framework: Replaces Phare, ISPA, SAPARD, CARDS and Turkey pre-accession instruments
- Period of application: 2007-2013
- Funds for 2007-2013: € million (at 2004 prices)

<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>total</b>
1.193	1.290	1.353	1.452	1.565	1.660	1.700	10.213



# Instrument for Pre-accession (IPA)

1. Transition Assistance & Institution Building
2. Cross-Border Cooperation
3. Regional Development
4. Human Resources Development
5. **Rural Development (IPARD)**

**Annex II: Albania,  
Bosnia and Herzegovina,  
Montenegro, Serbia  
incl. Kosovo**

**Annex I:  
Croatia, Turkey  
FYR of  
Macedonia**



# IPA – Strategic approach

## **Multi-annual Indicative Financial Framework (MIFF)**

establishes the financial allocation between countries and components



## **Multi-annual Indicative Planning Document (MIPD)**

establishes strategies for each country for the IPA components, based on the priorities set in the Accession Partnership and the Regular Reports

### **Components/Programmes**

Transition  
& Institution  
Building

Regional &  
Cross-Border  
Co-op

Regional  
Development

Human  
Resources  
Development

**Rural  
Development**



## Component I – Inst. Building

- Beneficiaries: Annex I and II countries
- to finance capacity and institutional buildings as well as investments not covered by Comp. II-V and participation in Community programmes and agencies;
- but also similar measures/actions as possible under Regional Dev., Human Resources, and Rural Development Components (to annex II countries)
  
- Forms of assistance are e.g. :
  - Twinning, Twinning light, TAIEX (involving MS)
  - Investments in the regulatory infrastructure to support alignment with the EU norms and standards
  - Grant schemes
  - Implementation of finance facilities in co-operation with IFIs



## Component V – IPARD -objectives

- Contribution to the implementation of the acquis communautaire concerning the Common Agricultural Policy and related policy areas by the candidate countries.
- Contribute to sustainable development of rural areas in the candidate country

**The objectives to be met by implementation of 9 different measures under 3 priority axis**



## IPARD – Priority axis

- **Axis 1** Improving Market Efficiency and Implementation of Community Standards
- **Axis 2** Preparatory actions for implementation of the agri-environmental measures and Leader
- **Axis 3** Development of the Rural Economy



## Axis 1 - Improving Market Efficiency and Implementation of Community Standards

1. Investments in agricultural holdings to restructure and upgrade to the EU standards
2. Investments in processing and marketing of agriculture and fishery products to restructure and upgrade to the EU standards
3. Supporting the setting up of producer groups



## Axis 2 - Preparatory actions for implementation of the agri-environmental measures and Leader

4. Preparation for implementation of actions relating to environment and the countryside
5. Preparation and implementation of local rural development strategies



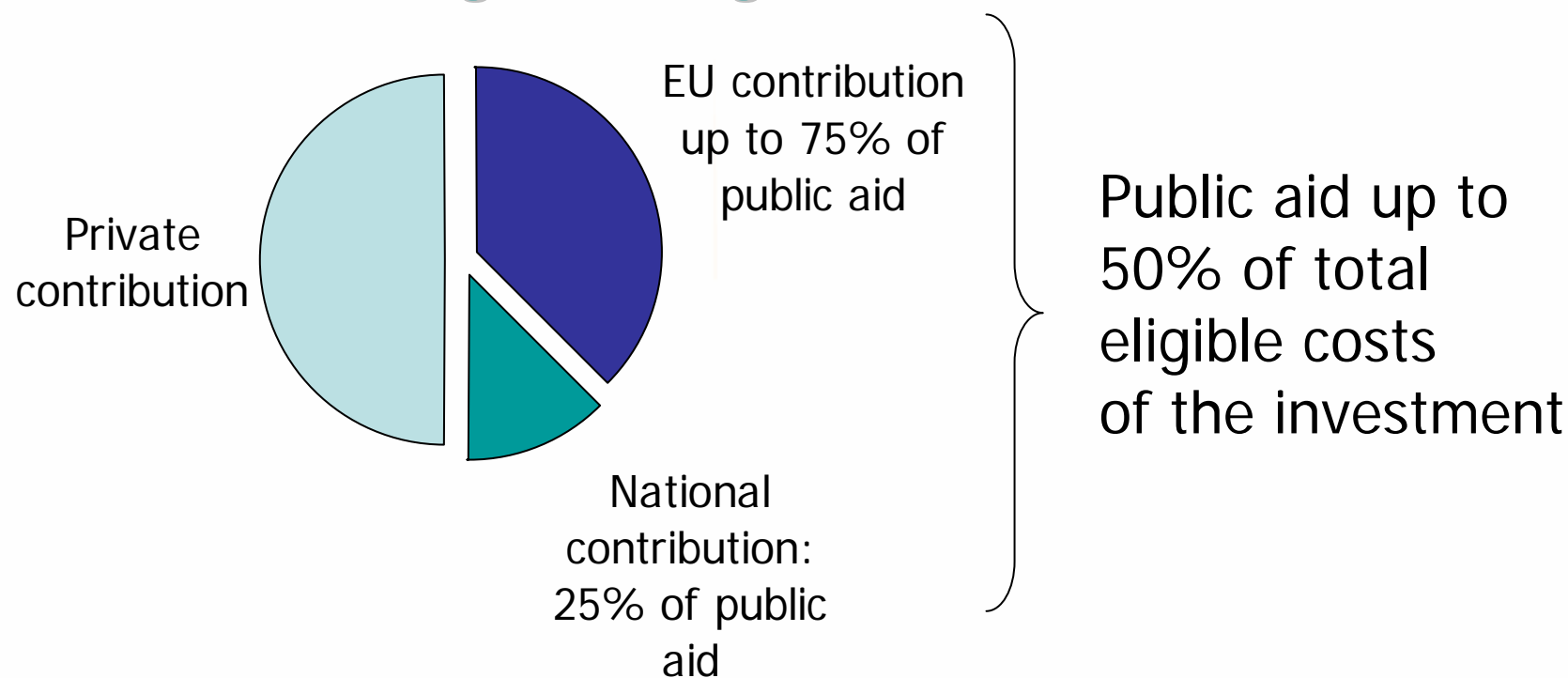
## Axis 3 - Development of the Rural Economy

6. Improvement and development of rural infrastructure
7. Development and diversification of rural economic activities
8. Training
- .....
9. Technical assistance



# IPARD - Co-financing principle

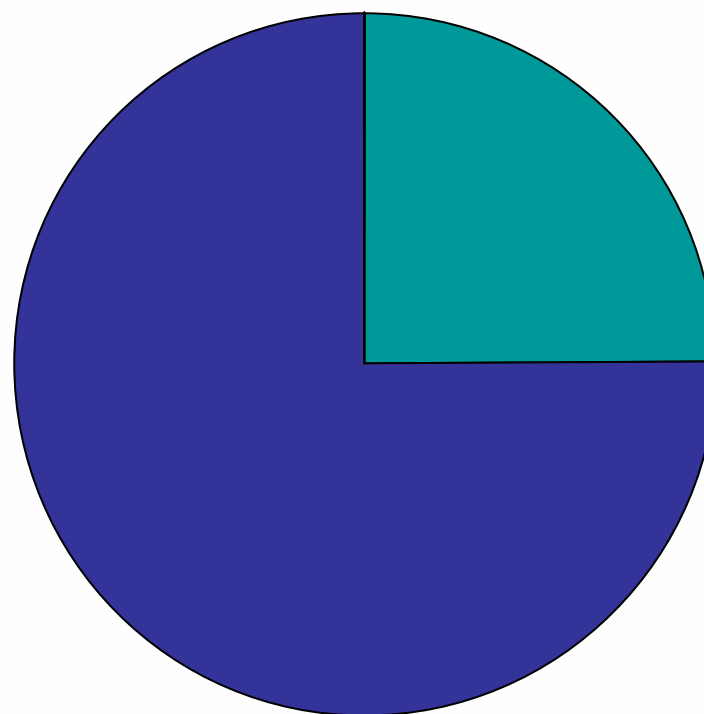
## Investment for generating substantial net revenue





# IPARD - Co-financing principle

for investments **not** of a nature to generate substantial net revenue



National contribution:  
25% of public aid



## MIPD guidance for IPARD programmes

Axis/measures	HR	FYRO	TK
Axis 1 – allocation of funds	>60%	50-80% <sup>M</sup>	50-80%
1. Investments in agric. holdings	x	x	x
2. Producer groups	nat.		x
3. Processing and Marketing	x	x	x
Axis 2 – allocation of funds	>3%	-	-
4. Preparation of Agri-environment	x		
5. Preparation of LEADER	x		
Axis 3 – allocation of funds	>20%	20-50%	20-50%
6. Rural Infrastructure	x		(CIII/WB)
7. Diversification of rural economic activities	x	x	x
8. Training	x/CIV		x/CIV



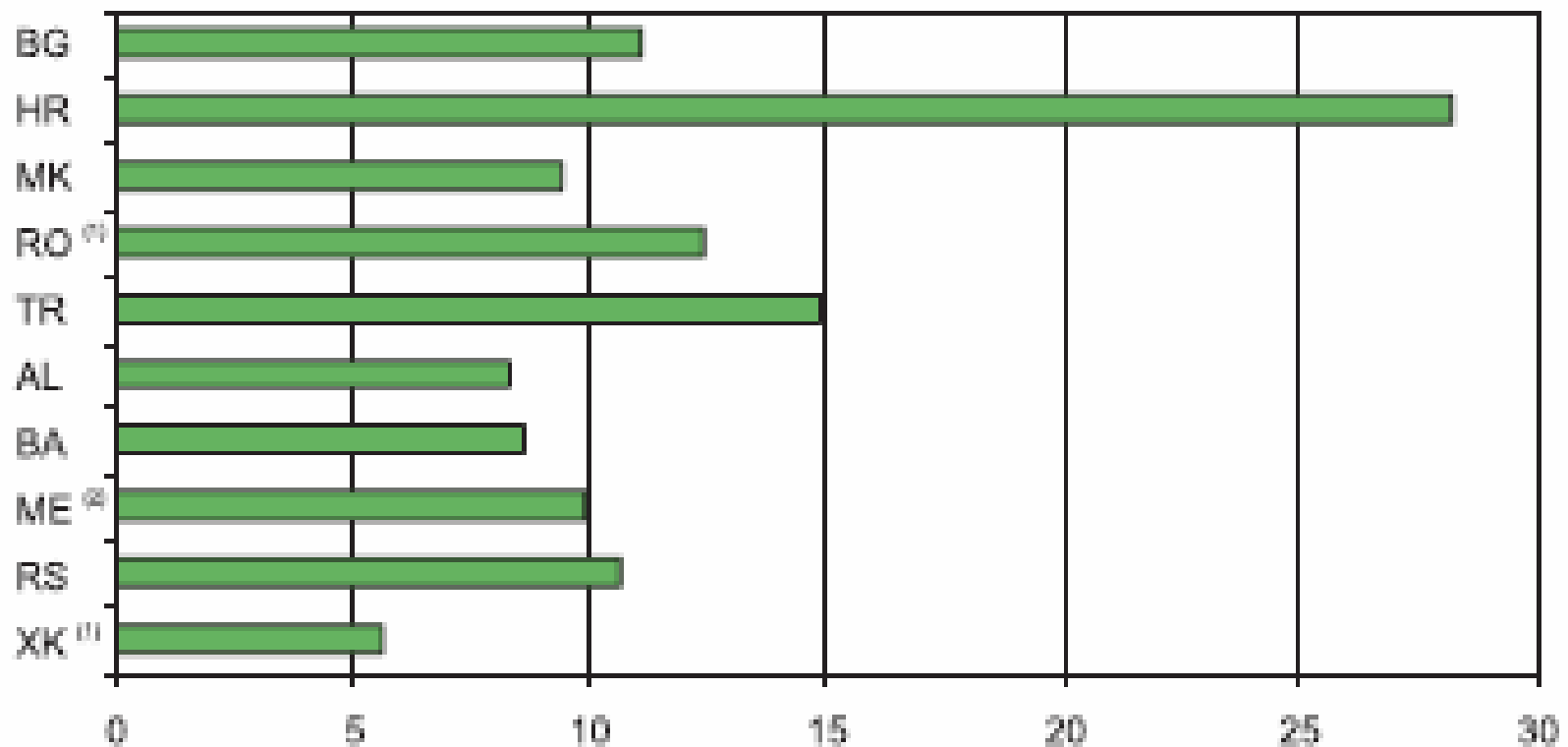
## MIFF 2008-10 – Component V

(8.11.2006, breakdown in million € and current prices)

	2007	2008	2009	2010
<b>Croatia</b>	25.5	25.6	25.8	26.0
<b>FYROM</b>	2.1	6.7	10.2	12.5
<b>Turkey</b>	20.7	53.0	85.5	131.3



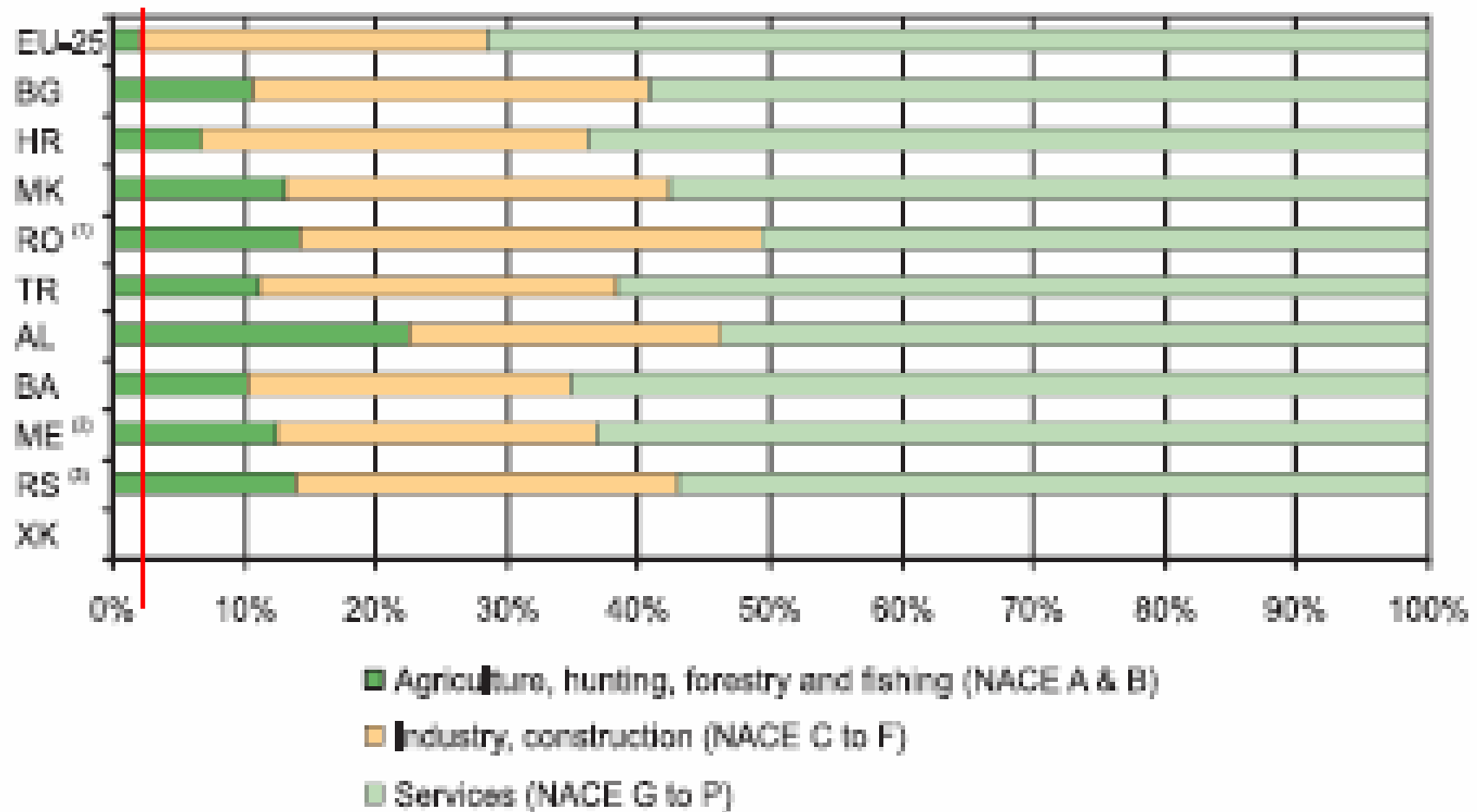
## GDP per capita, 2004 (% of the EU-25)



(1) Provisional value. (2) 2003 data; estimated value.



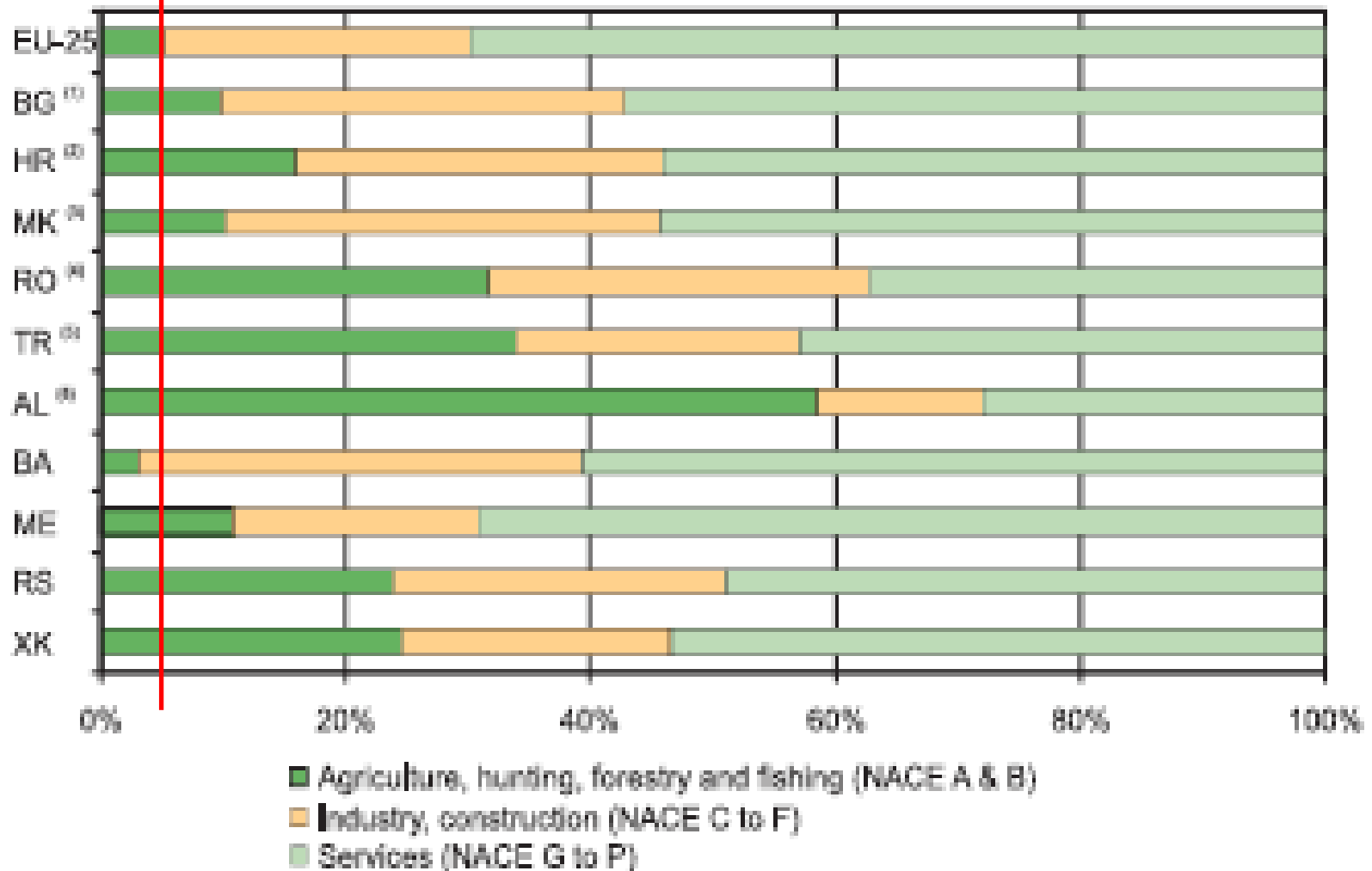
## Gross value added by sector, 2004 (% of total)



(1) Provisional value. (2) 2003 data; estimated value. (3) Estimated value.



## Employment by sector, 2004 (% of total)

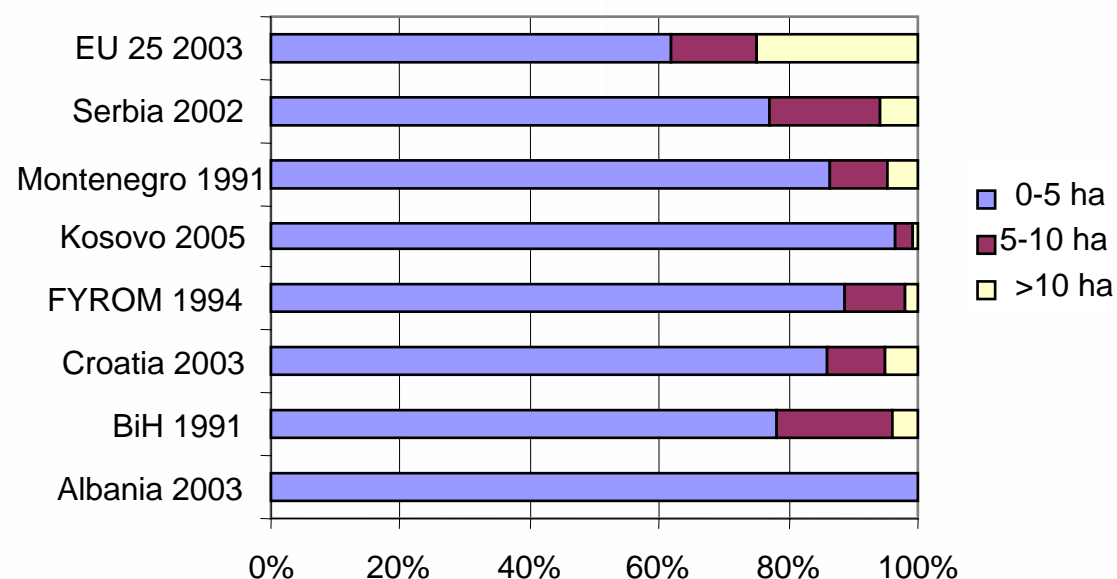




## Agricultural Situation in the WBs

The **farm structure** is similar throughout the Region comprising a **large number of small holdings** and a small number of large formerly owned state farms (at varying stages of privatization)

*Total Farm Structure*



Sources: National Statistical Offices of the Western Balkans



## Agricultural situation in the WBs

- Agriculture provides an **important source of employment**
- Agriculture **faces a number of constraints** that impede its contribution to the economy. They include:
  - **Dominance of very small holdings** and lack of a functioning land market for agricultural land
  - **Lack of physical infrastructure** (e.g. irrigation systems)
  - **Low levels of productivity** due to low levels of mechanization, underemployment and limited access to extension services
  - **Underdeveloped marketing channels**, lack of marketing know how and poor marketing information
  - **Underdeveloped food processing industry** and low levels of food safety and quality standards
  - **Poor access to credit facilities**



## Trade and Food Industry

- Despite the importance of agriculture, all countries, with the notable exception of Serbia in 2005, are **net importers of food and have large agro-food trade deficits**. This largely reflects the lack of competitiveness of the sector.

*Share of agro-trade in total trade 2004/2005*

	Alb	B&H	Cro	FYROM	Mon	Ser	Kos
Agro-good export / total export	8.2	6	10.7	17	12.5	19.9	16.3
Agro-food import / total import	19.4	20	8.9	13.4	23.3	7.3	24.8
Agro-food balance / total balance	23.4	25	7.3	7.3	35	N/A	25.1

*Sources: National Statistical Offices of the Western Balkans*



## Constrains of the Food Industry

- **Low levels of capacity utilization** among large enterprises and low production volume among small processors
- **Difficulties of raw material supply** both in terms of quantity and quality (limited large-scale production for processing)
- Outdated or **low level of technologies** and lack of investment
- **Low hygiene standards** (e.g. few HACCP, EU accreditations)
- **Deficiencies in marketing and management**
- **Unresolved issues of privatization** (e.g. Kosovo, BiH, tobacco industry in Montenegro, sugar industry in Serbia, etc.)



## Rural situation in the WBs

- In the Western Balkans the rural population amounts to more than **10 million people**
- The largest rural population is in Croatia (2.1 million), while the countries with the largest share of the persons living in rural areas are Kosovo (estimated 60%) and Albania (55%)
- Rural areas are characterized by a **lack of basic services** (water supply, sewage systems, health services and education facilities) and suffer from **poor physical infrastructure**. In Kosovo only 28% of homes are connected to a sewage system
- Low level of **education** of the rural population



## Agriculture and Rural Policies - challenges

- **None of the Western Balkan countries did develop** nor does implement a sustainable **rural development policy**
- **Poor administration capacities** (staff, skills, equipment, salary) - most countries currently try to prepare **institutions and legal framework** in order to become eligible for EU pre-accession support (IPARD)/ (IPA) –
- **Budgetary resources for agriculture are low.** In all countries they are well below agricultures shares in employment and GDP
- **The region clearly is under a specific and urgent need** for the reconstruction of **farms and food industries**
- **Rehabilitation of rural infrastructure** and the provision of **social support** for poor rural people are of similar importance



# Possible fields of cooperation between EU, FAO and IFIs/donors

## Directly linked to IPARD:

- Capacity building: Managing Authority, National Fund, IPARD agency, supporting services (veterinary, environmental, social services)
- RD strategy, ex-ante evaluation / analysis of rural areas/agricultural sectors (milk, meat, fruit & vegetables ...)

## Examples:

- Coordinated support for the preparation of IPARD e.g. WB Acquis cohesion project in Croatia
- Other areas of cooperation e.g. IPARD programme for Turkey

## Indirectly linked to IPARD:

- Increase the budget allocated to Agriculture/RD (WB)
- Improving land ownership/registration of land (cadastre)
- Setting up/strengthening extension/advisory services
- Improving agricultural statistics, farm register
- Setting up farmers' associations
- Improving the access to loans for SME, farmers in rural areas



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**Thank you for your attention!**