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The promotion of food exports in Serbia

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## I. Introduction

This report aims to present the experience of food export promotion (EP) in Serbia with the objective of disseminating good practices for the development of a food export promotion strategy in the Republic of Moldova.

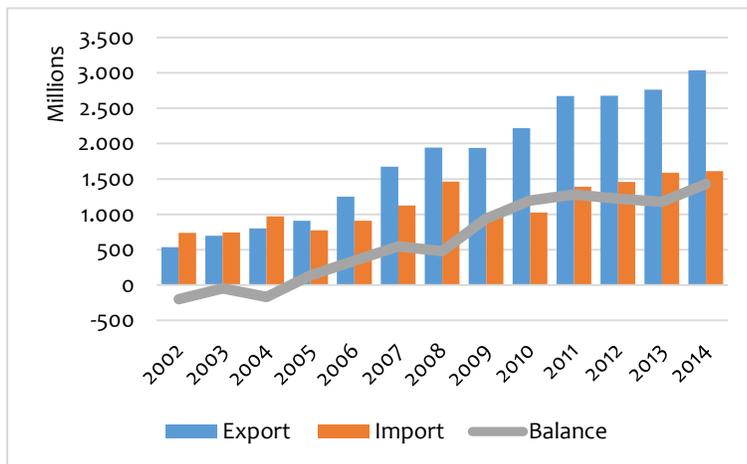
Serbia is a good source to research EP, since the country has made many investments in institutional development, budgeting and programming and applied many different measures to support EP. There are many successful stories but also many mistakes that Serbia has made in the last ten years of its EP programme for agricultural products. Several institutions were involved in EP in Serbia and this report will discuss their role, achievements and the problems they encountered. Specific focus is given to the measures implemented in the last ten years, providing an overview and an assessment of the measures taken. Finally, conclusions and recommendations are provided based on interviews with main stakeholders in EP and an analysis performed by the author.

## II. Characteristics of agricultural products exports in Serbia

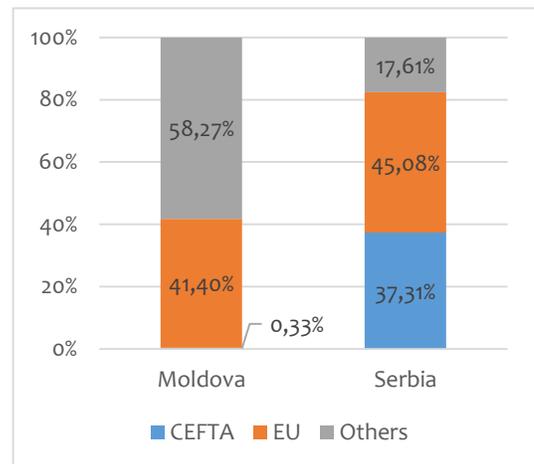
### Serbian exports are constantly increasing

Since 2002, Serbia has achieved significant results in the sale of agricultural products. The export and import of agricultural products has grown steadily since then, and from 2005, Serbia has recorded a constant trade surplus that in 2014 reached almost US\$ 1.5 billion. The country has experienced a rising trend in imports and exports from year to year, except during the world economic crisis in 2008-2009 when trade declined in both directions. In 2009, Serbia exported 2.6 times more agricultural products than it imported. This trend has continued since then. Growth has occurred due to increasing export quantities, as well as rising food prices and the weak US dollar in comparison with the Euro, which is the main traded currency in Serbia. Over the last three years, the value has been stable with an increase in 2014 mainly because of the Russian food import ban on European Union food exports, which opened an export opportunity for Serbia.

**Graph 1: Serbia's agricultural products trade balance in US\$ millions**



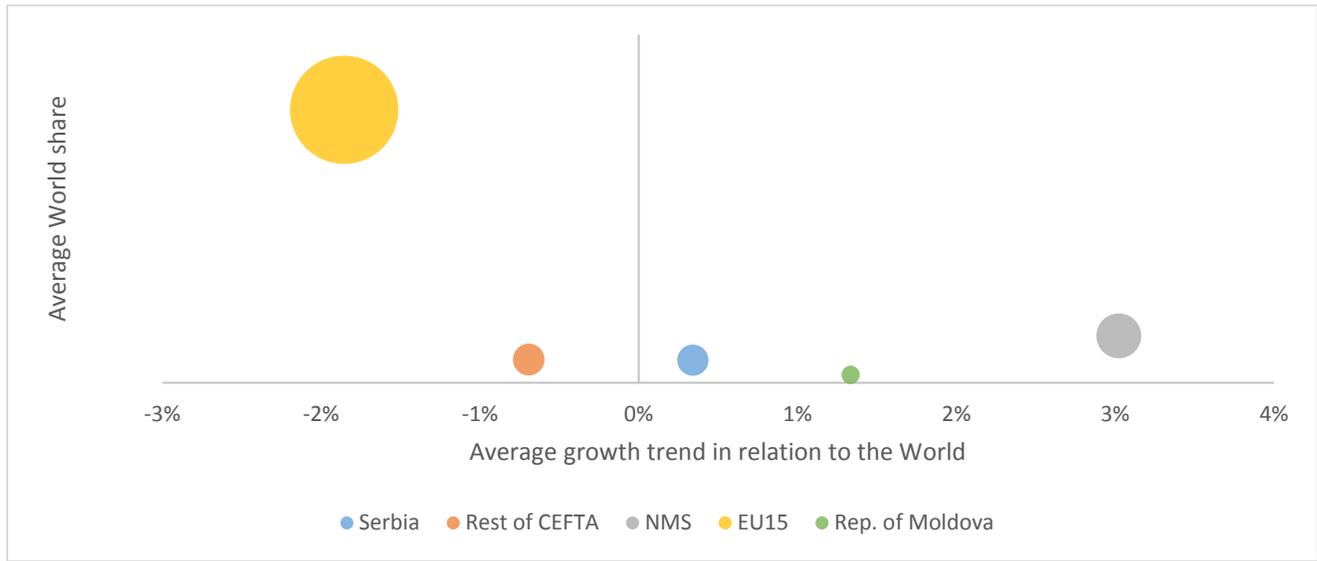
**Graph 2: Serbian and Moldavian trade in agricultural products by selected destinations (2014)**



The structure of Serbian exports by destination has changed in the last three years—the Central European Free Trade Area (CEFTA) market recorded a slight decrease in both directions mainly because Croatia became a member of the European Union in 2013. Other markets have more than doubled their share from 2011, mainly because of the import ban imposed by Russia on European Union food exports. European Union countries have lost significant market share, while Serbia has gained, especially because of rising exports in the fruits and vegetables sector.

However, this increase is less significant than in many competing countries, especially the newly acceded members to the European Union. Moldova has a more prominent growth trend when compared to other countries in the world, and especially to Serbia, which lags behind the global average by 3.4 percent.

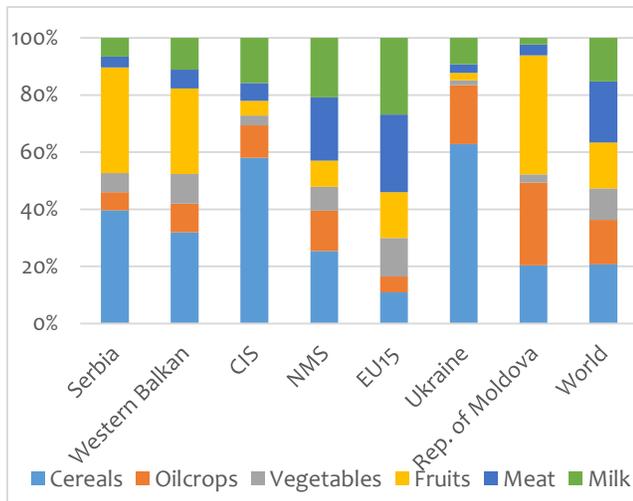
**Graph 3: Agricultural export results 2011 – 2014**



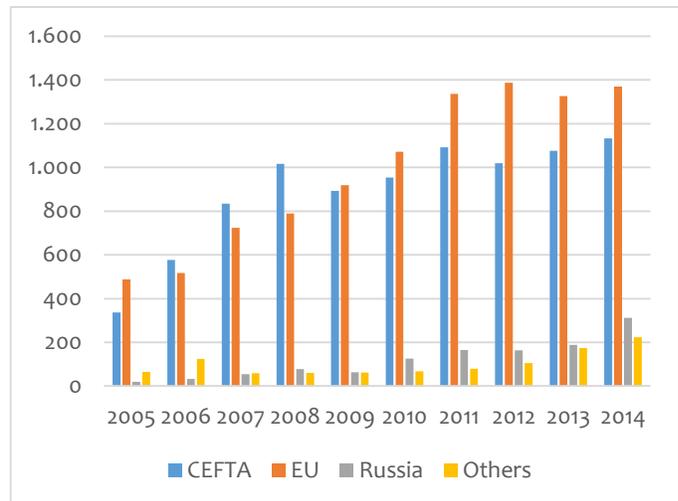
### The European Union is Serbia's largest partner in the trade of agricultural products

Serbia's largest trading partner is the European Union and there has been constant trade growth between the parties. In recent years, a similar trend has been recorded with regard to the CEFTA countries, especially after considerable liberalization and the signing of a single trade agreement in 2006. In 2011, half of Serbia's agricultural exports went to the European Union, while more than 90 percent of total exports ended up in the European Union or CEFTA countries. There was a slight decrease in 2014 as the CEFTA and European Union countries received a smaller share of exports while other countries received an increased share.

**Graph 4: Export structure of selected countries and markets**



**Graph 5: Exports from Serbia in US\$ millions to top three destinations**



In 2005-2008, before the crisis, the value of exports from Serbia to the CEFTA countries increased more than threefold. At the height of the crisis in 2009 there was certain decrease, but by 2011 the value of exports had returned to their 2008 level and remained at that value with slight growth in 2014. This strong growth

happened with exports to the European Union but over a longer time period: exports between 2005 and 2011 tripled in value, and this level has been maintained since then.

### *Serbia has a very favourable trade position*

Serbia's trade policy for agricultural products is being set and implemented more as a result of the transition process in Serbia than as a clear strategy. Serbia obtained preferential market access to the European Union, the United States and Russia, primarily as a reward for its political processes after 2000. The liberalization of the domestic market is due to European Union accession, where the processes of regional market liberalization within CEFTA and the liberalization of the market towards the European Union under Serbia's Stabilization and Association Agreement (SAA), are conditioned by the European Commission.

The Western Balkan countries enjoy preferential access to the European Union. These measures were approved for Serbia in 2000, and they include unlimited duty-free access to the European Union market for all products, except sugar, wine, baby beef and fish, for which quotas have been approved (export quotas set in 2004 were 180 000 tonnes for sugar and 8 700 tonnes for baby beef).

The most important agreement that countries in the region have signed is the CEFTA agreement, showing the maturity and willingness to confront European Union trade challenges. Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania and the Former Republic of Yugoslavia, under the auspices of the Stability Pact for South-Eastern Europe, signed the Memorandum of Understanding on trade liberalization in Brussels in June 2001. The pact required the countries to mutually sign bilateral free trade agreements and harmonize their regulations with European Union legislation. In December 2006, the Agreement on Amendment of and Accession to the Agreement on Free Trade in Central Europe was signed. It represented a unique agreement that supersedes 31 previous bilateral agreements. Members of the Free Trade Agreement in South-Eastern Europe are: Albania, Bosnia and Herzegovina, Croatia, Macedonia, Moldova, Montenegro, Serbia, and, on behalf of Kosovo, the United Nations Interim Administration Mission in Kosovo (UNMIK). Mutually approved tariff concessions for agricultural products are being applied, and were generally transferred from bilateral agreements. These are fully liberalized, preferential tariffs and quotas with preferential tariffs. Croatia has been the least liberalized of the countries (80 percent of tariff lines agreed included preferential tariffs, where approximately 60 percent of those are fully liberalized and 20 percent are quotas with preferential tariffs) and Albania (42 percent of tariff lines are liberalized), while in the case of the other countries the liberalization is mainly complete.

By obtaining preferential access to the Russian market, Serbia gained a significant advantage over the competition. Although Serbia received preferential access to the Russian market during the 1990s, this feature was not used to a great extent due to the undeveloped market in that period. During the first decade of the millennium, and especially after 2005, this contract has had special significance and exports have increased from year to year, especially in the fruits and vegetables sectors. However, the possibilities of the Russian market for agricultural products are not fully exploited, mainly due to the lack of integrated offers.

Serbia and the United States will fully regulate their trade policy through World Trade Organization (WTO) negotiations, but Serbia gained Generalized System of Preferences (GSP<sup>1</sup>) status from the United States in

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<sup>1</sup> United States trade preference programmes such as the GSP provide opportunities for many of the world's poorest countries to use trade to grow their economies and climb out of poverty. The GSP is the United States' largest and oldest trade preference programme. Established by the Trade Act of 1974, the GSP promotes economic development by eliminating duties on up to 5 000 types of products when imported from one of 122 designated beneficiary countries and territories. The [GSP Guidebook](#) provides basic information on the programme.

2002. This preferential status implies that the majority of Serbian products have no tariffs on their export to the United States. However, the opportunities provided by the GSP are limited because Serbia has not been able to meet the product standards required for export to the United States, such as an alignment of veterinarian standards and residue levels, among others.

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## With the help of donors Serbia is constantly exploring opportunities to increase exports

With the support of the donor community<sup>2</sup> in 2012 Serbia developed a strategy paper, “How to increase exports from Serbia” identifying the main strategic actions needed to improve and increase exports:

- Become a member of the WTO and obtain missing export licenses for exports to the European Union
- Implement standards and prove quality
- Increase competitiveness
- Improve the market chain and consolidate offers
- Gain knowledge of export markets and promote domestic products

This document was used as a guide for several years in different Ministries and many measures were created based on it, in particular regarding adding value to products.

## Serbia has a low level of compliance with European Union standards, especially in the meat sector

The majority of Serbia’s facilities fail to comply with food safety standards, primarily because they have financial problems preventing them from investing in new technologies, which would usher in new and better food safety standards. Furthermore, even though there is some pressure exerted by inspection authorities to implement the stipulated standards, this pressure is not very strong. In this sense, one of the greatest challenges faced by producers, especially those processing meat, is the categorisation of their facilities and their adaptation in order to enable their registration for business activities in the European Union.

**Table 1: Structure of approved meat processing establishments in the Republic of Serbia \***

Type of establishment	Number of objects	Export, EU	Export, other countries
Slaughterhouse (red meat)	159	2	16
Slaughterhouse (poultry)	28	-	-
Slaughterhouse, cutting, processing (red meat)	301	7	35
Slaughterhouse, cutting, processing (poultry)	58	1	13
Meat processing (red meat)	372	2	30
Meat processing (poultry)	2	-	2
Meat processing (game meat)	12	-	

\* Register of Approved Establishments in the Veterinary Directorate, Ministry of Agriculture and Environment, Serbia.

## Serbia has a low level of implemented standards

In order for a country to export its products to the European Union and other countries they must be at least the same quality and price as those in the target market, and must be manufactured in accordance with the production procedures that are mandatory for producers in that market. The basic production and sales

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<sup>2</sup> “How to increase exports from Serbia” represents a collection of experiences and results by the team responsible for the implementation of the Swiss Programme of Trade Cooperation (TCP), Phase III, financed by the State Secretariat for Economic Affairs within Switzerland’s Ministry of Economy (SECO) and implemented by Serbia’s Ministry of Agriculture.

standards are those laid down by the World Organization for Animal Health (OIE), the European and Mediterranean Plant Protection Organization (EPPO) and/or the CODEX Alimentarius and are implemented by the WTO. Only a certain number of additional regulations apply to the territory of the European Union or companies operating in the European Union that require some private standards. Although basic food safety standards are slowly losing their importance because of the growing value placed on voluntary and corporate standards, they still form the basis for the establishment of any food safety system. They are part of the law and as such must be implemented. The importance of voluntary standards (VFS) on international commodity markets is already significant and is continuously growing. The benefits of VFS for both consumers and producers are until now the main reason for their increase in number and in market share. From an historical point of view, the development of VFS was mainly due to the need to differentiate products for the end consumer, and this often implied coherent labelling to inform consumers. Over the past 40 years, the number and variety of labels have grown dramatically. Organic, eco-labelling, fair trade and geographical indications, among others, exist not only for food but for other products as well. The share of these products has increased in a significant manner. The BRC standard is required for products to be sold in British supermarkets, HALAL is required for products to be sold in the Arab world, KOSHER for products to be sold in the Jewish world or GLOBALGAP for sale in supermarket chains in Europe.

Currently there are no clear data about the number of companies in Serbia which possess certain standards, but it can generally be concluded that:

- (1) Their number is small, since the standards are introduced not because they are necessary for business, but because they represent obstacles to export.
- (2) Their number is constantly rising and companies and agricultural producers are slowly coming to realize their purpose.

### III. Participants in the promotion of exports

Many institutions in Serbia have in their portfolio measures to directly or indirectly support producers and implement EP. Measures often overlap, instead of being synergistic, so it frequently occurs that companies use the same measures under the auspices of a number of different institutions. This was particularly the case before the Serbian Investment and Promotion Agency (SIEPA) was founded with the purpose to integrate all governmental efforts to support and promote exports. This has contributed to a decrease in overlapping, but has not yet resulted in a complete streamlining of efforts.

The main institutions involved in promoting exports, either directly or indirectly, include: the Ministries of Agriculture and Trade, the Development Fund, the Chamber of Commerce of the Republic of Serbia, the Serbian Export Credit and Insurance Agency and SIEPA, as well as many donors.

#### III.1. Ministry of Agriculture

The Ministry of Agriculture manages an agricultural budget that amounts to EUR 350 million, that is some 4 percent of the entire Serbian budget. These funds are allocated in line with the Law on Incentives in Agriculture, which defines beneficiaries, the scope of subsidies and the modes of realization. Among numerous support measures (such as support to investments, payments per hectare or head of cattle, and support for the procurement of input, among others) the Ministry of Agriculture has a few measures directed towards EP, which may be divided into three main groups:

1. Export subsidies, which were the dominant measure until they were abolished in 2011;
2. Grants of support to farmers and companies in different export stimulating activities, such as:
  - a. Certification
  - b. Adding value and marketing activities
  - c. Promotion
3. Introduction of quality labels, which is underway and is one of the most important projects of the Ministry of Agriculture.

##### III.1.1. Export subsidies

The most significant measures (in relation to the amount of resources and impact on exports) were the export subsidies provided by the Ministry of Agriculture. The beneficiaries were the exporters of selected products, where it had been assessed that the products' price needed little to become competitive (5-10 percent) and eligible for export. This percentage was compensated by the state budget. The measure was abolished in 2011, since it was contrary to WTO rules.

##### III.1.2. Subsidies supporting exporters

The Ministry of Agriculture subsidizes some activities which are important for creating potential products for EP. The allocation of funds for subsidies is defined by the Regulation for Distribution of Subsidies for Agriculture and Rural Development. Subsidies are granted as refunds of the costs of the realized and paid activities defined by the legislation, which explains in detail the level of subsidies, beneficiaries, criteria for receiving support, monitoring and evaluation of the process and other things relevant to each specific support measure. The Ministry of Agriculture places the resources which are indirectly aimed at promoting exports, as follows.

*Subsidies for the introduction and certification of the food safety and quality system, organic products and products with geographical indication*

Incentive measures pertain to:

- Introduction and certification of the following standards: ISO 22000, FSSC 22000, IFS, BFC, GOST-R, GlobalGAP
- Certification of the following standards: HALAL, KOSHER, certification of organic products, certification of products by geographical indication

The right to incentives is held by a legal (entrepreneur) or natural person entered into the Farming Register. Apart from application and necessary data about the applicant, the documentation to be submitted must also include:

- Certificate issued by the authorised accrediting body from the Republic of Serbia, the European Union or the Russian Federation;
- Certificate issued by the body competent for issuing individual certificates (GlobalGAP: FoodPlus, Koln, Germany; HALAL: Riyaset of the Islamic Community; control unit for organic production; or certifying body for geographical indication).

One may apply for the introduction/certification of one or more standards. The application is submitted once a year in the envisaged timeframe. The maximum amount per beneficiary must not exceed €3 200. Individual measures are subsidized by up to 40 percent of their total value and up to 55 percent in areas with poor working conditions.

The Ministry of Agriculture and the Administration for Agricultural Payments distribute national funds for this measure. The total amount for 2015 was €91 000. The most frequently certified standard is FSSC 22000, followed by GlobalGAP whose certification frequency varies from year to year. There is limited interest in the other standards.

### *Subsidies for investment in processing capacity and marketing*

Subsidies also include support for investments in marketing and equipment and facilities in the meat, milk, fruit and vegetable production sectors.

Incentives for investment in milk processing and marketing include: 1) procurement of vehicles for the transport of raw milk with adequate equipment; 2) obtaining new equipment for sampling, reception, processing and packing of milk and dairy products; 3) obtaining new equipment for cleaning, washing and disinfection; 4) obtaining new laboratory equipment for internal use; 5) obtaining new equipment for disinfection of workers; and 6) obtaining control tags to mark the products with geographical designations.

Incentives for investment in meat processing and marketing include: 1) obtaining new equipment for stunning, slaughtering and processing carcasses; 2) obtaining new equipment for measuring the share of muscle tissue in carcasses; 3) obtaining new equipment for cleaning, washing and disinfection; 4) obtaining new equipment for collection, reception, storing, removal and processing of animal by-products which are not suitable for human nutrition; 5) obtaining new equipment for cutting, processing, packing and labelling meat; 6) obtaining new equipment and devices for cooling, pasteurizing and sterilizing meat and meat products; 7) obtaining laboratory equipment for internal use; 8) obtaining new workers' disinfection equipment; and 9) obtaining control tags to mark meat products with geographical indications.

Incentives for investment in the processing of fruits, vegetables and grapes, as well as the marketing of these products, include: 1) obtaining new equipment and devices for drying fruits and vegetables, as well as the products thereof; 2) obtaining new equipment and devices for freezing fruits, vegetables and the products thereof; 3) obtaining new equipment and devices for blanching, pasteurizing and sterilizing products; 4) obtaining new equipment for cleaning, washing and disinfection; 5) obtaining new equipment for collection, reception, storage, removal and processing of fruits and vegetables, as well as the products

thereof; 6) obtaining new equipment for the production of wine, brandy and other alcoholic drinks; 7) obtaining new workers' disinfection equipment; 8) obtaining new laboratory equipment; 9) obtaining control tags for marking fruits and vegetables, and products thereof with geographical indications, as well as obtaining registration tags for marking wines with geographical indications.

The maximum amount of the resources per beneficiary is €18 100, while the total funds allocated for the subsidies amount to €750 000. Individual measures are subsidized by up to 40 percent of their total value, and up to 55 percent in areas with poor working conditions. In case one applies for the products with geographical indication, or organic products, the subsidy amounts to up to 50 percent of the total value, and up to 65 percent in areas with poor working conditions in agriculture. Although the measures are intended to increase exports, when applications are evaluated there is no preferred treatment granted to the companies or producers oriented towards exporting.

### *Subsidies providing support for marketing activities by national budget*

These subsidies were recently initiated and have been provided since August 2015. They aim to serve as incentives for agricultural producers to participate more actively in international fairs relevant to their respective sectors. Funds are allocated for:

1. Lease of exhibit space with accompanying technical services
2. Construction/lease of stalls

Apart from general information about the applicant, the application for these subsidies also requires information about the marketing activities for which the incentives are requested. This has to include:

- the type of marketing activity (agricultural event, fair or exhibition) as well as participation, that is, product exhibition at the given agricultural event, fair or exhibition; and
- costs specification stating clearly, for each separate cost, the number and date of the invoice or contract.

The application request for the refund of costs must be submitted within the prescribed deadline.

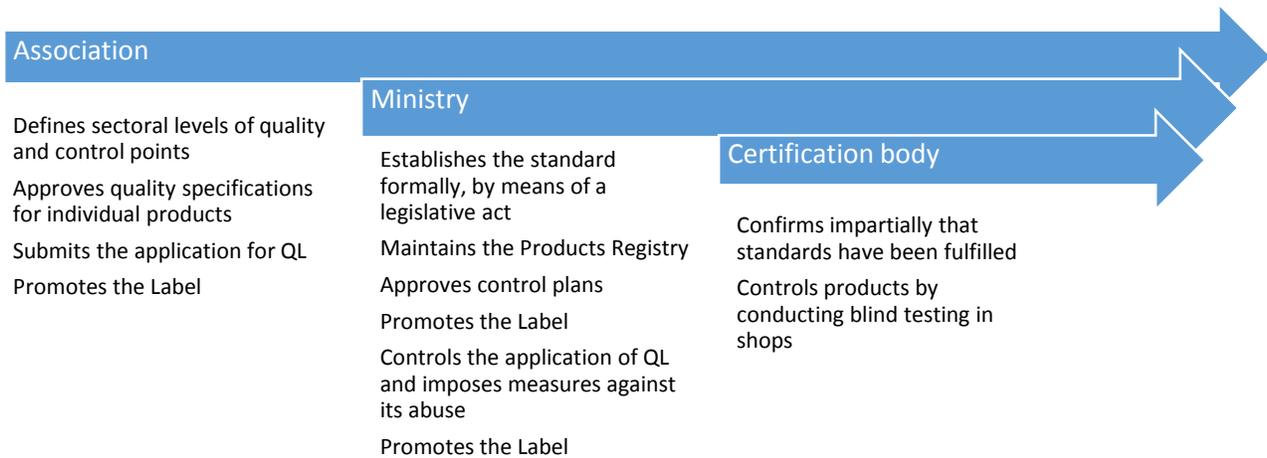
The subsidy covers 100 percent of costs, value added tax excluded, and amounts up to €750 per application.

#### ***III.1.1. Quality label for local and international market***

The Quality Label (QL) is one of the ways to increase the sales of high quality products at home and in foreign markets. To receive the QL, products must prove their added value. The aim of the QL is to promote local production and processing, which are focused on achieving quality products. The QL is part of the project implemented over the last several years by the Ministry of Agriculture, with the support of FAO and the European Bank for Reconstruction and Development (EBRD). Considerable efforts are invested in the project, as it is one of the Ministry's most important projects, and one on which future EP programmes are based.

The QL is formally defined and approved by the Ministry of Agriculture through a legislative act, while the certification is performed by independent certification bodies accredited by the Accreditation Body of Serbia.

**Figure 1: Stakeholders in the implementation of the Quality Label**



Public opinion surveys have shown that consumers in Serbia want some kind of state-guaranteed quality. It has therefore been decided that the QL should be a public standard in Serbia.

**Figure 2: Steps in the development of the Quality Label**



The marketing of these products is done through the joint efforts of the Ministry of Agriculture and producer associations with quality-labelled products. Manufacturers who are members of an association also have a marketing budget, provided by the QL bearers, the amount of which is defined by the rules of the association and in proportion to the number of employees, turnover of quality-labelled products, and number of quality-labelled products.

### III.2. Fund for development of Serbia

The Fund acts as a National Development Bank, and has several measures that aim to promote the country’s export potential. The Fund’s main goals include: encouraging economic development, encouraging balanced regional development, improving the competitiveness of the domestic economy, encouraging the

development of crafts and service activities, encouraging employment, and encouraging the development of the capital market. Sources of funds include: payment of loans, credit lines and the State budget only in a part of the performance commission business in the name and for the account of state. [unclear] The total budget for 2005 [2015?] is €45 460 000.

Short-term export loans. Loans for encouraging competitiveness and liquidity of the domestic economy. The repayment period is from three to twelve months and the interest rate is 2.5 percent.

Subsidized investment loans for export-oriented companies (when evaluations are conducted to select beneficiaries, a higher score is given if products are export-oriented). Annual interest rates are 2 or 3 percent, depending on how funds are secured. The repayment period is up to 10 years, with a grace period of up to 2 years, and if the loan is given for permanent working capital, the repayment period is up to 5 years with a grace period of up to 1 year. Investment loans promoting the development of the domestic economy and export are granted to exporters in the minimum amount of €18 100 and up to €1 820 000. Investment loans are not only intended for exporters, but also for other legal entities (micro, small, medium and large companies), while selection priority is given to export-oriented candidates.

**Table 2: Funds granted through long-term (investment) and short-term loans in the last 5 years (in Euros)**

Year	Total all sectors			For food production and processing		
	in Euros	Number	Average	in Euros	Number	Average
<b>Long term investment credits</b>						
2015	55,786,292.25	386	144,524.07	15,726,888.16	83	189,480.58
2014	53,906,448.12	160	336,915.30	5,844,545.45	30	194,818.18
2013	41,316,499.42	213	193,974.18	13,433,325.87	50	268,666.52
2012	109,313,733.17	349	313,219.87	34,080,958.29	101	337,435.23
2011	136,545,728.14	746	183,037.17	37,234,803.96	206	180,751.48
<b>Short term credits</b>						
2015	/	/		/	/	
2014	/	/		/	/	
2013	/	/		/	/	
2012	5,717,839.25	13	439,833.79	2,822,727.27	6	470,454.55
2011	7,368,181.82	15	491,212.12	1,381,818.18	3	460,606.06

The Development Fund was started over 20 years ago and currently has a representative portfolio measured in the hundreds of millions of Euros. With the coming to power of a more liberal government in 2013, as well as with a considerable budget deficit and credit indebtedness, state subsidies gradually decreased, and so did the activities of the Development Fund.

### III.3. Chamber of Commerce

The Chamber of Commerce has a long tradition, good infrastructure, and is mainly active in the following areas: representing the interests of the economy to state authorities; internationalization and promotion of the state and the economy; and support to companies through information, advice, mediation and business education for the sake of increasing the capacity and strengthening the competitiveness of the European Union accession process. The Chamber promotes exports through the organization of common stands for Serbian producers at all fairs as well as providing logistics for participation in international fairs and it contributes to the visibility of producers. The Chamber also provides a platform to discuss common sales and export strategies and is where discussions between major participants take place, however capacity improvements are needed in this regard.

Over the last several years, the Chamber of Commerce has largely undertaken the activities formerly conducted by SIEPA and has organized exporters' visits to fairs. The Chamber faces the same problems that SIEPA did: repeat exhibitors, exhibitors who have surpassed the limit for subsidizing but still use subsidies, and doubtful selection process for participants, all of which are viewed as negative to the promotion process.

There are sectoral associations within the Chamber, with a view to encouraging dialogue between economic actors and policy makers in separate sectors of industry. The Association of Agriculture, Food Industry, Forestry and Water Management (ChoCom Ag Ass) is a platform which should be used for defining methods of development and strategies, among others, with the participation of all the members of the agrarian sector. The Association is a part of the Chamber of Commerce and does not prevent the existence of other sectoral associations. However due to the power that the Chamber of Commerce has, often ChoCom Ag Ass is the most influential and has the highest number of members. ChoCom Ag Ass is divided into subsectors.

The following associations are currently active in the food industry and are part of ChoCom Ag Ass:

- Slaughter Industry Group – production, processing and preservation of meat and meat products
- Milk Industry Group – producers and processors of milk
- Poultry Meat and Egg Producers Group
- Beekeeping and Honey Production Group
- Fishing Industry Group
- Producers and Processors of Medicinal, Aromatic and Culinary Herbs Group
- Organic Production Group
- Wheat Producers, Mill, Bakery and Pastry Products Group
- Producers of Dietetic and Children's Food Group
- Producers of Vegetable Oils Group
- Production, Processing and Sale of Fruits, Vegetables, Forest Fruits and Fruit Seedlings Group
- Viticulture and Winemaking Group
- Confectionery Producers Group
- Tobacco Producers and Manufacturers Group
- Veterinary Services for Agricultural Entities dealing with Cattle Breeding Group

Each association has its own budget (until 2013, the Chamber was financed by obligatory membership fees defined in accordance with the number of employees; since 2013 the membership fee has been on a voluntary basis, and a bill is currently under consideration in the Parliament to make the fee obligatory again), a secretary with permanent employment in the Chamber, and a president who serves as the association's representative. The budget is used for what the association deems appropriate, most frequently joint advocacy or activities directed toward merging bids.

Defined tasks, activities and courses of action include:

- monitoring and analysis of economic trends in the agrarian sector and the food and tobacco industry, through economic policies, tax and customs systems;
- monitoring and analysis of the impact and influence of economic policy measures on the position and business performance of Association members;
- participation in proposing and developing laws and bylaws within the competence of the Association;
- participation in proposing macroeconomic policies and legal solutions for managing systemic and specific issues in the agrarian sector;
- monitoring the coordination and implementation of international technical standards and norms;

- following achievements in technical and technological developments at a global level, and monitoring their implementation in the country;
- participation in creating the appropriate atmosphere for current processes of integration into the European and global market;
- proposing measures for the protection of domestic production interests, removing monopolies from the domestic market and improving business morality;
- organizing cooperation in charting food balance sheets;
- business networking and establishing collaboration with foreign partners, cooperation, technology transfer, etc.;
- organizing cooperation with interested foreign companies and participation in their linkage to Association members and institutions in the country;
- participation in organizing public appearances of Association members and their promotion in foreign and domestic markets;
- Association member presentations at fairs and other events worldwide, with a view to promoting Serbian products and increasing exports;
- organizing education workshops and providing assistance with the interpretation of regulations and introduction of quality systems, with a view to increasing the competitiveness of the agrarian industry;
- preparation and periodic publishing of statistical reports on the Serbian agrarian sector;
- informing Association members about the impending courses of integration at the European and global levels (CEFTA, EU, STO, etc.);
- providing information and expert assistance to Association members in the process of privatization (methodology, procedures, privatization programme, etc.);
- participation in monitoring the process of privatization and the restructuring of Association members;
- providing expert assistance to Association members in finding prospective strategic partners and investors; and
- conducting initiatives and activities related to the transfer of new approaches within European Union directives into national laws.

### **III.4. Serbian Export Credit and Insurance Agency**

The Agency has been operating since July 2005, and was founded to support exports by providing export insurance, short-term credits for exporters and factoring (sale of receivables). The years 2011 and 2012 were marked by considerable turbulence in the agency, accompanied by debates on the purpose of its existence and the retreat from Serbia of U.S. Steel, a major client. Export insurance covers the risks of debtor insolvency and prolonged lags in repayment, factoring provides support for foreign and domestic market placement, and short-term loans are granted for financing current assets and increasing liquidity. The food industry sector made good use of the service of short-term credits, though the number of companies who used this service is still small with an average of 60 approved loans per year. After the 2012 political changes in Serbia, the management of the Agency has changed and data on Agency operations has not been available since 2012.

### **III.5. Serbian Investment and Promotion Agency – SIEPA**

SIEPA was founded in 2001 as an office of the Government of the Republic of Serbia. It aims to improve business conditions in Serbia, promote Serbia as an investment destination, promote and enhance exports from Serbia, for example goods and services that it can provide, and generally improve the country's image.

SIEPA performed its primary function of supporting exports and attracting investments through programmes aimed at increasing competitiveness. These programmes allowed for subsidies for over 1 700 exporters from various industrial sectors to visit international fairs. Apart from visiting fairs, exporters also made use of standardization, marketing, product design and promotional material, training in business negotiation skills, familiarization with new technologies, and other similar measures provided by SIEPA. The agricultural sector was the most prominent beneficiary of this programme. Additionally, the Agency also defined (and successfully fulfilled) the need to establish a database of suppliers of raw materials, semi-finished and finished products. Business meetings were subsequently organized, whereby possibilities were created for successful business-making (which depended on the participants) with relatively small investments needed to organize such meetings.

Since it was founded, the Agency has had firm support from the authorities, as well as staff which were very enthusiastic in their approach to improving their knowledge and skills, and then to achieving the successful promotion of exports and promotion of the country as a good place for investment. With the 2012 change of government, the Agency was criticised and numerous debates were held on the purpose of its existence, which has weakened the Agency's position and has essentially put an end to its operations, although not yet officially.

### **III.5.1. Programme for encouraging the competitiveness and internationalization of the Serbian economy**

In order to strengthen the international competitiveness of the Serbian economy through strong support to the process of internationalization and strengthening the competitive capacity of domestic companies and associations, the agency allocated financial resources, from 2006 to 2013, to export-oriented companies and associations to fund activities that contribute to the increase of exports from Serbia. Resources have been approved for more than 1 700 businesses and funds totalling €8.6 million have been provided. Following is a table with the categories of beneficiaries, the purpose of directed funds and selection criteria for 2013. The funds were allocated to exporters, beginners in the exporting business and business associations, according to the following criteria:

**Table 3: Main characteristics of SIEPA EP measures**

Type of support	Who can apply	Co-financing
<b>Support for fair visits and to organize stands at the fairs</b>	<ul style="list-style-type: none"> <li>Exporters subsidised by up to 50%, up to €13 600</li> <li>Beginning exporters subsidised by up to 50%, up to €9 000</li> <li>Business associations subsidised by up to 50%, up to €40 900</li> </ul>	<ol style="list-style-type: none"> <li>1. Lease of exhibit space</li> <li>2. Entry into the fair catalogue</li> <li>3. Costs of transport</li> <li>4. Costs of stall construction</li> <li>5. Costs of freight</li> </ol>
<b>Opening a representative office in foreign markets</b>	<ul style="list-style-type: none"> <li>Exporters subsidised by up to 50%, up to €18 100</li> <li>Business associations subsidised by up to 50%, up to €181 800</li> </ul>	<ol style="list-style-type: none"> <li>1. Administrative costs of registration</li> <li>2. Lease of area up to 50m<sup>2</sup>/300m<sup>2</sup> for associations</li> <li>3. Costs of staff</li> <li>4. Overhead expenses</li> </ol>
<b>Inclusion of the company in business to business (B2B) meetings and other visits organized by the Agency</b>	<ul style="list-style-type: none"> <li>Exporters subsidised by up to 50%, up to €2 700</li> <li>Beginning exporters subsidised by up to 50%, up to €2 700</li> <li>Business associations subsidised up to 50%, with a maximum of €9 000</li> </ul>	<ol style="list-style-type: none"> <li>1. Costs of transport</li> <li>2. Costs of accommodation</li> <li>3. Costs of participation fee</li> </ol>
<b>Internationalization of new</b>	<ul style="list-style-type: none"> <li>Exporters subsidised by up to 75% for</li> </ul>	<ol style="list-style-type: none"> <li>1. Product certification – evidence of conformity</li> </ol>

<b>products through improved competitiveness: certification of products, compliance with market regulations, certification of quality management systems</b>	certification of product and quality management systems, and up to 50% for consulting services, in the amount of €13 600; up to 50% for software localization up to €2 700	(CE mark) and alignment with specific norms for certain types of products in accordance with the buyer's requests 2. Certification of quality management system 3. Software products localization
<b>Strengthening of marketing capacities: Design and production of promotional materials, such as product catalogues, promotional brochures and website design</b>	<ul style="list-style-type: none"> <li>• Exporters subsidised up to 50%, with a maximum of €2 700</li> <li>• Business associations subsidised up to 50%, with a maximum of €4 500</li> </ul>	<ol style="list-style-type: none"> <li>1. Design and production of promotional materials – product catalogues and promotional brochures for the company/business association</li> <li>2. Website design</li> </ol>
<b>Intellectual property protection</b>	<ul style="list-style-type: none"> <li>• Exporters subsidised up to 50%, with a maximum of €2 700</li> </ul>	Co-financing for tax expenses, costs of registering software copyrights, and attorney fees, as follows: <ol style="list-style-type: none"> <li>1. Hallmark registration</li> <li>2. Industrial design registration</li> <li>3. Protection of integrated circuit topography</li> <li>4. Registration of software copyrights</li> </ol>

Total expenses according to 2013 data do not surpass €27 200 per beneficiary exporter, €18 100 per beneficiary beginning exporter, and €181 800 per beneficiary business association.

Together with the application for cost refund, the competitor must also submit identification documents and costs specifications with the accompanying documents (contracts, etc.).

Subsidized programmes in the period between 2006 and 2013 were altered, perfected so as to target certain activities more precisely, or abolished (e.g. international legal protection, market research, new packaging design), with more or less justification.

### *Interest in programmes is considerable*

Generally speaking, exporters and business associations were indeed interested in SIEPA's export support measures. SIEPA, on the other hand, managed to gain their trust and successfully carry out the measures that are considered more difficult to implement. This was primarily due to the fact that SIEPA had:

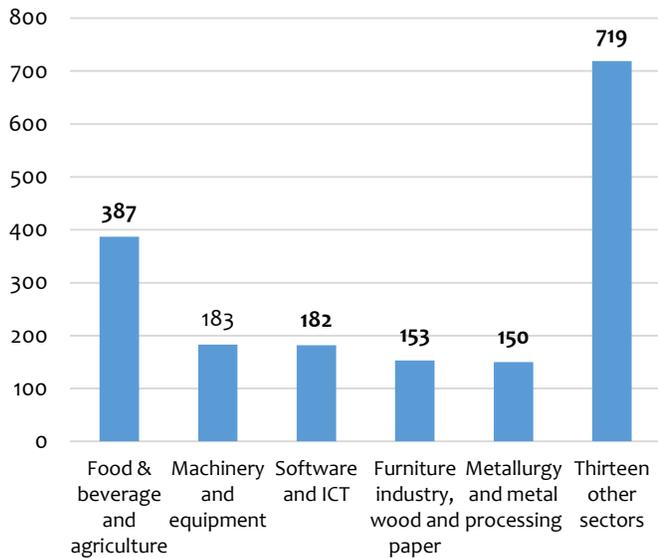
- Continuity of over ten years
- Professional staff
- Considerable budget

The allocation of funds in various districts shows that funds were densely concentrated in Belgrade (35.8 percent), whereas the remaining 24 districts received a lower percentage of funds each (out of a total of 64.2 percent, an average of 2.6 percent was distributed per district).

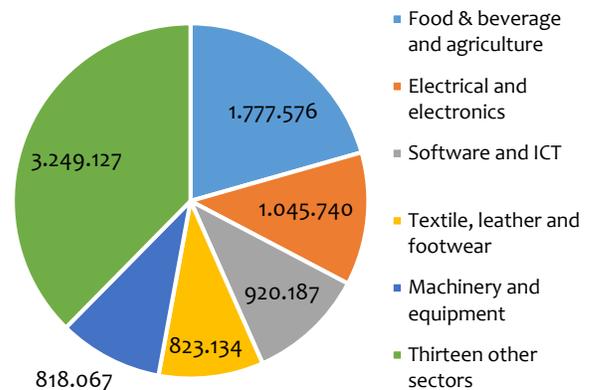
During the second phase of project implantation, SIEPA cooperated with regional chambers of commerce, associations and regional development agencies with the goal of promoting EP measures among companies that are not close to urban centres. This approach resulted in better interactions with direct beneficiaries, improved measures and more applications from companies in rural areas.

Subsidies for the food sector are far ahead of other sectors, with funds allocated during the 9-year period amounting to an average of €4 870 per beneficiary.

**Graph 4: Number of approved applications by sectors**



**Graph 5: Structure of subsidies by sectors**

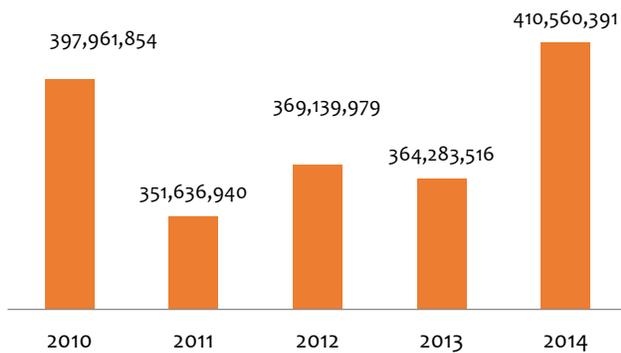


More than 150 visits to fairs were organized, and some of which are listed below:

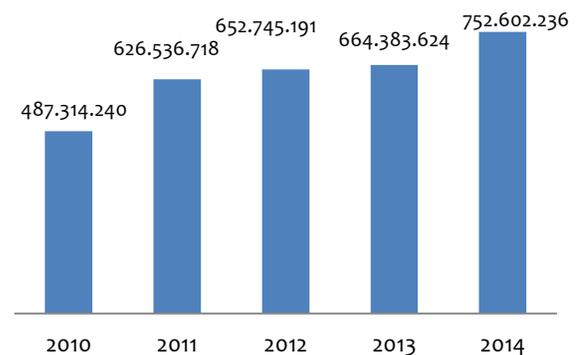
- Grune Woche, Berlin, Germany
- Fruit Logistica, Berlin, Germany
- BioFach, Nurnberg, Germany
- Gulfood, Dubai, UAE
- Foodex, Tokyo, Japan
- ProWein, Dusseldorf, Germany
- IFE, London, UK
- World Food Moscow, Russia
- Kievbuild, Kiev, Ukraine
- Rendez-Vouz, Paris, France
- Fancy Food, New York, United States
- SIAL, Paris, France
- FIA – FOIRE INTERNATIONALE D'ALGER, Algiers, Algeria
- Economic Fair, Mostar, Bosnia and Herzegovina
- BVV Trade fair, Salima, Brno, Czech Republic
- PLMA, Amsterdam, Netherlands
- KAZAKHASTAN WORLD FOOD, Kazakhstan
- Seoul Food & Hotel, Seoul, Korea
- Anuga Keln, Germany
- Agritechnica, Hanover, Germany
- MosBuild Moskva, Russia

Visiting certain food industry fairs proved to be extremely successful (Fruit Logistica, BioFach), some fairs had a large number of visitors but less success (Paris, Moscow), and some were a complete failure (Dubai).

**Graph 6: Achieved exports of the companies that took part in different fair exhibitions organized by SIEPA 2010 – 2014 in Euros**



**Graph 7: Achieved exports of the companies that used SIEPA measures from 2010 – 2014 in Euros**



Data cover all sectors. Service companies are not obliged to record exports therefore they are excluded from the data presented. However, there are many of them that export services.

### **III.5.2. Database of suppliers**

The suppliers' database gives firms the opportunity to present their products and services to a wide range of potential business partners. Currently, more than 2 500 companies from 20 different industrial sectors are in the database.

The suppliers' database was an innovative idea at the time it was established; prior to its establishment no such database existed, at least not with so many entries. Setting up the database required daily work, persistence in direct contact with the producers of raw materials, and regular updating of the data. The results were soon visible when over a hundred inquiries a day came from abroad, thus opening a huge market for Serbian producers. The database provides advanced search capabilities, and firms can be searched for by industrial sector, subsector, subsectoral segment, production technology, required certification, the fair at which the company was presented (which greatly facilitates the search for the right supplier), tests performed, etc. Prospective supplier data are comprehensive and transparent and, in addition to the listed search criteria, they also contain the markets in which the supplier is present, contacts, identification data, and products.

The database thus represents an inevitable step in export promotion, as well as a high quality basis for the development of domestic trade, production and finalization of semi-finished products.

### **III.5.3. Business meetings**

Types of business meetings organized by the Agency:

1. Meet the buyer - Serbia Open for Business annual meeting / fifth meeting. The concept of this event is quite simple because it is a small-scale fair. Domestic companies at these events have a unique opportunity to get in contact with representatives of the management of foreign companies and discuss possible cooperation. Given that the companies exhibiting at these meetings are usually big foreign multinationals, and it can be difficult to reach the right person in such companies, domestic companies have a unique opportunity to interact with the right contact. At the fifth meeting, the Fair was dedicated to the food and furniture sectors. There were 144 companies participating in the fair, and among these 17 buyer companies from Russia, Germany, Denmark, and countries from the region, and 127 supplier companies from Serbia: 56 companies from the furniture sector, 67 from the food sector, and 4 companies from both sectors. A resultant 177 meetings have since been held and there are more than ten prospective cooperation contracts.

2. Business to business (B2B) thematic meetings. Based on the detailed specifications of the products that the foreign buyer is interested in, SIEPA selects domestic companies which have the potential to meet the requirements of potential customers. Foreign companies receive detailed information on local businesses that have expressed a desire to meet with them, after which foreign buyers make another selection based on certain criteria such as adequate quality standards, employment capacities, number of employees, export experience, etc. On the basis of a final list, the Agency organizes individual meetings between foreign buyers and domestic producers to work out business arrangements. B2B meetings have been held in Serbia and abroad, and have so far achieved notable effects. This type of meeting was initiated by a project of the European Network of Entrepreneurship, which began in Serbia in 2009.

### **III.6. Donors**

The political changes in 2000 have provided an increased number of donors and funds for financing projects from different areas. In agriculture, significant donations come from the European Union, the United Nations, the United States, Switzerland and Japan. Project financing by organizations or institutions from these countries is oriented to improving production through the introduction of knowledge, new technologies and best practices, among others. Projects also aim to improve the final product by adding value, developing marketing strategies and applying standardization methods, among others. While European Union and United Nations projects are mainly focused on institutional development, the United States, through its Agency for International Development (USAID), has focused on private sector development, in which EP is always a part. USAID agribusiness projects are a typical example of these types of projects.

#### **III.6.1. USAID – Agribusiness project**

The USAID Agribusiness Project was a five-year programme (2007 – 2012) of technical and financial assistance to the agricultural and food industry value-chains in Serbia, funded by the United States. The overall objective of the USAID Agribusiness Project was: “Increased value of Serbian agricultural product sales, and increased agricultural employment.” The project was designed to achieve this objective by (1) increasing the efficiency and competitiveness of Serbian agribusinesses along the value chain in the high-potential sectors identified during sector selection and analysis, and (2) improving the enabling environment for Serbian agribusinesses. The project had two main grant components: one for the introduction of standards and one for marketing and promotion.

#### ***Grants for the Introduction of Food Safety and Quality Standards***

The value-chain assessments revealed that one of the major weaknesses among the companies in the selected sectors that limit their competitiveness in international markets is the lack of international food safety and quality standards. Internationally recognized food safety and quality standards for which companies can apply include: GlobalGAP (good agricultural practices certification); ISO 14001 (environmental management system); ISO 22000 and HACCP (food safety management systems); organic certification; and other market specific international standards such as IFS, BRC, Halal, Kosher, etc.

The Agribusiness Project covered up to 70 percent of the total costs of certification services on a cost reimbursable basis. However, grant funds were not to exceed US\$ 5 000 for a certification. The total estimated grant budget for the introduction of food safety and quality standards was estimated at US\$ 100 000. Producers of the following crops were eligible to apply for standardization funds: fresh and processed

vegetables, berry and tree fruits<sup>3</sup>, meat products<sup>4</sup>, specialty cheeses, creams and other dairy products, mushrooms, herbs, spices and forest fruits. An advantage was given to potential export-oriented beneficiaries.

**Box 1: Case of good practice – ABD Prom**

ABD Prom, a private fruit processing and exporting company from the Sabac area of western Serbia was the first company to receive GlobalGAP certification as a result of project assistance. For ABD Prom, this was a critical achievement for their business, because their French customer had informed them that they would no longer purchase sour cherries from them without the GlobalGAP certification. The award of this certification played a key role in their exports of sour cherries in 2009, as immediately following certification ABD Prom began their exports of certified frozen fruit to their customer, and as of the end of September 2009 these exports were worth US\$ 1.4 million.

## Grants for Marketing and Promotional Activities in Agribusiness

The USAID Agribusiness Project assisted Serbian agribusinesses in taking advantage of emerging opportunities in domestic, regional and international markets. However, efficient market access requires significant investments in marketing and promotion. Therefore, the project designed an investment incentive grant scheme whereby all interested agribusinesses (agriculture-related firms, food processors, business associations, agriculture cooperatives and farmer associations) were able to utilize project funds to improve their marketing capacities.

The project invited all interested agriculture-related firms, food processors, business associations, agriculture cooperatives and farmer associations from the following six sectors to apply for the grant funds: vegetables, livestock, dairy, mushrooms, herbs and forest fruits, berries and tree fruit. The project's grant funds could be used to support agribusinesses activities in the following areas: design of new packaging for various purposes, such as shifting from bulk to retail, new market trends, etc.; design of a new company logo and/or visual identity; design of a new product logo and/or visual identity; design of product label; design of marketing material for export and domestic markets, such as catalogues, leaflets, and other promotional material; creation of a company website; and other activities aimed at improving marketing and the promotion of agribusinesses. Grant funds were not to exceed US\$30 000, or finance more than 45 percent of the total required investment. The project activity was to be completed by December 31st 2009 and grant funds were provided on a cost reimbursable basis.

**Box 2: Case of good practice – Melisa Farm**

In the early days, Melisa Farm concentrated on the production of liquid extracts and essential oils, but over the years they have expanded the range of products to include dry extracts and aromatic oils. Following a long development period Melisa Farm has become Serbia's national market leader in the production and sale of natural dry plant extracts. Agribusiness Project assistance to Melisa Farm extends back to late 2008, when the project organized a group of herb processing companies to visit the 2009 Vitafoods trade fair in Geneva. During this trade show, Melisa Farm made contact with a new buyer, and for the first time in company history they were able to export their products. With two years of international sales experience under their belt, Melisa Farm returned to Vitafoods in 2011, but this time as an exhibitor. At this show they made new sales to their existing client, and found new buyers. Melisa has already reported international sales of US\$ 50 000, and based on the 2011 Vitafoods contacts they signed contracts for an additional US\$200 000 of exports. Given that their annual sales are on the order of US\$ 350 000 per year, these sales contracts are significant for the company. Because of these new sales, Melisa Farm is now planning an expansion of their storage and production facilities. Melisa is building a new storage facility worth US\$ 45 000, and they have an investment plan for US\$ 200 000 of new equipment and infrastructure over the next two years. Miroslav (owner) has this to say: "Melisa has doubled its' annual sales since 2008 when we started to work with the Agribusiness Project. Our buyer from France says that they are now mixing our dry extracts with others, to improve their product quality."

Export promotion was first realized in cooperation with SIEPA at the Fruit Logistic Fair in Berlin, Germany and the Anuga fair in Cologne, Germany. The Agribusiness Project provided the funds to support working with the exhibitors, training in negotiating skills, presentations at the stalls, making new contacts and deals.

<sup>3</sup> Excluding prunes, walnuts, almonds and hazelnuts.

<sup>4</sup> Excluding fish and fish products.

Equipment targeted funding was not a part of the support. SIEPA has selected the exhibitors for the fairs in line with their own criteria. After a while, the Agribusiness Project started to individually realize the activities related to fair attendance (such as Bioafach, Nuremberg, Germany; and Vitafoods Europe, Geneva, Switzerland). The focus of the activities was to subsidize marketing, packaging, image, and logo; and to promote the products by stimulating the establishment of associations. The candidates were selected by the associations. For the specific manufacturers of medicinal herbs and spices, or organic producers, where business entities or farms are usually small, and the number of these producers is also small, the selection was made by the Agribusiness Project. The condition for fair attendance was the possession of the certificates required for the markets where the fairs were to be held. Cooperation with the exhibitors continued after the fairs to monitor which activities were realized, through comprehensive questionnaires which offered high quality feedback for future activities (one of the most important criteria for future fair attendance was the number of signed agreements, i.e. increase in exports).

Project activities were also aimed at the promotion of manufacturers/exporters through specialised fair magazines, providing all the necessary information required by the potential buyer.

The main characteristics of the export promoting activities included: stimulation of association, especially within different sectors; introduction of quality and food safety standards; enabling of joint presentations of as many manufacturers of a single product or group of products, as possible; and monitoring of exhibitors (elimination of incompetent exhibitors, monitoring of the development to the point at which the exhibitor is able to make presentations independently, changes of exhibitors).

## IV. Export Promotion Measures

In the past ten years, Serbia has engaged in export promoting activities in an intense and organized way, through the use of various measures. Some of them yielded good results, not only because they had been well designed, but also because they were adequately implemented. Others, however, had limited impact, since they had been either poorly designed, or inadequately implemented. For example, the very same measure of “subsidizing and fair attendance support” which was implemented by both SIEPA and the Chamber of Commerce, yielded different results, since these two agencies had different aims and approaches.

**Table 4: Differences between measures – organizing fair visits and stands**

	SIEPA	Chamber of Commerce	The USAID Project
<b>Aim</b>	Support to the selected companies involved in the SIEPA programme	Mass effect	Fulfilment of the project aim of achieving (demonstrating) the results which are as significant as possible with as little means as possible
<b>Level of subsidy</b>	Up to 50%	Participation	Up to 45%
<b>Approach to preparation</b>	Carefully select the companies which have the goods suited to the exporting country, and making sure that a certain portion of goods has already been exported.	Open offer	Work on the establishment and strengthening of manufacturers' associations to make selections.
<b>Result</b>	A large number of companies present at the fairs, especially those working in the field of agriculture. Great participation of exhibitors coming from rural counties.	Companies that were not particularly interested participated because of the high level of subsidies. Did not achieve substantial results	Companies that already export their products and are likely to achieve results even without attending fairs, or can finance their own participation, took part. The association assumed the role of the project team, after the project was concluded.

The situation is similar when providing support for the introduction of standards financed by projects (not only the USAID Agribusiness project, but also other projects which provided support to these activities, though less significantly so), the Ministry and SIEPA.

**Table 5: Differences between measures – support for standards establishment**

	SIEPA	Ministry of Agriculture	USAID project
<b>Coverage</b>	Support to exporting companies	Support to all companies	Support to all companies but not for all products
<b>Approach to preparation</b>	Open call to all companies and business associations, with preference for existing exporters	Open call to all companies, regardless of their export orientation	Preference given to export-oriented companies
<b>Level of subsidy</b>	Up to 75% and up to 50% for consultation services	Up to 40% and up to 55% in specific cases	Up to 75%
<b>Result</b>	<ul style="list-style-type: none"> <li>Companies chose where to apply for subsidies, generally choosing those schemes which provided the highest levels of subsidies</li> <li>Some companies received double subsidies</li> <li>The price of consulting services rose due to the subsidies.</li> </ul>		

Thus, potential beneficiaries needed to carefully choose the option that best suited their needs and decide which subsidies they would apply for, which often resulted in confusion among the potential beneficiaries, since they needed to choose one of several similar options.

**Table 6: Evaluation of different measures implemented in Serbia**

Measure	Main characteristics	Positive	Negative
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<b>Fairs</b>	<ul style="list-style-type: none"> <li>Fair travel costs are subsidised, costs are refunded</li> <li>Appearance at the fair is enabled so that a participant becomes a part of the group exhibition at the common stall</li> <li>The programme also involves training in business negotiation</li> </ul>	<ul style="list-style-type: none"> <li>Enabling companies (especially the beginners) to assess their position among the competing business entities</li> <li>Cooperation with other similar national companies is established in the course of joint travel</li> <li>Possibility of receiving high quality feedback from beneficiaries</li> <li>Lower expenses due to joint presentations</li> </ul>	<ul style="list-style-type: none"> <li>A number of companies would finance their participation anyway, without subsidies</li> <li>Companies that lacked goods still participated in the programme</li> <li>Substantial investment without a guarantee of success</li> <li>Takes a lot of effort, especially to organize the joint stall presentations</li> </ul>
<b>Product preparation for market</b>	<ul style="list-style-type: none"> <li>Subsidies for marketing preparation of products (improvement of packaging, preparation of advertising material, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>Development of production and better recognizability</li> <li>Lasting positioning in the segment ready to pay more which generally leads to higher earnings</li> <li>Investment in product improvement</li> </ul>	<ul style="list-style-type: none"> <li>Additional costs which often need to be valorized by the consumers</li> <li>Requires different ways of selling</li> </ul>
<b>Adding value to products</b>	<ul style="list-style-type: none"> <li>Subsidizing the introduction of the standard necessary for export</li> <li>Subsidies for registration of seal, geographical indication, industrial patent, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Increased competitiveness of the product</li> <li>Enables targeting of wealthier buyers</li> <li>Promotes and follows new trends and teaches companies to adapt to EU rules</li> </ul>	<ul style="list-style-type: none"> <li>A lot of knowledge and analyses of consumers' demands are required to find out whether they are ready to pay the investments into the added value</li> <li>Additional costs that occur</li> <li>New places and modes of selling</li> </ul>
<b>Subsidised Export and investment credits</b>	<ul style="list-style-type: none"> <li>Subsidizing interest rates, either through direct provision of funds (Development Fund), or through subsidizing interest rates with commercial banks (Agency)</li> <li>Special benefits for the LFA areas</li> </ul>	<ul style="list-style-type: none"> <li>Access to cheaper resources enables better liquidity of the exporters</li> <li>Lower collateral which enables higher loans</li> <li>Easier procedure than at the bank</li> <li>Adaptability of loan services to the exporter's needs</li> <li>Encouraging exporting business with the conditions of receiving loans</li> </ul>	<ul style="list-style-type: none"> <li>The export which would be realized without subsidies is often subsidized anyway</li> <li>Contrary to WTO rules</li> <li>Slower development of the commercial loan market, since everyone wants subsidized loans</li> <li>The state is unable to correctly assess creditworthiness, so NPLs [non-performing loans] are high</li> <li>Loans granted are often motivated by politics, rather than the market.</li> </ul>
<b>Export insurance</b>	<ul style="list-style-type: none"> <li>Payment of claims up to 85% of the invoice value</li> <li>Covers the risks of the prolonged lag and insolvency</li> </ul>	<ul style="list-style-type: none"> <li>Decreased risk</li> <li>Safety of business operations</li> </ul>	<ul style="list-style-type: none"> <li>Insurance does not lead to increases in exports, since the subsidies are predominantly used by those who do not require subsidized insurance</li> <li>The speed of insurance processes do not conform to the real needs of the exporter</li> </ul>
<b>Trade meetings</b>	<ul style="list-style-type: none"> <li>Organizing meetings with the aim of making connections between suppliers, merchants, and buyers</li> <li>Participation in the meetings is not paid, but the infrastructure is provided</li> </ul>	<ul style="list-style-type: none"> <li>Establishment of new business contacts (face to face)</li> <li>Perfecting business skills</li> <li>Widening the network of buyers and suppliers</li> <li>Cheaper organization than for fair visits</li> <li>They can be organised locally, thematically, etc</li> </ul>	<ul style="list-style-type: none"> <li>It is hard to assess in advance whether a company has anything to offer or not</li> <li>A large number of companies fail to match, so much time is wasted</li> <li>It is hard to gather the companies which have goods to offer, and those which need something to buy, since it is often uncertain who will show up, it is believed that this is a waste of time, etc.</li> </ul>

<b>Supplier database</b>	<ul style="list-style-type: none"> <li>• Online database of suppliers with goods offered for sale</li> </ul>	<ul style="list-style-type: none"> <li>• Time saving for buyers since they have everything they need in one place</li> <li>• Opening new markets through the availability of information regardless of distance</li> <li>• Availability of access to international buyers</li> <li>• Cheap way to promote many products</li> </ul>	<ul style="list-style-type: none"> <li>• Doubt as to whether the data are updated in a timely fashion</li> <li>• Requires employees to create the database and continually update it and thereby exert pressure on suppliers to update the data as well</li> <li>• The cost of translation to multiple languages</li> </ul>
<b>Support in organizing common marketing strategies for the groups of companies</b>	<ul style="list-style-type: none"> <li>• Use associations to organize common marketing strategies for certain markets. These strategies may include common promotion, as well as common production.</li> </ul>	<ul style="list-style-type: none"> <li>• Extremely effective mode of promotion which can significantly improve exports</li> <li>• Achieving synergy among potential exporters (joint transport for the common buyer)</li> <li>• Single company is unable to produce the required amount so they make joint offers (i.e. Serbian meat producers' appearance on the Russian market – production under a common brand)</li> </ul>	<ul style="list-style-type: none"> <li>• Requires years of joint work within the association, and great mutual trust</li> <li>• Complicated agreements and negotiations pertaining to joint appearance</li> <li>• Companies generally do not want to share their market (those familiar with it, or having one for themselves) but seek to make profit themselves</li> </ul>
<b>Promotion abroad</b>	<ul style="list-style-type: none"> <li>• Includes promotional activities on international markets, through magazines, advertisements, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• The texts published in specialized magazines have a prolonged effect</li> <li>• A number of products may be promoted</li> <li>• The demand is created directly among the consumers</li> </ul>	<ul style="list-style-type: none"> <li>• Lack of feedback and problems in measuring impacts</li> <li>• This kind of promotion can be expensive</li> <li>• The foreign market is not well known, so an agency needs to be hired, which can be costly</li> </ul>

All the measures have their good and bad sides. In Serbia, thus far no comprehensive evaluation has been made of the existing EP measures to assess their impacts. However, interviews with the beneficiaries and the EP service providers yielded the following conclusions, which served as the basis for recommending certain measures. Recommendations were adopted based on Serbian experiences.

**Table 7: Recommendations about measures based on the Serbian experience**

Measure	Serbian experience and recommendations
<b>Fairs</b>	<ul style="list-style-type: none"> <li>• Involve the companies in choosing the fairs</li> <li>• Carefully select the companies and know at all times who will be in attendance and why</li> <li>• Perform evaluation activities after each fair visit</li> <li>• Deal only with those who have potential in that market</li> <li>• Eliminate those who have passed the limit for subsidies</li> <li>• Always try to organize a common fair stall, not only the joint visit, if this is economically justifiable (meticulously analyze the effects)</li> </ul>
<b>Product preparation for market and adding value to products</b>	<ul style="list-style-type: none"> <li>• Discern whether the company really needs this, and whether the product has potential for adding value</li> <li>• Find a company that understands the needs of the producers and is familiar with the market</li> <li>• Include market research to identify the potential of adding value</li> <li>• Work in stages, with small scale grants</li> </ul>
<b>Subsidized export credit and insurance</b>	<ul style="list-style-type: none"> <li>• Strict monitoring of measures</li> <li>• Include banks and insurance companies in loan and insurance evaluation with the condition that they share the risk, since this decreases the possibility of bad placement of grants/subsidies</li> <li>• Exclude politics from the system of decision making pertaining to clients</li> <li>• Transparent publication of all subsidy-related data and decision making processes</li> </ul>
<b>Trade meetings</b>	<ul style="list-style-type: none"> <li>• Start organizing these meetings when the confidence between the companies and organizers is achieved (SIEPA needed more than five years in order to organize their first successful trade meeting)</li> <li>• Create a high quality base of domestic and international companies, constant maintenance of contacts and monitoring of status</li> <li>• Always make highly targeted meetings not only for different sectors (vegetables, fruits) but also on demand (greenhouse production, apples)</li> </ul>
<b>Supplier database</b>	<ul style="list-style-type: none"> <li>• Insist on constant updates to the database</li> <li>• Have as much data as possible in the database</li> <li>• The database needs to serve as a browsing tool and be user friendly</li> </ul>

	<ul style="list-style-type: none"> <li>• It is important to promote the database among those who input the data into it, but also among the potential buyers who can best make use of it</li> <li>• Takes time and effort to translate the database into different languages</li> <li>• Employ people who will constantly regulate the database and control the data it includes</li> </ul>
<b>Support in organizing common marketing strategies for groups of companies</b>	<ul style="list-style-type: none"> <li>• Very good tool for public/private policy dialogue which have to exist in each country and each sector</li> <li>• A common export strategy is not easy to achieve but is always worthwhile to try</li> <li>• Providing information which companies do not have is a good way to attract interest</li> <li>• Common export promotion is a first step towards common exports in some markets</li> <li>• If companies are not interested in participating, something is not functioning and needs to be changed (in Serbia this is continuing even without results)</li> </ul>
<b>Promotion abroad</b>	<ul style="list-style-type: none"> <li>• Hire a local agency to organize promotion activities, since the market is usually not that familiar</li> <li>• Insist on targeted campaigns with highly concrete rather than general messages</li> <li>• Organize constant promotion rather than ad hoc events</li> </ul>

## V. Conclusions and Recommendations

Conclusions and recommendations are primarily the result Serbia's EP experiences, gathered through interviews with companies and experts, as well as through an analysis of the available data.

### *It is good to have a specialised agency and people dealing with EP*

Serbia's experiences with SIEPA are positive. It is true that many objections could probably be made when it comes to the agency's work, and some exaggeration is certainly present (especially when it comes to subsidizing the businesses that did not need subsidies), yet the results remain positive, especially when it comes to attracting investments and export promotion. This means that:

- It is better to have a specialized agency to deal with export promotion.
- It is better for the agency to also engage in attracting investments, not only export promotion, since these two tasks are rather similar. The great number of contacts established during export promotion activities may thereby be capitalized on nicely.
- It is better for this agency not to deal with agriculture exclusively – no sector is separate from other sectors, so to limit the actions to one sector only would be a waste, since there is major overlapping between the sectors.
- EP requires specific skills and knowledge and cannot be properly provided without adequate training and education.

### *Carefully choose the markets where promotion is meaningful since results are achieved only in well prepared products for accurately targeted markets*

Market options are numerous. Those that might seem distant and unattainable are sometimes the best option. However, to attempt to place a product on a market, one needs to be familiar with the market. Thereby every investment in becoming familiar with it and making this information available to the potential exporters makes sense. Furthermore, exploration of foreign markets enables a clear perception of domestic capacities and space for improvements, as well as identification of the ways to present the products internationally. Different methodologies can be used to collect market information, such as: analysis of external market potential using intelligence from private sources or the state; analysis of internal export potential; and interviews with key informants from targeted market and exporters, among others.

**Table 8: Example of analysis of four targeted markets regarding price and time of import of tomato**

Potential market	Import per month UV 2010 - 14 (\$/t)			Monthly imported price	Distribution of import (% of total import per month)
	Highest	Lowest	Weighted Average		
Montenegro	May 1,284	September 349	456		
Bulgaria	January 1,022	September 357	662		

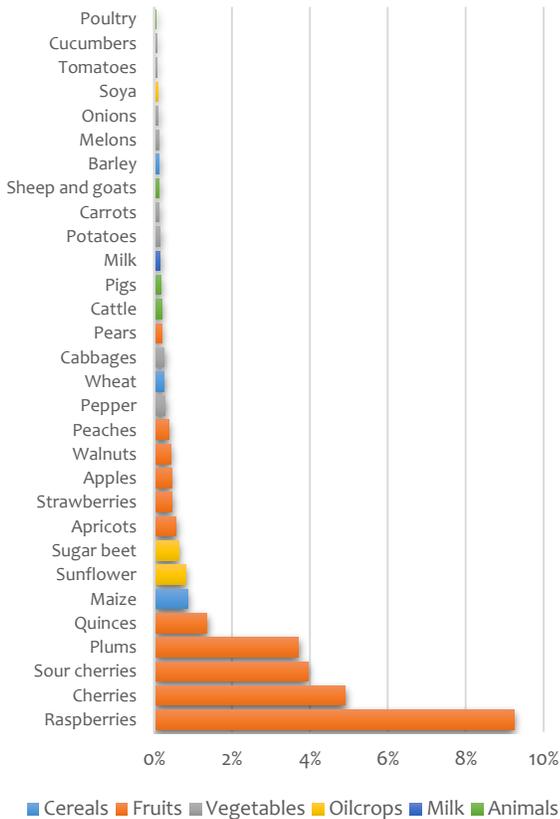
<p><b>German</b>      March      August 2,334      1,252      1,851</p>		
<p><b>Russia</b>      Decem-ber      August 1,361      694      1,129</p>		

*This example illustrates to what extent markets differ when it comes to the time and cost of export; how important it is to be familiar with different markets; when certain products are in demand in certain markets and what these products are; what the price discrepancies are for each market; and many other issues pertaining to different markets.*

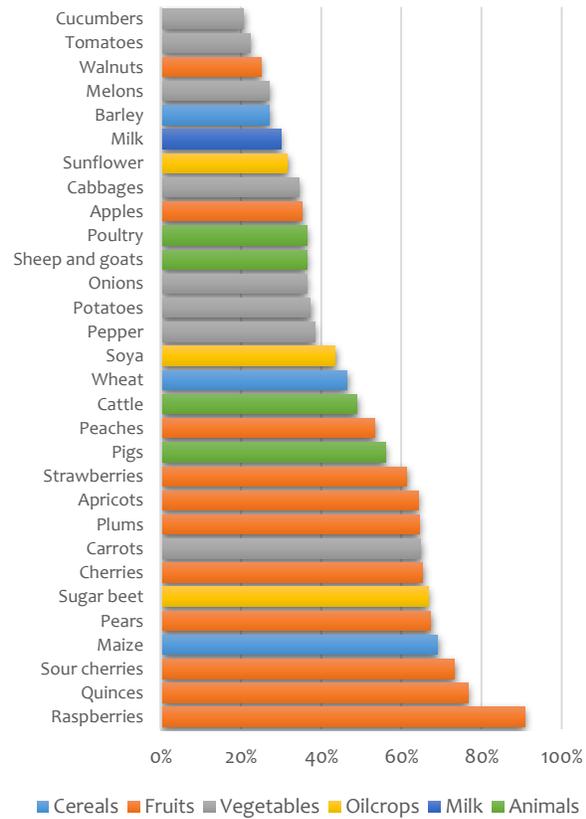
**Possess comprehensive analyses of domestic production and know one's place on the potential markets**

Apart from the fact that it is important to be familiar with potential export markets, it is also important to know domestic producers and their level of competitiveness, especially in different markets.

**Graph 8: Ranking of products according to competitiveness in Serbia compared to the world (2007 – 2013)**



**Graph 9: Ranking of products according to competitiveness in Serbia compared to CEFTA countries (2007 – 2013)**



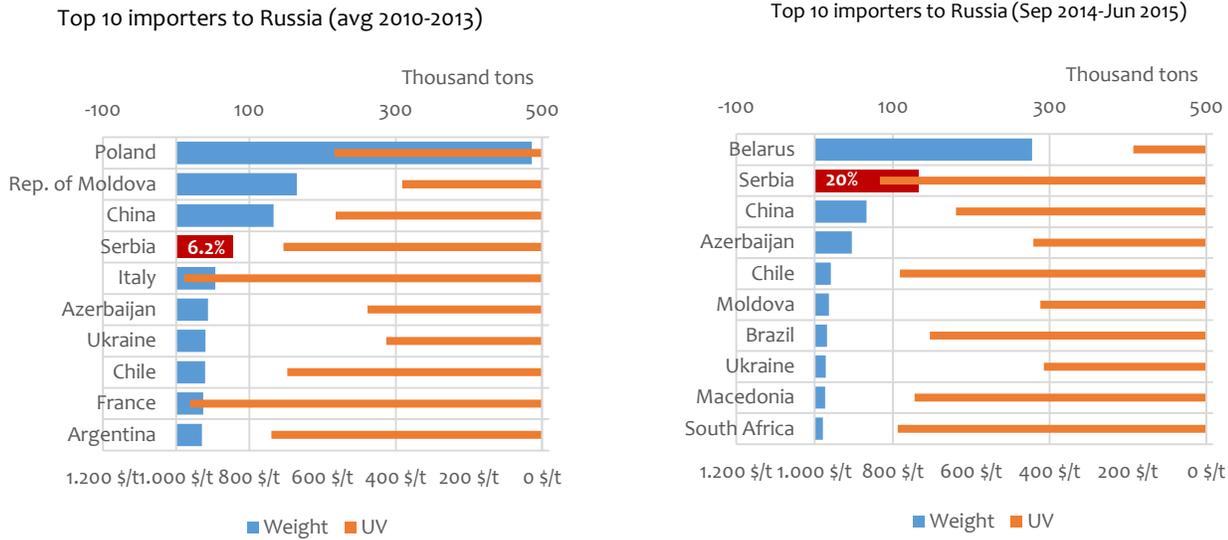
*This example illustrates to what extent markets differ when it comes to the time and cost of exporting; how important it is to be familiar with different markets; when certain products are in demand in certain markets and what these products are; what the price discrepancies are for each market; and many other issues pertaining to different markets.*

### **Crosscheck data about potential markets and domestic competitiveness**

Resources should not be spared when it comes to analyses and information. However, these need to be of high quality, timely and accurate, in order for the state and each stakeholder to be able to make their business and export strategy. A full understanding of the trends and changes taking place would help companies and policy makers to:

- make adequate long-term policy and business decisions;
- better understand trends and changes, as this will enable them to make better policies, create better business environments and increase exports;
- understand where they stand in relation to other participants in the market;
- identify export opportunities; and
- come up with new ideas of how to highlight their prospects in the agriculture and food industry.

**Graph 10: Top 10 importers of apples in Russia before and after import ban**



This example shows the exporters and unit value of the exports of different countries in one market in two different periods to illustrate the volatility of a market and how important it may be to anticipate certain market changes and trends.

### Continual work with food sector (producers, traders, processors, etc)

Nothing can be achieved in a short time. Continuity in measures is as important as the level and quality of support. Measures and institutions without continuity bear no results. This is, in short, the experience of SIEPA in Serbia and it indicates that true partnership and confidence on both sides can only be established after years of joint work.

### Adjusting the measures to the needs and the level of development of the company

In the course of their development, companies introduce new technologies and change and modernize their production process, which often leads to changes in the final product. New types of products are introduced via the processes of adding value, monitoring of market demands or conquering of new markets. These changes and/or an increase in the number of final products can expand a company's portfolio. Companies should surpass the market in being dynamic. Different companies have various needs. Promotion which is essential to one company may be useless to another. Therefore, more than one type of support needs to be available, in order for every company to be able to find the support and promotion which is most appropriate for their needs.

Very often measures target only production companies and not trading companies. Improving the capacities of trading companies could also be part of the support programme, in particular when measures are oriented toward education, training and capacities for proper analysis.

### Include companies in the selection of programmes and fairs

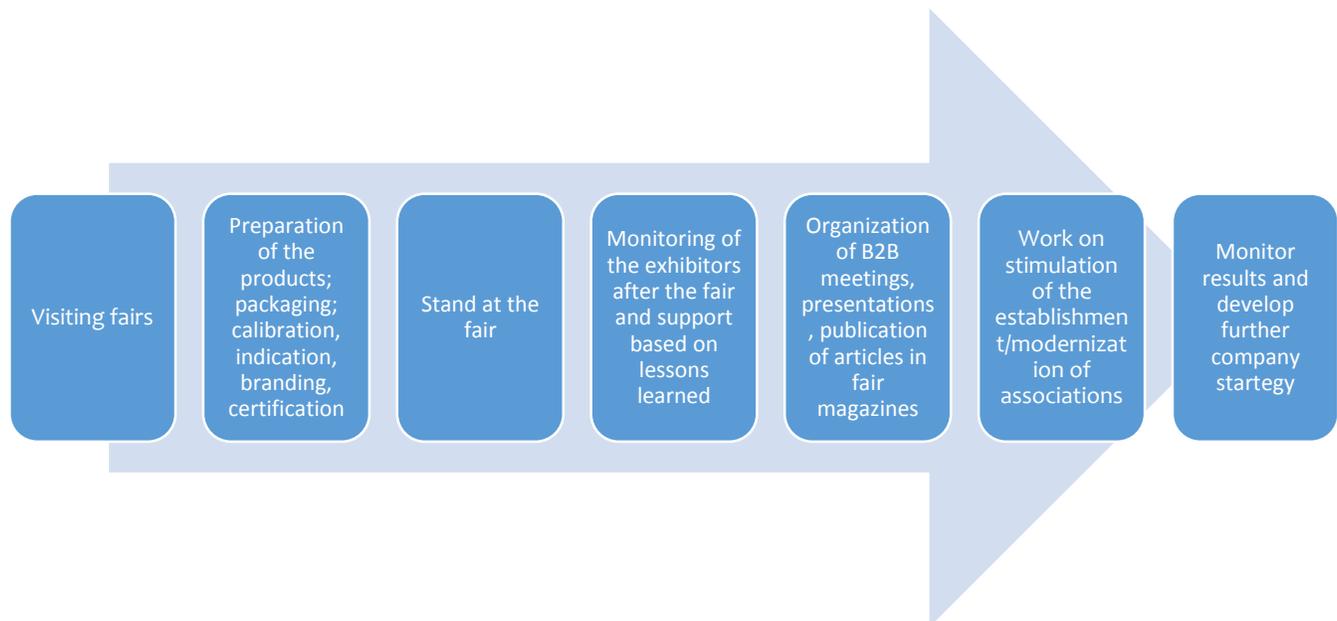
Interactive work with companies, evaluation and monitoring of the impact of visits, and high quality feedback from the participants provides the basis for improvements. It is particularly important to listen to companies when they make their suggestions about what needs to be done, which fairs need to be visited, and what kind of measures to design.

## *Promotion depends on many different factors and their synergy, so it is therefore important to have a comprehensive approach instead of a single measure*

To gain a good reputation for products in certain countries takes time and constant work to improve all the factors that have an effect on the products. A large number of factors can affect export promotion and satisfactory results are achieved only through their synergy.

A well planned programme which covers a wide range of activities gains good results and ensures that resources are productively spent. Programmes that take lightly the work of export promotion, selection and interaction with clients, will result in poor performance. When a market is properly analysed, gaps are identified, strategies are developed, adequate measures are created, and proper monitoring is performed then the results will be satisfactory.

**Figure 3: Systematic approach to EP**



## *The employees working in EP need to be well trained*

The people working on the promotion of exports need to be well acquainted with certain business skills (such as negotiations, organization, and promotional skills), must be familiar with contemporary achievements in all the fields of industry covered under the promotion strategy, must understand production processes in order to be able to select the candidates for different measures (such as the preparation of products for the markets, standardization, and presentations at fairs) based on the level of production development.

## *Moldova should better utilise the advantages of the CEFTA agreement*

Just like Serbia, Moldova signed the CEFTA agreement in 2006. This market, which has been decreasing as its member states join the European Union, still represents the second most important market for Serbia. Moldova's exports to this market are almost negligent. The liberalized market largely enables Moldova, as a traditional producer and processor of fruit, grapes, vegetables and aromatic herbs, to place its products on this market.

## *Do not rely on the help of the state, take it to be momentarily, an additional impetus for success*

Focus efforts on the preparation of products for export by adding value to the products (standards, geographic indicators, packaging, branding, quality labelling) rather than believing that the subsidized loans, insurance or goods promotion will result in overcoming the products' deficiencies. Products that are not properly prepared for a targeted market will never reach those markets regardless of the subsidies paid by the state. Therefore, it would be much better to focus on gap analysis and product improvement for the targeted market than trying to use EP to support a product that is not ready for export.

## *State export promotion strategy must be clear and precise*

Avoid institutional duplication (Serbia did not manage to do so). This is highly important as the contrary may result in the dispersion of resources, energy and unnecessary competition in winning budget funds and clients.

## *Professionalization of institutional management and process transparency*

The selection of companies for participation at fairs, B2B meetings, or some other support measures was often the most sensitive part of the process – mistakes can limit the future course of the process, or take it in the wrong direction. Political position, personal relations or prior business interests should in no way influence the selection of candidates for participation in the programmes. Clearly defined public criteria and process transparency provided by a professional management structure is the best way to create fair competition among domestic companies, as well as to provide the confidence needed for organizers to present goods to foreign markets.

The programme should involve all directly interested stakeholders (companies, Ministries, Chamber of Commerce, Associations, etc.), as well as those that are not directly interested but can contribute to achieving better export results, such as academic institutions and research projects.

## *Stimulate joint offers*

Often, regardless of the fulfilment of all the standards and the actual competitiveness of the export goods, presentations abroad cannot garner significant results due to the lack of supply. Joint offers facilitated by associations, cooperatives, chambers, or large enterprises ready to “pull” small entrepreneurs in their wake, enable presentations to be more visible and enhance the possibility of survival in certain markets.

There are many positive examples from Serbia, sometimes done on an ad hoc basis when one company has access to a market but does not have sufficient quantities. Other times, a joint offer may be the initiative of several companies to prepare a unique product for a specific market like in the case of the meat processing industry that marketed one type of sausage to the Russian market.