



***SWG FAO Joint TCP: "Streamlining of agriculture and rural development policies of SEE countries for EU accession"***

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***The state of the art of the National  
Agricultural Policy Measures - budgetary  
transfers analysis for the Serbia***

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# 1. Motivation

- The scope, dynamics and type of budgetary transfers to agriculture are important for agricultural policy analysis. A consistent and reliable policy measure database is the base for effective agricultural policy-making.
- In the last decades a wide range of support instruments and measures were applied in Serbia without the implementation of appropriate policy monitoring and evaluation analysis.
- Important step in upgrading national policy documents, as well as analytical capacities for monitoring, evaluating and programming agricultural policy, is to create reliable dataset.

# 1. Motivation

- The aim of this presentation is to present the results of qualitative and quantitative ex-post analysis of the agricultural budget, based on a review of direct support to agriculture and rural communities that existed in the Republic of Serbia in recent years.
- Objectives:
  - Present the information available for APM analysis,
  - Present the draft results made by APM tool (changes over the years in volume and scope of measures at the aggregate level and by group of measures, detailed analysis of the measures within the main groups of measures, ...).
  - Highlight main open issues (data, classification of the measures, presentation and understanding of results) and future steps



## 2. Method and Material

- ***Agricultural Policy Measures (APM) database*** for Serbia was created using a common classification and systemization template, which enables both qualitative and quantitative analysis of implemented agricultural policies.
- The classification is based on measures used in the EU, in combination with the OECD approach.
- With APM classification, all agricultural policy measures are clustered in three main pillars:
  - market and direct producer support measures,
  - structural and rural development measures, and
  - general measures related to agriculture.
- APM model also includes the subdivision *Miscellaneous transfers to agriculture* - for the transfers missing information to allocate them into the appropriate categories)

## 2. Method and Material

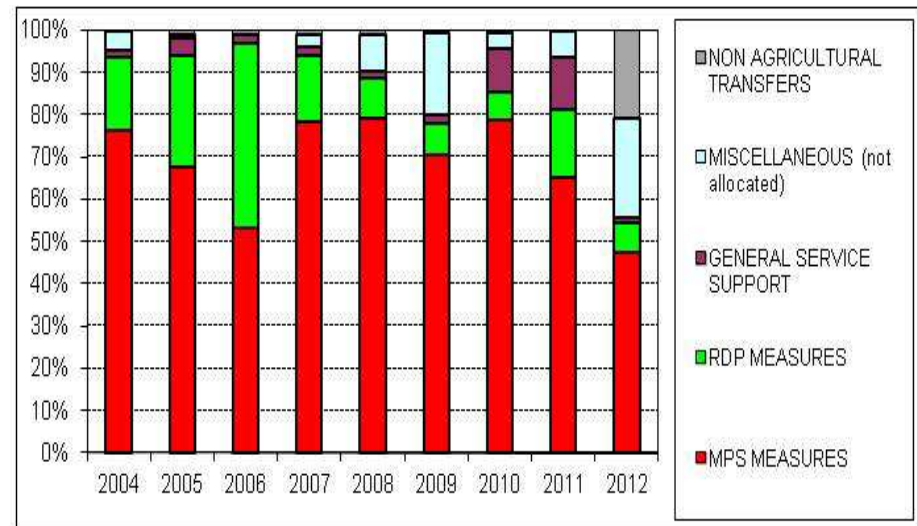
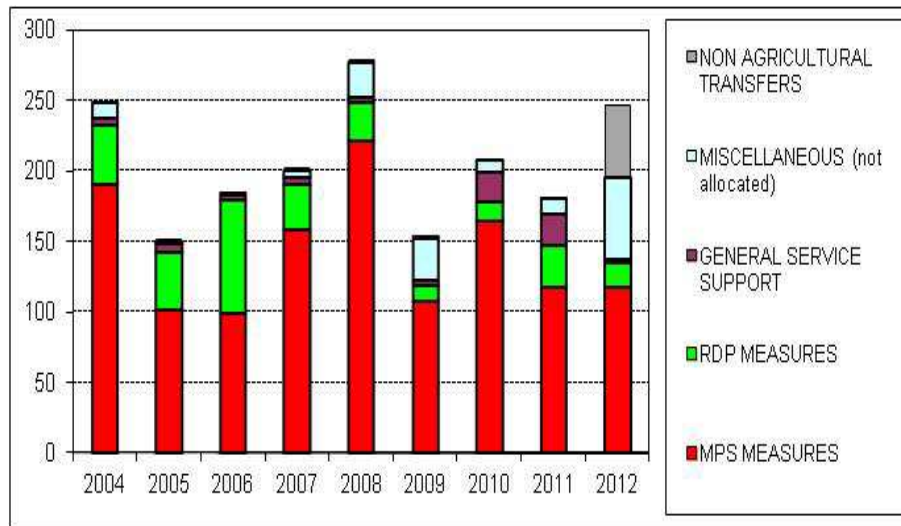
- Inventory of agricultural policy measures refers to the measures that were implemented by the MAFWM and is made on the basis of annual Programme of allocation and utilization of funds for subsidies in agriculture, forestry and water management.
- The names of subprograms, or group of measures, are usually very general and thus do not provide (even basic) information about the type of support. This in many cases applies to the names of individual measures.
- In some cases, one measure of the Programme is linked to several regulations, and vice versa - the one regulation sometimes includes several measures.
- There are examples that the regulation applies to measures that are not defined in the program! Contrary, some measures planned by programs are not funded. In some years, programs have changed several times.

## 2. Method and Material

- The analysis based on the evidence of funds spent on individual budgetary line provided by the MAFWM.
- Data sources (inconsistent, unreliable..):
  - 2004-2006 - IT center;
  - 2006<sup>th</sup> IT center and data of financial office;
  - 2007 - 2008<sup>th</sup> financial service;
  - 2009<sup>th</sup> – **incomplete data/** only from AAP
  - 2010-2012 financial service and data from the AAP!
- There is no universal model of collecting and storing data on budgetary expenditures (particularly at the level of individual support measure/programe).



# 3. Total budgetary support to agriculture

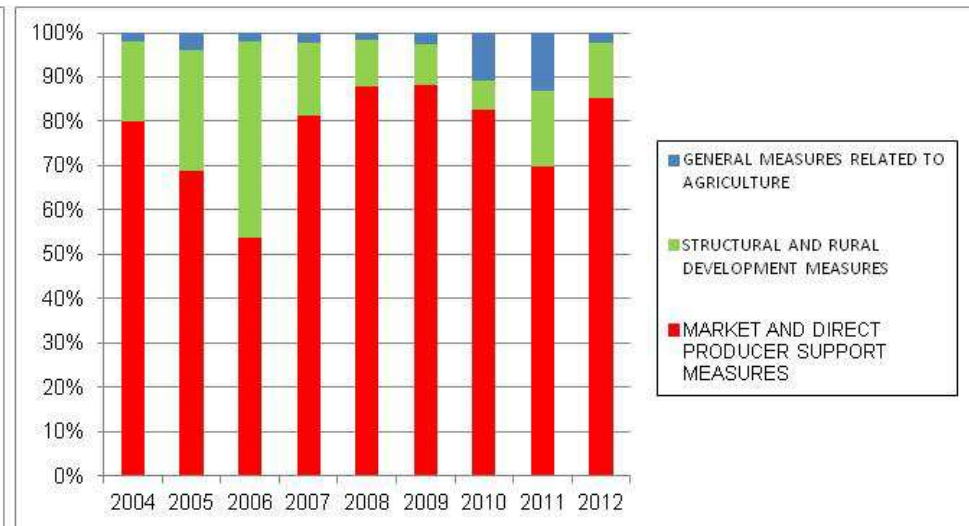
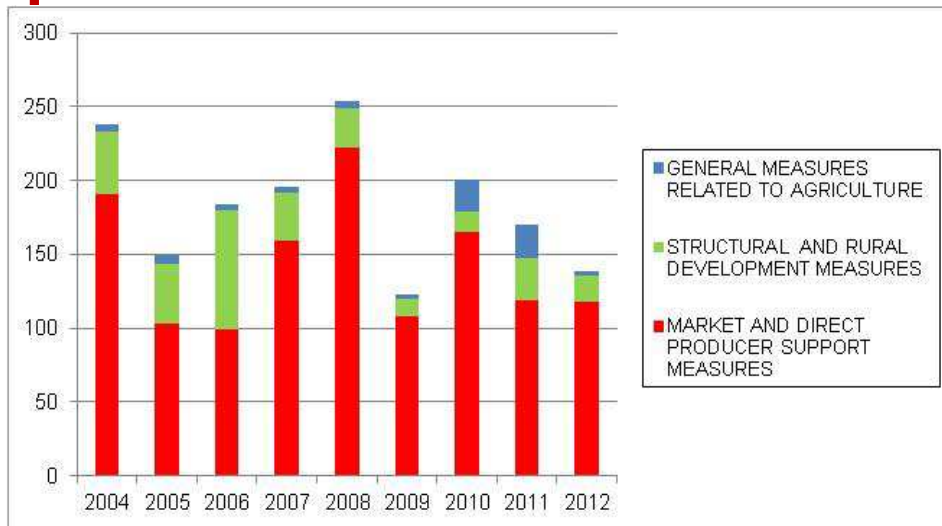


- Volatility in volume of budgetary support to agriculture (150-278 mill EUR)!
- A high (and growing!) proportion of funds spent on *Miscellaneous transfers to agriculture* (mainly related to unpaid obligations to the users from previous year).



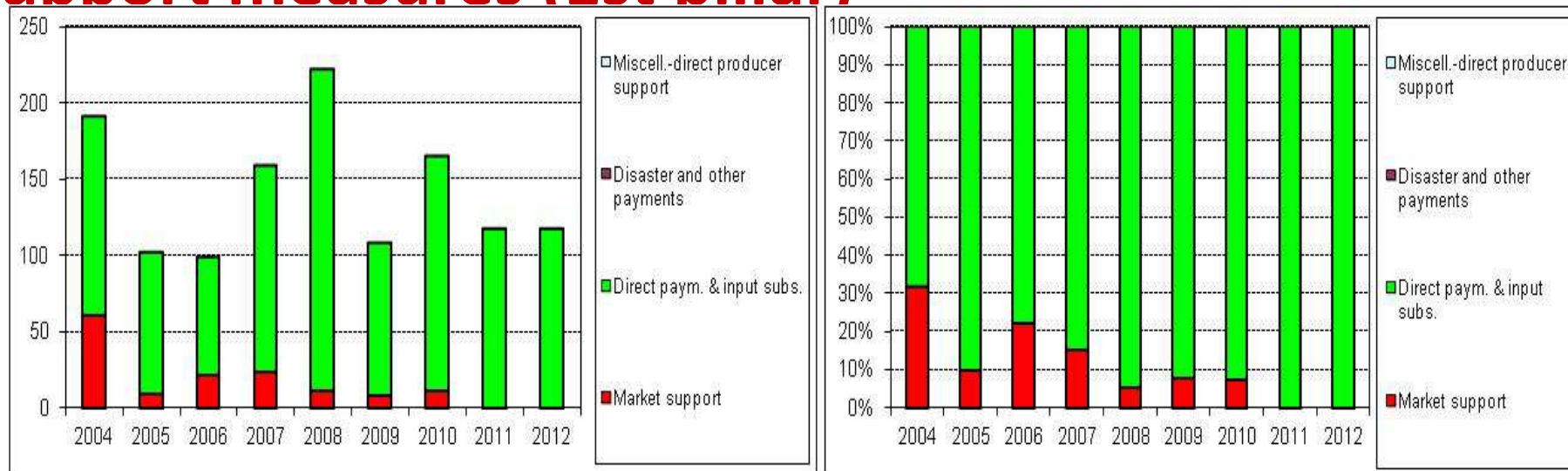


## 4. Breakdown of budgetary support to agriculture by pillars



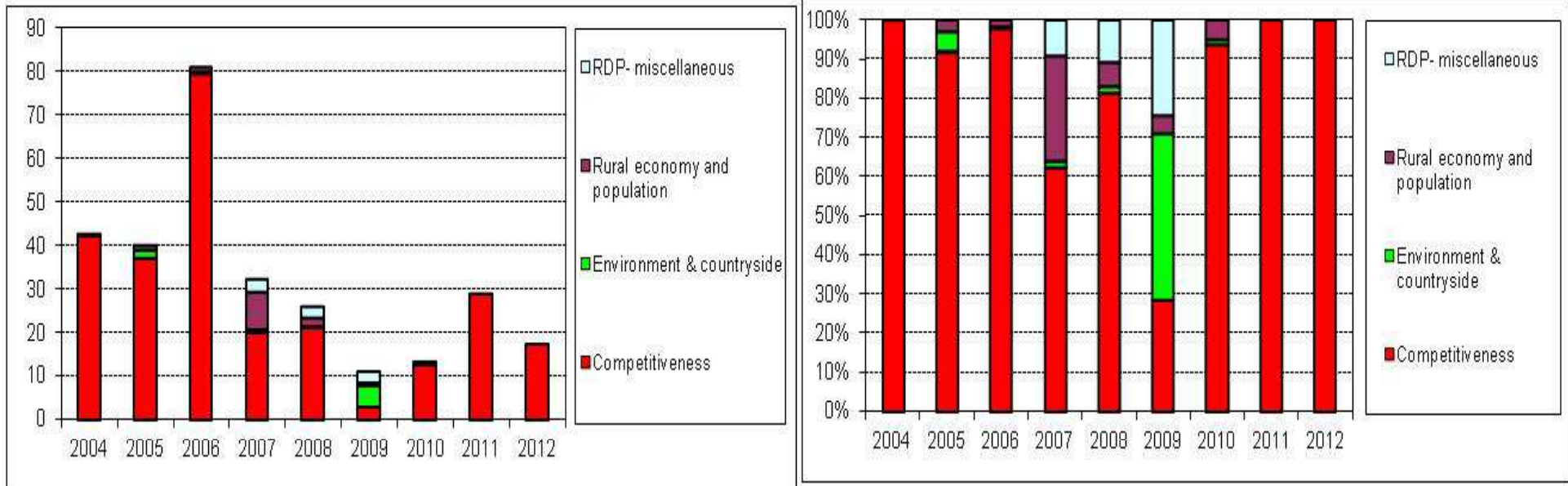
- In addition to changes in the amount of funds spent on support to agriculture in the reporting period may be observed quite significant fluctuations of support per pillars.
  - Market and direct producer support measures – total amount decreasing, but still consumes majority of funds and increase its relative share in the total budget;
  - Structural and rural development measures – decreasing since 2008 (apart from 2011) ; Much of the measures envisaged in the programs are not funded due to lack of funds.
  - General measures related to agriculture – relatively stable in terms of amount and structure

## 5. Breakdown of Market and direct producer support measures (1st pillar)



- Market intervention measures rarely used, mostly in years with extreme weather conditions and consequent effects of market disruption.
- Export subsidies - abolished since 2010;
- Direct producer support measures - in recent years mostly through the form of direct supports for the inputs; not related to specific restrictions and standards linked to agro techniques and farm location.

## 6. Breakdown of Structural and RD measures (2nd pillar)



- Permanent decrease of funds and number of measures! divergence in relation to the EU model.
- The measures for environmental protection, setting rural networks and support to the diversification of the rural economy, were abolished in 2010
- The support for improving the competitiveness of the agricultural sector is composed mostly of on-farm investment support.

## 7. Concluding remarks

- The low level of national analytical capacities - unreliable databases; even if the database exist, they are organized in an inadequate manner (inability to generate data according to given criteria), lack of structured communication systems of different departments within the Ministry;
- Insufficiently recognized the importance of recording budgetary data by the administration; lack of knowledge and uniformed system for grouping support measures (amounts spent for particular measures aggregated by various criteria);
- Annual reports are not prepared on regular basis, but according to need; data on realized budgetary funds are not available to a wider audience.



## 7. Concluding remarks

- Agriculture budget varied in size and structure, with clear indications of deviations from the EU model.
- General trend of decreasing budgetary expenditure for agri-food sector and rural development in last five years.
- The largest part of the funds still is spent in direct support to producers (mainly for input subsidies).
- The environmental protection, necessity to improve quality standards and strength market chain, concern for position of marginal areas and small producers, as some of the key priorities, are totally ignored since the beginning of the economic crisis.



# 7. Concluding remarks

## Further steps

- Develop a transparent budget information flows, harmonize procedures, and set up a system of financial flow and accounting according to the principles of the EU.
- Develop analytical capacity for programming and analysis of agricultural policy. Strengthen capacity of MAFWM and invest in building analytical infrastructure outside the ministry.
- Educate administration in the modern management of public policies and introduce modern management practices.

