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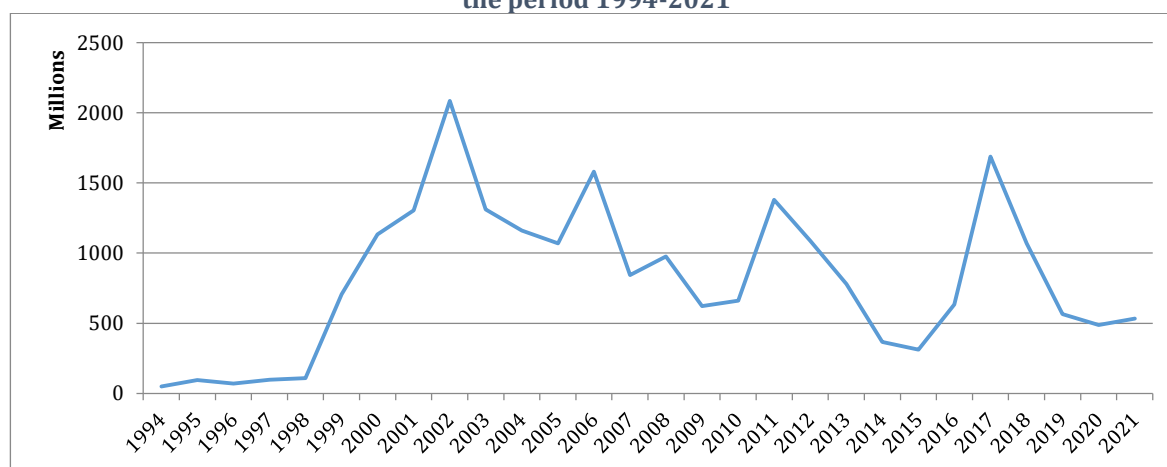
6.2. Lessons learned of Serbia in the utilization of the IPA funds with a focus on the area of infrastructural development and agriculture

6.2.1. Introduction

Serbia is a small developing country that is the recipient of foreign official assistance. Official development assistance (ODA) is financial assistance that developed countries direct to developing countries. This programme is in application since 1960s when developed economies have set the target to give 0.7% of their annual Gross domestic product (GDP). This target was rarely achieved but ODA flows are regular until today. Most of the assistance today is directed to trade, through WTO programme Aid for Trade (Aft).⁴⁶

Since 1990s this Official development assistance has been designated for Serbia, since previous assistance were for Yugoslavia. But ODA flows for Serbia was negligible until 2000 when they started to steadily growing until 2002 which is a maximum level recorded in one year, over 2 billion euros. After these years the flows were very variable, with several peaks in 2006, 2012 and 2018. The World Bank data on official assistance flows for Serbia are presented in the following graph for the period 1994 to 2021 in current US dollars.

Figure 67. Net Official development assistance and official aid received by Serbia in current USD in the period 1994-2021



Source: World Bank, <https://data.worldbank.org/indicator/DT.ODA.ALLD.CD?locations=RS>

The biggest donor of assistance for Serbia was the European Union (EU). Since 2001 more than 3 billion euros was donated in non-refundable assistance in Serbia through various projects. The EU currently donates approximately 300 million euros yearly to Serbia. Serbia itself is actually in the top 3 countries which receive most financial assistance from the EU.⁴⁷

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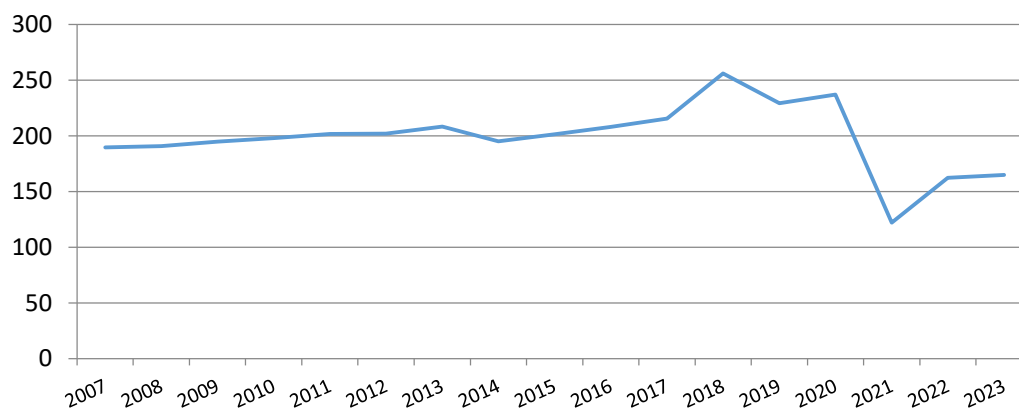
⁴⁶ See more in: Predrag Bjelić and Ivana Popović-Petrović, Aid for development of international trade, *Medjunarodni problemi*, 2012, Vol.64(3): 359-384.

⁴⁷ EU Partnership with Serbia: EU Best Partner and Biggest Donor for 20 Years – and in the Front Line against COVID-19 | EEAS (europa.eu), Internet, https://www.eeas.europa.eu/delegations/serbia/eu-partnership-serbia-eu-best-partner-and-biggest-donor-20-years-%E2%80%93-and-front_en?s=227, Accessed 15/02/2024.

6.2.2. EU financial assistance and IPA

Serbia has concluded Stabilisation and association agreement (SAA) with the EU from 2009. This is more than a trade agreement since the agreement also set the path for full EU membership. Serbia received a candidate country status from the EU in 2012. As a part of this process EU have devised an Instrument for Pre-Accession Assistance (IPA), where financial assistance is granted to candidate countries to prepare them for future EU membership, as a support for the implementation of political, economic, legal and institutional reforms.

Figure 68. : IPA assistance to Republic of Serbia in three IPA cycles (2007-2023) in millions of EUR



Source: Ivana Popović Petrović i Predrag Bjelić, *Evropska trgovinska integracija*, Centar za izdavačku delatnost Ekonomskog fakulteta u Beogradu, Beograd, 2018, str. 249-250, EUROPEAN COMMISSION, Brussels, 15.12.2021, C(2021) 9653 final, COMMISSION IMPLEMENTING DECISION of 15.12.2021 on the financing of the annual action plan in favour of the Republic of Serbia for 2021, EUROPEAN COMMISSION, Brussels, 7.12.2022, C(2022) 9260 final, COMMISSION IMPLEMENTING DECISION of 7.12.2022 on the financing of the annual action plan in favour of the Republic of Serbia for 2022, and EUROPEAN COMMISSION, Brussels, 5.12.2022, C(2022) 9159 final, COMMISSION IMPLEMENTING DECISION of 5.12.2022 on the financing of the annual action plan contributing to the Western Balkans Energy, Support Package in favour of the Republic of Serbia for 2023.

The EU as the assistance donor for Serbia was at the first place with the amount of the 3.6 billion EUR in grants. Beside that, the EU is the key trading partner, participating with more than 60% in Serbia's foreign trade. It participates in investing in Serbia with two-thirds of all foreign investment in Serbia. Distribution of funds was realized at the basement of the document Needs Assessment Document (NAD) for the period 2011-2013. Soon after, the NAD was titled as National Priorities for International Assistance.

Starting from 2007, European Union used Instrument for Pre-accession Assistance (IPA) as the source for the financial support for candidate countries and for potential candidates for EU membership. The main aim of this instrument's usage was enabling and facilitating their efforts for more decisive and successful reforms oriented towards meeting the requirements for joining the EU. Starting from 2007, when IPA was established, Serbia was its beneficiary. Before IPA, EU initiated and implemented five previous instruments for pre-accession: PHARE, ISPA, SAPARD, Turkey programme and CARDS.⁴⁸

The main criteria for the funds reallocation are based on the capacity of each beneficiary country's needs, their capacity to use funds and their fulfilment of conditions for accessions. As there certainly could be applied the suspension clause if any of these are missing, it means that the IPA also could be defined as the link between political framework in the field of the enlargement and the EU budgetary process at the other side.

⁴⁸ <https://europa.rs/ipa-funds/?lang=en>, (8.02.2024).

There are numerous forms of IPA implementation: investment, procurement contracts or subsidies, development of the administrative cooperation, aid for implementation of programmes and their managing and even budget support.⁴⁹

Until now there were 3 IPA cycles:

- **First IPA cycle**, from 2007 to 2013 (IPA I);
- **Second IPA cycle**, from 2014 to 2020 (IPA II);
- **Third IPA cycle**, from 2021-2027 (IPA III).

In the **first IPA cycle** the Republic of Serbia has been a beneficiary as of 2007 on the basis of the Framework Agreement on assistance. Out of 11.5 billion euros, which was the amount of the IPA budget for the period 2007-2013, about 1.4 billion euros was allocated for the Republic of Serbia. This assistance was provided to Serbia as a potential candidate for EU accession through the first two out of five IPA Components: Transition and Institution Building and Cross-Border Cooperation.⁵⁰

Starting from 2007 until 2013, the EU financial support to Serbia through IPA (Instrument for Pre-accession Assistance) was approximately 170 million EUR per year. About a quarter of that sum was received by the sector of Governance, which was classified as the most challenging area in Serbia by the European Commission. This financial form of help was supplemented by non-financial instruments of help.⁵¹

Table 16. Sectoral Allocation of IPA assistance to Serbia 2007-2013

| Sector Allocation | Value (million euro) | Percentage of total (%) |
|---|-------------------------|----------------------------|
| Justice and home affairs | 117 | 9,7 |
| Public administration reform | 164 | 13,6 |
| Social development | 171 | 14,2 |
| Private sector development | 109 | 9,1 |
| Transport | 146 | 12,1 |
| Environment, climate change and energy | 192 | 16,0 |
| Agriculture and rural development | 109 | 9,1 |
| Other EU acquis and horizontal activities | 195 | 16,2 |
| Total | 1 203 | |

Source: European Court of Auditors, EU Pre-accession Assistance to Serbia - Special Report, 2014, No 19, Publications Office of the European Union, Luxembourg, doi:10.2865/59650, Table 1, p.9.

It is one mechanism of the EU to send aid towards countries of the Western Balkan and Turkey, mostly already candidate countries with the aim to give the support to reforms in these countries. Strengthening administrative capacities of beneficiary countries and adaptation to the implementation of the *acquis communautaire* are the main priorities of the EU pre-accession assistance.

The certain priorities of the EU financial assistance are based on two pillars: Democracy and Rule of Law and on the other side, Competitiveness and Growth. It is prepared with the Serbian European Integration Office and national institutions as the side of the beneficiary and with the cooperation of donors like international financial institutions and civil society organizations. The actions under the program are selected concerning their expected contribution to the accession negotiations.

⁴⁹ <https://europa.rs/ipa-funds/?lang=en>, (8.02.2024).

⁵⁰ MEI - IPA - Instrument for Pre - Accession Assistance 2007 - 2013, Internet, <https://www.mei.gov.rs/eng/funds/eu-funds/ipa-instrument-for-pre-accession-assistance/ipa-instrument-for-pre-accession-assistance-2007-2013/>, Accessed 15/02/2024.

⁵¹ EU Pre-accession Assistance to Serbia - Special Report, 2014, No 19, European Court of Auditors, Publications Office of the European Union, Luxembourg, p. 5.

Two sectors were dominant receivers of almost a third part of funds, during the 2007-2013 period of IPA I. These data in table point out the financial aid gaps between these sectors. The first was Other EU acquis and horizontal activities, symbolizing the importance of accepting and adapting to the *acquis communautaire* of the EU. They are followed by Environment and Social development. The other is Public administration reform which includes Public finance management reform with 13.6% and Justice and home affairs with the 9.7%, including the fight against corruption. Agriculture and rural development was on the last place with only 9.1% of allocated resources.

In the **second IPA cycle** that covered the period 2014 to 2020 Serbia received 1,539.1 million euros, in the indicated period. Most of the money under IPA II was directed to the Competitiveness and growth actions, around 846.8 million of euro. Second most invested are was democracy and the rule of law with 682 million euro. Agriculture and rural development, in the observed period received only 336.5 million euro and the transport only 64.8 million in 2015. One of the most important transportation projects was the modernization and reconstruction of the Niš - Brestovac railway line and the construction of an intermodal terminal in Belgrade in the amount of 55 million euro.

Table 17. The allocation of IPA II funds for Serbia by priorities (2014-2020), millions EUR

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | TOTAL |
|--|-------|-------|-------|-------|-------|-------|-------|----------------|
| DEMOCRACY AND RULE OF LAW | 80.4 | 143.3 | 106.7 | 109 | 36.5 | 78.6 | 78.1 | 682.6 |
| Democracy and governance | 52.9 | 115.7 | 60.3 | 36.8 | 57.8 | 78.6 | 34.4 | 446.4 |
| Rule of law and fundamental rights | 27.5 | 27.6 | 46.4 | 72.2 | 28.7 | 0.0 | 43.8 | 246.2 |
| COMPETITIVENESS AND GROWTH | 98.6 | 79.8 | 96.1 | 103.2 | 159.4 | 150.8 | 158.8 | 846.8 |
| ENVIRONMENT, CLIMATE CHANGE AND ENERGY | 74.7 | 0.0 | 0.0 | 78.2 | 65.1 | 103.8 | 0.0 | 321.8 |
| TRANSPORT | 0.0 | 64.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 64.8 |
| COMPETITIVENESS, INNOVATION, AGRICULTURE AND RURAL DEVELOPMENT | 5.0 | 15.0 | 68.7 | 25.0 | 70.8 | 47.0 | 105.0 | 336.5 |
| EDUCATION, EMPLOYMENT AND SOCIAL POLICIES | 19.0 | 0.0 | 27.4 | 0.0 | 23.5 | 0.0 | 53.8 | 128.7 |
| TOTAL | 179.0 | 223.1 | 202.8 | 212.2 | 255.9 | 229.4 | 236.9 | 1,539.1 |

Source: European Commission, Serbia - financial assistance under IPA, Internet https://neighbourhood-enlargement.ec.europa.eu/enlargement-policy/overview-instrument-pre-accession-assistance/serbia-financial-assistance-under-ipa_en, Accessed 05/01/2024.

The **priority sectors** for funding in the IPA II cycle were:

1. Democracy & governance
2. Rule of law & fundamental rights
3. Environment & climate action
4. Transport
5. Energy
6. Competitiveness & innovation
7. Education, employment and social policies
8. Agriculture & rural development

In our paper we will focus on transport and agriculture and rural development. In the area of transport IPA fund are allocated for harmonisation with transport *acquis*, better infrastructure and regional connectivity, increased intermodal transport and better navigation conditions in inland waterways. In the area of **agriculture & rural development the IPA funds are used for more competitive farming and food sector, application of food safety standards and better quality of life in rural areas.**

In the **third IPA cycle** the European Parliament and the Council of the European Union reached a political agreement on the new Instrument for Pre-accession Assistance (IPA III) for the 2021-

2027 Multiannual Financial Framework period. They have agreed on the priorities, objectives and the governance of the modernised IPA III financing, which will be worth 14.2 billion euros and will support the implementation of EU-related reforms. In comparison to IPA I and IPA II, the new instrument will provide support to Western Balkans and Turkey with an overall budget of €14.162 billion in current prices for 2021-2027, starting retroactively from 1 January 2021.⁵² Serbia will receive 122.14 million euro in 2021, 162.2 million euros in 2022 and 165 millions of euro according to EU documents.⁵³

Serbia received the financial assistance from the EU even before IPA programs. Since 1991, the EU has given 6 billion euro to the Western Balkans through various aid programs. In 2000, aid to the region was provided through a new program called Community Assistance Program for Reconstruction, Development and Stabilization (KARDS)⁵⁴ This program secured 4.6 billion euros for the region of Western Balkans in the period 2000 to 2006⁵⁵ to be used for investments, building institutions, but also other measures needed to achieve the four main goals:

- reconstruction, democratic stability, reconciliation and return of refugees;
- the development of institutions and legislation, including harmonization with the norms and approaches of the European Union, in order to support democracy and the rule of law, human rights, civil society and the media as well as the operation of the free market;
- sustainable economic and social development, including structural reforms closer relations and regional cooperation between countries, as well as their cooperation with the EU and candidate countries in Central Europe.⁵⁶

Table 18. EU Financial aid to Serbia in the period 2000-2006 in millions of euros

| Year | Financial assistance |
|------|----------------------|
| 2000 | 185 |
| 2001 | 193.8 |
| 2002 | 170.7 |
| 2003 | 229 |
| 2004 | 212 |
| 2005 | 154.5 |
| 2006 | 144 |

Source: <https://europa.rs/pomoc-eu-republici-srbiji/cards/>, Accessed 15/01/2024.

6.2.3. Institutions for management of IPA in Serbia

Concerning institutional framework of IPA management on the side of Serbia, Prof. Tanja Mišćević, Minister of EU integration, has been designated as the National IPA Coordinator (NIPAC) on 24 November 2022 by the Government of the Republic of Serbia. The NIPAC is responsible for the overall strategic planning process, coordination of programming, monitoring of implementation, evaluation and reporting on IPA II assistance and for cooperation with the European Commission regarding the use of IPA II. The Ministry of European Integration - Department for Planning, Programming, Monitoring and Reporting on EU Funds and Development Aid has been designated as the **Technical secretariat of the national IPA coordinator (NIPAC TS)**. The Ministry of European Integration shall carry out activities in this domain as regards the following:

⁵² EU u Srbiji, Political Agreement Achieved on 14.2 Billion Euros IPA III Package, Internet, <https://europa.rs/political-agreement-achieved-on-14-2-billion-euros-ipa-iii-package/?lang=en>, Accessed 15/02/2024.

⁵³ According to sources mentioned below graph 2.

⁵⁴ Programme adopted by the Council Regulation (EC) No. 2666/2000, 5. December 2000.

⁵⁵ Some programmes are part of a wider Regional Strategy Paper (Regional CSP) for the CARDS assistance programme to the Western Balkans (Albania, Bosnia & Herzegovina, Serbia & Montenegro, the former Yugoslav Republic of Macedonia) for 2002-2006 and the consequent Multi-annual Indicative Programme (Regional MIP) for 2002-2004 and (Regional MIP) for 2005-2006.

⁵⁶ Internet, <https://europa.rs/pomoc-eu-republici-srbiji/cards/>, Accessed 15/01/2024.

- coordination of EU funds (Deputy Director); performing professional,
- administrative and technical tasks on behalf of the person responsible for activities of the operating structure for management of cross-border cooperation within the framework of IPA II;
- the body for coordination of programming, monitoring and evaluation of the operational structure for management of action programmes of pre-accession assistance under IPA II;
- the body for cross-border cooperation in the operational structure for the management of cross-border cooperation programmes within the framework of IPA II.

The National Authorising Officer (NAO) ⁵⁷ is an official appointed by the Government or a civil servant appointed *ex officio* and upon the proposal of the minister responsible for finance they are appointed by the Government. The NAO carries out activities relating to financial management of the EU funds in the Republic of Serbia and ensures the effective functioning of the internal control system as regards IPA II in terms of ensuring the legality and regularity of transactions.

Other institutions and bodies relevant for the management of the EU pre-accession assistance programmes in the Republic of Serbia are as follows:

- In the Ministry of Finance:
 1. Department of the National Fund for the management of funds for pre-accession assistance of the European Union within the Division for managing the funds of the European Union, for the National Fund in the management structure of the national authorising officer;
 2. Group for harmonisation of the management and control system of pre-accession assistance funds of the European Union within the Division for managing the funds of the European Union, for the body supporting the National Authorising Officer within the management structure of the National Authorising Officer;
 3. Division for contracting and financing of programmes from European Union funds, for the Body for contracting in the operating structure for management of action programmes for pre-accession assistance within the framework of IPA II and in the operating structure for the management of cross-border cooperation programmes within the framework of IPA II; Division for combating irregularities and fraud in the handling of EU funds for the Body for combatting irregularities and fraud in dealing with EU funds.
- In the Ministry of agriculture and environmental protection:
 1. Division for rural development, for the Managing Authority within the operational structure for the management of the rural development programme in the field of agriculture (IPARD) under IPA II;
 2. Directorate for Agrarian Payments for IPARD Agency within the operating structure for managing rural development programmes in the field of agriculture (IPARD programme) within IPA II.⁵⁸

6.2.4. Implementation of IPA in Serbia

As there were a few IPAs, from IPA I to IPA III which still is in the implementation, evaluations at the end of IPA I and IPA II contributed to process of learning and they enhanced programming for future steps in cooperation. It was noticed that during the period of the IPA II implementation, the coherence between IPA Programs at the national and regional level was improved

⁵⁷ Authors would like to thank **Prof. dr Tatjana Mišćević**, Ministar for european integrations in the Government of the Republic of Serbia and IPA coordinator in Serbia **Ms. Marija Oros Janković** from the Department for planning, programming, monitoring and reporting on EU funds and development assistance in the Ministry for european integrations RS, for their big assistance and comments.

⁵⁸ Ministry of European integrations, MEI - National IPA Coordinator, Internet, <https://www.mei.gov.rs/eng/serbia-and-eu/who-is-who/national-ipa-coordinator/>, Accessed 20/02/2024.

significantly, comparing to period of IPA I. Even the programming of EU assistance, was more focused, more strategic, especially analysing the connection between fulfilment of targeted goals at one side and enhancement of the effectiveness of programming.⁵⁹

The analyses for the period 2011-2018, which falls within the duration of both IPAs, the IPA I (2007-2013) and IPA II (2014-2020), the European Union programmed EUR 1.2 billion through the IPA national programme.⁶⁰

By the Revised Indicative Strategy Paper, the agriculture for IPA II was a part of the sector 5 — Competitiveness and Innovation, agriculture and rural development. The Revised ISP had seven sectors: (1) Democracy and Governance, (2) Rule of Law and Fundamental Rights, (3) Environment and Climate Action and Energy, (4) Transport, (5) Competitiveness and Innovation, agriculture and rural development, (6) Education, Employment and Social Policies, and (7) Regional cooperation and territorial cooperation.⁶¹ This classification was prepared to provide more transparent evidence of individual sectors and detailed analysis about the results of the EU assistance in every sector, individually. Among other differences of the IPA I and IPA II, there was also a difference in the positioning of the Agriculture. In IPA I, Agriculture was classified as Private sector development, agriculture and rural development. In IPA II, it was in the group Competitiveness and innovation agriculture and rural development.

Although the allocation of funds under the IPA I and IPA II was in line with the Indicative Strategy Paper (ISP), funds oriented towards sectors, or at least, comparable sectors, were mutually different, with significantly noticeable increase of funds for the Rule of law and fundamental rights, and Democracy and governance sectors, which were more than doubled, almost tripled. The Agriculture and rural development with the Competitiveness and innovation attracted more funds during the IPA II comparing to IPA I, although that rise was only 54%.

Table 19. Comparison between IPA I and IPA II programming

| IPA I | EUR millions | IPA II | EUR millions | Difference | |
|--|--------------|---|--------------|--------------|-----|
| | | | | EUR millions | % |
| Justice and home affairs | 117.0 | Rule of law and fundamental rights | 246.2 | 129.2 | 110 |
| Public administration reform | 164.0 | Democracy and governance | 446.4 | 282.4 | 172 |
| Social development | 171.0 | Education, employment and social policies | 123.7 | -47.3 | -28 |
| Private sector development, agriculture and rural development | 218.0 | Competitiveness and innovation agriculture and rural development | 336.5 | 118.5 | 54 |
| Transport | 146.0 | Transport | 64.8 | -81.2 | -56 |
| Environment, climate change and energy | 192.0 | Environment, climate change and energy | 321.8 | 129.8 | 68 |

Source: European Commission, *Strategic, Strategic, country-level evaluation of the European Union's cooperation with Serbia over the period 2012-2018*, Final Report 2021, p. 25

During the duration of the IPA I 2007-2011, over 1,400 projects, in the form of grants and concessional loans were active. Beside the EU, in its realization were included 30 partners from

⁵⁹ European Commission, *Strategic, country-level evaluation of the European Union's cooperation with Serbia over the period 2012-2018*, Final Report 2021, p. 4.

⁶⁰ European Commission, *Strategic, country-level evaluation of the European Union's cooperation with Serbia over the period 2012-2018*, Final Report 2021, p. 18.

⁶¹ European Commission, *Strategic, country-level evaluation of the European Union's cooperation with Serbia over the period 2012-2018*, Final Report 2021, p. 21.

different groups, as bilateral and multilateral partners.⁶² The greatest donors were EU and International financial institutions (IFIs), as representatives of multilateral donors, World Bank, EIB and EBRD. In the group of bilateral donors, granting or lending more than 40 million EUR each, the most dominant were Germany, United States, Italy, Sweden, Norway and Switzerland.

Lessons learned during the phase of IPA I were a good basement for changes in IPA II. For example, during the first phase, there were many donors included, but the main characteristic of their engagement was their limited coordination, because, each of them had its own strategies, priorities, preferences, procedures.⁶³ Among these numerous active projects of 1,432 in 2007-2011, the most represented were 1,346 individual grant donations. The number is significantly lower concerning the concessional loans, only 86. The proportion of their values is quite different. In the total sum of 4.2 billion EUR, grants stand out with the level of 1.8 billion EUR and loans with 2.4 billion EUR. The largest recipients of these funds were sectors as Transport, which is followed by Public administration reform and Environment and energy. The sector of Agriculture was not on the list of the greatest recipients during the IPA I, but the main items for future reforms of this sector were prepared: Institutional preparedness (IPARD Agency and Payment Authority), Safety and standards, Agricultural competitiveness, Forestry and fishing, Sustainable rural development.⁶⁴

6.2.4.1. Agriculture and rural development in the period 2007-2011

Although strategically important, the sector of Agriculture in Serbia still is not realizing its full potential, burdened with the list of causes as a legacy of limited technical investments especially during the end of the XX century when this process was dominant source for this sector's development. At the supply side, there is a domination of small households and farms with small or even without surpluses with non-standard quality, heterogeneous by its structure. Problems with the privatization process which made unbalances in agricultural value chains, even on domestic market, should be added too. With so many bottlenecks, the agriculture sector is limited in terms of entering the foreign market and rising its competitiveness.

During the period 2007-2011, the EU has been the main source of support, implemented in Serbia's Agriculture and rural development sector (ARD) through the program of Official Development Assistance (ODA). With this fund they supported institution-building, food safety, food chain and eradication of animal diseases and the rise of the competitiveness. Many bilateral and multilateral donors joined EU with their interventions, as Germany and the EU in "Effective Land Management" and Danish programme for "Support to the fruits and berries sector in South Serbia" and USAID Agribusiness project oriented towards fruit producers.⁶⁵

⁶² Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet,

<http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf>

⁶³ Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet,

<http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf>, p. 8.

⁶⁴ Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet,

<http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf>, pp. 9-12.

⁶⁵ Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet,

<http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf>, p. 49.

Table 20. Agriculture and rural development, ODA, 2007-2011 (in mill. EUR and %)

| Sub-sector | Projects | | | Allocations | | | Disbursement | | |
|------------------------------|-----------|----------|-----------|--------------|-------------|--------------|--------------|-------------|--------------|
| | Grants | Loans | Total | Grants | Loans | Total | Grants | Loans | Total |
| Agricultural competitiveness | 30 | 2 | 32 | 58.1 | 38.7 | 96.8 | 41.8 | 28.0 | 69.7 |
| Forestry and fishing | 2 | 0 | 2 | 0.5 | 0.0 | 0.5 | 0.4 | 0.0 | 0.4 |
| Institutional preparedness | 8 | 0 | 8 | 16.8 | 0.0 | 16.8 | 6.1 | 0.0 | 6.1 |
| Safety and standards | 11 | 0 | 11 | 37.4 | 0.0 | 37.4 | 26.9 | 0.0 | 26.9 |
| Sustainable rural develop. | 15 | 0 | 15 | 3.6 | 0.0 | 3.6 | 3.2 | 0.0 | 3.2 |
| Other or unallocated | 0 | 0 | 0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL | 66 | 2 | 68 | 116.4 | 38.7 | 155.2 | 78.3 | 28.0 | 106.3 |

Source: Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet, <http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf>, p. 49.

The ODA funds were grouped in five main issues, as it was in a table. During the period 2007-2011, these funds were the main basement for improvements of the ARD in Serbia, oriented mainly to the increase of the competitiveness and reinforcement of safety standards. Under its umbrella, 68 projects started its implementation or even were completed.

The final conclusion concerning the ODA implementation was the overall conclusion about the bottlenecks in Serbian ARD sector. The major mark was the low level of the ODA efficient utilization, provoked by the lack of efficient managerial capacity and numerous delays in implementation of projects designed to support competitiveness, as STAR, World Bank's Transitional Agriculture Reform project and Danish support to fruit sector. Even the IPA projects met barriers provoked by delays, asking for no-cost extensions, especially for the issue of animal health and plant protection. The ODA support resulted with limited progress in creating the structures necessary for the IPARD programme in future.⁶⁶

6.2.4.2. IPARD

The program IPARD appeared as the instrument of the European Union's support to the agriculture and rural development. It was specified for the sector of agriculture at the basement of the Instrument for Pre-Accession Assistance. The main aims of the IPARD are: implementation of reforms, harmonizing laws and regulations with EU regulations, strengthening the capacity of employees in this sector and the primary production. Beside this, the IPARD is oriented towards very modern items, as the health and the animal welfare. Always popular topic as the increase of the food safety should be added too.

The support of the EU to the agriculture and rural development sector, as part of the IPA, is oriented, similarly to other sectors' support, at harmonizing laws and other regulations with EU regulations and towards implementation of reforms, strengthening the capacities of employees in the sector of agriculture, strengthening primary production, increasing food safety and the health of animals and plants, etc. Closely specialized for the sector of agriculture and rural development's support is special IPARD (Instrument for Pre-Accession Assistance in Rural Development) Program.

After the fulfilment of all requirements and gaining of the EU candidacy status, some funds are directed towards Serbia. During the period 2012 and 2025, the EU was engaged in 11 projects

⁶⁶ Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet, <http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf>, pp. 50-53.

oriented towards Agriculture and Food sector.⁶⁷ The institutional framework was set up too with the aim to enable receiving and usage of the IPA pre-accession funds and apart this, the integration of Serbian agriculture with the complex system of the Common Agricultural Policy (CAP) of the EU, when the Serbia becomes full member of the EU. The financial side of the CAP is based at two funds work, as European Agricultural Guarantee Fund (EAGF) and European Agricultural Fund for Rural Development (EAFRD).

The IPARD Programme has been realized through three phases, the last one IPARD III is still ongoing. The predecessor of this program was IPARD II, implemented during the period 2014-2020, amount of 175 million EUR, with the aim to strengthen the competitiveness of the food production and processing sector. This amount was also planned to support gradual adjustment to EU standards in heterogeneous areas of hygiene, food safety, veterinary medicine and environmental protection. Beside this, Programme follows contemporary topics within CAP such as diversification of the rural economy. The period of this Programme's implementation partly coincided with the period of the Strategy for agriculture and rural development in Serbia, 2014-2024. They both are sharing same values and aims, partially in following areas: increase of competitiveness for the agricultural and food sector, development of the sustainable land management practices, mostly obvious in support for the organic production, then, sustainable rural development.

Considering that the objectives of IPARD are numerous, certain measures of IPARD II should be pointed out, within the framework of which assistance was provided.

- **Measure 1 (M1)** - Investments in the physical assets of agricultural farms – (technical improvements and investments for new machinery and technology with the aim to increase productivity and competitiveness of agriculture production).
- **Measure 3 (M3)** - Investments in physical assets related to the processing and marketing of agricultural and fishery products (supporting investments oriented towards modernization of processing capacities, with the final aim to increase productivity and competitiveness of this sector).
- **Measure 7 (M7)** - Diversification of agricultural holdings and business development (creating new opportunities for employment in rural areas, using diversification mostly in rural tourism).
- **Measure 9 (M9)** - Technical assistance (provides technical assistance and covers costs which arise during the implementation of the IPARD program).

After the end of the IPARD II, this process of supporting agriculture and rural developments was continued with the IPARD III programme which was planned to be implemented during the period 2021-2027. European Commission with the Decision C (2022) 1537, March the 9th 2022, has accepted the IPARD III for Republic of Serbia. The planned amount for the investment support was 580 mill. EUR. The sources of these financial resources are multiple: one part, 288 mill. EUR will be the contribution of the EU, 90 mill. EUR should be the result of the financing from national sources, or national co-financing and the third part of 203 mill. EUR would come from users of these funds themselves.⁶⁸

Among 13 measures offered by EC to candidate countries, in Republic of Serbia, through the IPARD II, started the implementation of already mentioned four measures (M1, M3, M7, and M9). Starting the implementation of the IPARD III, it was expected that this list would be expanded by three new measures (M4, M5, and M6). The IPARD III program started with the implementation of some new measures, in addition to the ones already mentioned. These are:

- **Measure 4 (M4)** - Agro-ecological-climatic measure and organic production (implies the obligation to respect the agro-ecological practices for exactly specified period of 5 years).

⁶⁷ <https://www.euzatebe.rs/en/map>, (08.02.2024.)

⁶⁸ <https://ipard.rs/ipard-iii-program-u-srbiji/> (20.02.2024.)

All these requests are formed with the aim to protect and to improve the environment on the land which is used as important resource.

- **Measure 5 (M5)** - Implementation of local rural development strategies - LEADER approach (creation of jobs in small rural areas, mostly by establishing new small businesses).
- **Measure 6 (M6)** - Investments in rural public infrastructure (main aim is providing support for rural population, mostly by improvement of water supply and waste management, with positive implications on the rural environment).

As the IPARD III still is in the process of the implementation it is hard to predict results of its implementation. However, a group of three new measures that are consider as new measures which should make closer CAP in EU and Serbian agriculture on the other side, certainly would be a source for rural development with strengthening organic production's capacity. These items are main topics in further reforming of the CAP.

6.2.4.3. Transport in the period 2007-2011

Transport is a sector which is critical in linking Serbia and its companies to the export market of the EU. This is visible if we look at the total money allocated to Serbia as a financial support by EU. The data are presented in the table 5 and show that total allocations in the observed period for transport were 2,224.3 million euro but total disbursement was 916.3 million of euro.

Table 21. Transport, ODA, 2007-2011 (in mill. EUR and %)

| Sub-sector | Projects | | | Allocations | | | Disbursement | | |
|--------------------------------|-----------|-----------|-----------|--------------|----------------|----------------|--------------|--------------|--------------|
| | Grants | Loans | Total | Grants | Loans | Total | Grants | Loans | Total |
| Air Transport | 1 | 4 | 5 | 10.0 | 105.0 | 115.0 | 2.7 | 88.8 | 91.5 |
| Inland waterways transport | 3 | 0 | 3 | 16.8 | 0.0 | 16.8 | 14.1 | 0.0 | 14.1 |
| Intermodal transport | 2 | 0 | 2 | 2.1 | 0.0 | 2.1 | 1.9 | 0.0 | 1.9 |
| Policy framework for transport | 10 | 1 | 11 | 207.7 | 32.5 | 240.2 | 35.9 | 32.5 | 68.4 |
| Rail transport | 6 | 6 | 12 | 8.6 | 384.3 | 392.8 | 7.0 | 136.0 | 143.0 |
| Road transport | 6 | 15 | 21 | 14.1 | 1360.4 | 1,374.5 | 7.9 | 517.9 | 525.8 |
| Other or unallocated | 5 | 1 | 6 | 48.3 | 84.5 | 132.8 | 27.2 | 44.4 | 71.5 |
| TOTAL | 33 | 27 | 60 | 307.6 | 1,996.6 | 2,274.3 | 96.7 | 819.6 | 916.3 |

Source: Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector — Final Report, SWE14/OC01-18, Internet, <http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf>, p. 55.

All project actions identified for the period are relevant to building a modern transport system compatible with EU standards. Most of the money was directed to road transport projects, around 525.8 million of euro. The concentration of spending on Corridor X, especially road investment, has meant that other identified priorities such as inland waterways transport and non-Corridor secondary roads or rail feeder networks have received less funding. However, air transport is the most advanced in harmonisation with Serbian law, with 22 regulations passed to implement the requirements under the first transitional phase of the European Common Aviation Area (ECAA) agreement, which received only 91.5 millions of euro in the observed period.

ODA funding has helped to successfully address specific major bottlenecks and reduce travel times (For example, the Belgrade by-pass, rehabilitation of the Gazela Bridge, and construction of the ADA Bridge). On the other side, the ODA-funded rail track condition analysis, which should serve as one of the elements for the prioritisation of maintenance and investments in the railway infrastructure, and IFI loan arrangements have modernised air transport, railways connections such as Belgrade-Šid line, Belgrade-Niš line and Niš-Dimitrovgrad, and supplied new rolling stock.

There has been an incremental impact of ODA 2007-2011 funding at the level of individual operations, in terms of capacity, travel times, safety standards, improved access and increased revenues (tolls).⁶⁹ For example, the Gazela Bridge in Belgrade now has a capacity of 200,000 vehicles per day which has greatly improved transport times, while the Ada Bridge over the Sava has reduced traffic levels both on the Gazela Bridge and in Belgrade city centre. With the Belgrade by-pass, the alleviation of transit traffic away from urban areas can have both positive and negative impacts for the various sections such as Batajnica–Dobanovci, connecting the Belgrade–Novi Sad highway (E75) in the north and Šid–Belgrade highway in the west (E70). Thanks to ODA, road safety standards have been raised, but the accident rate remains very high.⁷⁰

6.2.5. Conclusions

Serbia is a candidate country for EU membership and has a very favourable trade regime with the EU. Serbia received significant financial assistance during the process of accession to the EU, which puts EU at the first place as a most important donor for Serbia with the amount of the 3.6 billion EUR in grants. EU is the key trading partner, participating with more than 60% in Serbia's foreign trade, but also it participates in investing in Serbia with two-thirds of all foreign investment in Serbia.

Most significant assistance programme of the EU is an Instrument for Pre-Accession Assistance (IPA), which has 3 cycles. Starting from 2007, European Union used Instrument for Pre-accession Assistance (IPA) as the source for the financial support for candidate countries and for potential candidates for EU membership. The main aim of this instrument's usage was enabling and facilitating their efforts for more decisive and successful reforms oriented towards meeting the requirements for joining the EU.

During the period 2007-2011, the EU has been the main source of support, implemented in Serbia's Agriculture and rural development sector (ARD) through the program of Official Development Assistance (ODA). With this fund they supported institution-building, food safety, food chain and eradication of animal diseases and the rise of the competitiveness. The use of this assistance was crucial for the development of Serbia's agricultural sector.

Transport is a sector which is critical in linking Serbia and its companies to the export market of the EU. Transport sector of infrastructural development receive huge amount of EU aid. All project actions identified for the period are relevant to building a modern transport system compatible with EU standards. This is crucial in moving Serbia closer to EU standards and level of development that is recorded in the EU.

⁶⁹ Slađana Benković, et al "Risks of project financing of infrastructure projects in Serbia" (2011), *African Journal of Business Management* Vol. 5(7), pp. 2828-2836, 4 April, 2011 <http://www.academicjournals.org/AJBM>.

⁷⁰ Evaluation of effectiveness and efficiency of development assistance to the Republic of Serbia per sector, Final Report, SWE14/OC01-18, Internet, <http://www.evropa.gov.rs/Documents/Home/DACU/12/193/Final%20Evaluation%20Report.pdf>, p. 55-58.