



Agricultural policy developments in the EU pre- accession countries

Executive Summary

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EXECUTIVE SUMMARY

The project "Comparative analysis of agricultural sectors and rural areas in the pre-accession countries: Agricultural policy developments, situation of the agri-food sector and economic context" is financed by Directorate-General Agriculture and Rural Development of the European Commission and implemented by a consortium comprised of Stichting Wageningen Research (Wageningen Economic Research - WEER) and the Regional Rural Development Standing Working Group in South Eastern Europe (SWG).

The overall aim of the project is to gain more knowledge on the progress of development of the agri-food sector in the Western Balkan countries/territories (WB) and Türkiye as well as on the approximation of agriculture and rural development policies with the CAP, to be able to better design IPA rural development programmes (IPARD) in the candidate countries.

This study has the research objective to carry out the analyses and data collection on agricultural policy developments in the EU pre-accession countries/territories, with emphasis on the recent changes in 2020 and 2021. It further aims to evaluate the EU approximation process of the WB countries/territories and Türkiye, and draw policy recommendations. A special emphasis is placed on the greening aspects of the agricultural policies in the region, as well as the implications of the measures taken in the Covid-19 context. The WB countries/territories included in the study are Albania, Bosnia and Herzegovina, North Macedonia, Kosovo*, Montenegro, Serbia, alongside, to the extent possible, Türkiye. An additional valuable output of this project is the country level and cross-country level harmonised and consistent agricultural policy databases.

The study is composed of a cross-country comparative analysis on the policy developments (Chapter 1) and individual country case studies (Chapters 2 to 8). The overall study objectives, methodology applied and data sources are described in the beginning of the cross-country comparative analysis chapter. Both the cross-country comparative analysis and the individual country case studies then follow a similar structure, focusing on the WB countries/territories and Türkiye's agricultural policy framework; the measures, financing and budgetary transfers to agriculture and rural development; the Covid-19 related agricultural policy interventions and implications; the policy objectives, instruments and measures addressing the need for greener policy in view of the growing challenges related to the climate change, biodiversity loss and management of natural resources; the state of harmonisation with the EU CAP and the approximation of agricultural policies in the candidate countries with the EU CAP, with conclusions and recommendations.

The research methodology combines qualitative and quantitative approaches. The quantitative part was based on the Agricultural Policy Measures Classification tool (APMC), which was developed to enable the comparison of agricultural policies in the countries preparing for the EU accession with the CAP (Rednak, M. and Volk, T. 2018). A uniform classification of agricultural budgetary support was created using the current EU concept based on the policy pillars as a basic starting point, combined with the OECD classification.

The main framework of the APM classification of budgetary support to agriculture is composed of three pillars: market and direct producer support measures; structural and rural development measures; and general measures related to agriculture.

* This designation is without prejudice to positions on status and is in line with UNSCR 1244 and the ICJ Opinion on the Kosovo declaration of independence.

Key conclusions

The WB countries/territories and Türkiye are taking steady steps towards EU accession, by narrowing down the gaps with EU MS in development of their agricultural sectors and rural areas. EU's CAP represents the benchmark for agricultural policies in pre-accession countries to meet upon their accession. All pre-accession countries have adopted, or are in the final process of adoption, of national strategies for agriculture and rural development, as long-term documents defining the future development of the sector for the next programming period (in most cases aligned to 2021-2027). These documents defined their strategic objectives that are in line with the EU key objectives, confirming the EU aspirations. Competitiveness, environmental protection and development of rural areas remained as the common objectives for all of them. While the agricultural policy designs in pre-accession countries adhere to the CAP objectives, which is required for accession into the EU, these do not necessarily reflect the optimal policy choice from a local perspective. The uncertain date of EU accession slows down the process and motivation for enhanced harmonisation. The crises caused by Covid-19 and the war in Ukraine have led to a new condition where the countries/territories diverge from their strategic planning and actually put into practice policies that are optimal from their own national standpoint and act to protect their domestic sectors.

All countries/territories have established operational institutional structures, from ministries - to policy design, paying agencies - to policy implementation, and extension agencies - to support application. Still, many of these institutions lack human resources for their fully functional operation and need additional capacity building, especially regarding harmonization with the EU *acquis* and stronger use of digital solutions.

The IPARD beneficiary countries (Albania, Montenegro, North Macedonia, Serbia and Türkiye) have adopted the third IPARD programme for the period 2021-2027. The IPARD II implementation and absorption, as well as adoption of the IPARD III have been identified and generally perceived as successful in Albania, Montenegro, North Macedonia and Serbia, which is also confirmed by the increasing number of applications and approved projects. This programme has importantly supported the administrative infrastructure and capacity building process towards the preparation of future implementation of the CAP.

The pre-accession countries vary in the budget spent for agriculture and rural development. In the period 2020-2021, all WB countries/territories increased the amount of total budgetary transfers to agriculture, whereas Türkiye has reduced it compared to the previous period. The budgetary transfers across the countries/territories continued with almost the same structure and trend as the previous period 2017-2019. Compared to the EU average, the total budgetary transfers presented per hectare and per inhabitant are still far below in all pre-accession countries. The share of GDP to support the agricultural sector and rural development remains stable or slightly increased across the pre-accession countries in 2020-2021, compared to 2017-2019. During the last two years, some countries/territories have introduced new measures, some driven by the economic situation caused by the Covid-19 crisis, whereas others to meet their strategic goals or harmonize better with the EU policy.

Almost all pre-accession countries/territories, but Kosovo*, increased the budgetary transfers for structural and rural development measures and retained a similar ratio between the market and direct producer support, and the structure and rural development support (the first pillar dominating in all countries/territories except for Albania and Montenegro). The actual execution of agricultural policies remains with almost exclusively sectorial focus with the number one priority being increasing producers' income (support that is production-oriented), followed by the support for on-farm investments. In the structure of market and producer support measures, the largest share goes to coupled direct payments, either per area or animal number or per output. North Macedonia is the only country that introduced some decoupled measures in recent years.

Boosting knowledge transfer and collaboration within the quadruple helix (farming/agri-business sector, academia, government and civil society) toward enhanced innovation and new technology transfer is a pathway that is increasingly emphasized in the

countries/territories, especially by the ongoing smart specialization strategies in which the agri-food sector is among the key priorities in all countries/territories.

Agriculture is the only sector that produces food and meets the needs of the population as a function of the general development and stability of the country. Recently, this has been emphasized by the crisis caused by the Covid-19 pandemic that started in 2020, and further deepened by the global crisis resulting from the war in Ukraine in 2022. Changes in food production, along with the other factors, affect food prices, that is, the availability of food to various categories of consumers. The effects of climate change that affect food security are increasingly present: the availability, access, stability and utilization of natural resources. The overall availability of food is also affected by changes in agricultural yields, productivity, as well as changes in the availability of arable land.

The crisis caused by the Covid-19 pandemic and the ongoing crisis with the war in Ukraine have prompted and re-emphasized the importance and need for a stable food system that functions in all circumstances and is able to provide consumers with a sufficient and continuous supply of quality food at affordable prices. The increased awareness of the importance of sustainable systems implies a greater commitment to achieve sustainable development, while simultaneously dealing with economic, social and environmental challenges. Finding the right balance is the key challenge; the pre-accession countries are still lagging in productivity and efficiency compared to the EU. Most of the countries/territories (except for Serbia and Türkiye) are net importers of agri-food products. Besides the competitiveness component that needs to be enhanced, food security and sovereignty become an imminent priority in light of the Covid-19 and now Ukraine crisis, requiring supply of sufficient, nutritious and affordable food.

Achieving higher productivity and improved competitiveness, while also ensuring food security, weaken the prioritization and commitment to green transition. Instruments and measures linked to climate change, biodiversity loss and management of natural resources, besides a declared presence in the countries' strategic frameworks, are not high on their implementation side. The countries/territories have still relatively extensive forms of agricultural production present in the countries/territories (apart for perhaps more intensive models applied mostly in vegetable and fruit production). The awareness and recognition of the need for greener practices is still low in the pre-accession countries. Having in mind the 2030 Agenda of Sustainable Development Goals, the region performs reasonably well in reducing poverty, although moderately improving nutrition, food production and security are still challenging, but face difficulties in access to affordable and clean energy.

Key recommendations

Pre-accession countries need to continue developing their ability to take on the obligations of EU membership, with strong reliable management and control systems to align with the EU legal, administrative set-up, and support system to facilitate integration of the agricultural sector into the EU single market and political decision-making process. The IPARD programmes contribute significantly to this end. Still, there is a continuing need for additional adequate human and financial resources needed to maintain the institutions. The various administrative and control systems need to be regularly updated, and their interconnection still remains a problem.

Further alignment with EU policies is expected for linking payments to cross-compliance standards. In particular, EU continuously stresses the requirement for decoupling of direct payments from production in all countries/territories. However, decoupling has not yet become a priority in any of the countries/territories. The inclination to implement decoupled payments should be enhanced by a deeper analysis simulating the potential impact of this scheme on the agricultural sector and its subsectors, taking into consideration specifics of each country.

The budget for structural and rural development measures should be more substantial; the needed investments in the agri-food sector are essential to modernise and restructure the sectors towards increased competitiveness. However, adequate support also needs to be dedicated to promoting quality of life and employment in rural areas, and in particular, to promoting the delivery of environmental and agricultural public goods.

Knowledge, innovation and technology transfer need to be supported by adequate budget and measures, in order to utilize the available resources and competencies to their fullest. Interregional links and collaboration need to be further enhanced.

In light of the Covid-19 and the Ukraine crisis, the issue of food security becomes more imminent, requiring for supply of enough, nutritious and affordable food. Several avenues not yet extensively explored might come to contribute to this goal: use of abandoned and uncultivated land, change in production structures towards producing crops to satisfy the required nutritional demands of the population (e.g. increased cereals, pulses, oil crops production), expansion of storage capacities, interventions in food reserves, and not least, an immediate attention to food waste in the whole supply chain.

The ambitious Economic and Investment Plan set out by the EU, accompanied by the Western Balkans Green Agenda, will provide a framework to tackle the growing challenges related to climate change, biodiversity loss and management of natural resources, and support the green and digital transition in the region in the forthcoming period. In that respect, besides national level actions, the countries/territories need to enhance their resources and capacities focusing on regional cooperation in order to resolve cross-border issues, such as climate change.

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