

EUROPEAN INTEGRATION AND RURAL DEVELOPMENT POLICY OF THE REPUBLIC OF SERBIA AND WEST BALKAN COUNTRIES

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Abstract

VUJICIC, M., L. RISTIC and M. VUJICIC, 2012. European integration and rural development policy of the Republic of Serbia and West Balkan countries. *Bulg. J. Agric. Sci.*, 18: 519-530

The European Union has an active rural development policy, since rural areas have substantial growth potential and play a vital social role. Rural areas in the 27 member states of the EU cover 91% of the territory, and include 56% of the population. The Republic of Serbia is predominantly a rural country - rural areas account for approximately 85% of the country's territory and their population make up 55% of the total population. Taking into account the European orientation, the strategic directions of rural development in Serbia are aimed at supporting economic and social development of rural areas, according to their specificities. Also, the Western Balkan countries, as the candidates and potential candidates for the EU membership, have based their rural development policy on the principles, objectives and priorities that exist in the EU. This paper presents a general socio-economic situation in rural areas, as well as rural development policies of the Republic of Serbia and all West Balkan countries in the period from 2007 to 2013 in relation to the EU rural development policies.

Key words: agriculture and rural policy, rural development, EU, economic integration, West Balkan, Republic of Serbia, comparative analysis

Introduction

In the early eighties of the last century, the most developed EU countries started to implement the concept of rural development in practice. We are speaking of very complex long-term development strategy and policy which consolidate economic, social and cultural, environmental, demographic, spatial and other components important for the development of rural communities. In this sense, the EU rural development policy includes a wide range of sectoral policies (industrial, agrarian, infrastructural, educational, environmental, healthcare and tertiary activities). Although the EU rural development policy has been constantly undergoing changes and amendments, the basic concept of the rural development management is seen as the instrument for

modernization and conservation of rural development basically remained the same. In practice, this concept relies on diversification of rural economies, more efficient resource exploitation, environmentally friendly and competitive rural economy, as well as the social and territorial cohesion.

In the light of Romania and Bulgaria's accession to the EU, as well as the future enlargement of the European Union, it is clear that the territorial heterogeneity and the achieved level of economic development in many ways change the rural reality and call for additional adjusting of integrated rural development policies in the European Union.

The results of the rural policy implementation are very important for the whole EU, and even more important for the West Balkan countries and Serbia – which

currently has the status of a 'potential EU candidate country'.

Justification of Research Methodology

For the purposes of this paper, a two-level comparative analysis has been applied:

- Comparative analysis of EY-27 and Serbia;

The comparison is made in regard to the countries that completed transition process, that are also EU member countries and close neighbours of Serbia (Slovenia, Rumania and Bulgaria).

- The comparative analysis of Serbia in regard to other West Balkan countries.

The parameters used for comparative analysis rely on the basic principles, objectives and measures that constitute the EU Rural Development Policy. The following aspects in this area have been compared:

- Basic characteristics and general socio-economic situation in rural areas;
- Structure of rural development policy – strategic objectives for the period 2007 to 2013;
- Harmonization of rural development programmes of the West Balkan countries with the EU standards.

The essential rules that govern the rural development policy for the period 2007 to 2013, as well as the policy measures available to Member States and regions, are set out in Council Regulation (EC No. 1698/2005).

Background of General Socio-Economic Situation in Rural Areas and Rural Development Policy

The rural development policy represents an important instrument of the EU policy. There are numerous reasons that support the importance of the rural development for both, EU economy and society [EAR, 2006:1]:

- First, rural communities have an important role for the demographic, social and economic development (rural areas cover 91% of the territory, and include 56% of the population);
- Secondly, rural areas provide a range of different functions, not only for the people who live in them, but also for the society as a whole;

- Thirdly, rural areas have their own socio-economic structures, where agriculture, food processing industry, forestry, crafts, small, medium and large enterprises, conduct their business activities and provide services ranging from the small-scale local significance to the largest international significance.

In this sense, the EU integrated rural development policy includes broad spectrum of sectoral policies and relies on four key pillars [ENRD, 2010].

- Axis 1 objectives: Improving the competitiveness of the agricultural and forestry sector;
- Axis 2 objectives: Improving the environment and the countryside;
- Axis 3 objectives: Quality of life in rural areas and diversification of the rural economy;
- Axis 4 objectives: Leader approach – integrated development of rural communities programme.

Many rural areas in the European Union have successfully carried out structural changes in the rural economy and have predispositions for the efficient endogenous development, in this way contributing to the more dynamic economic development and growth of national economies as a whole. However, a significant number of rural areas deal with serious economic difficulties, mainly due to their peripheral location, infrastructural underdevelopment, climatic and demographic limitations.

A reformed rural development policy for the period 2007 - 2013 is in accordance with the Declaration on Guiding Principles for Sustainable Development and it also reflects the approaches laid down in the Lisbon and Gothenburg Declarations that are related to economic, environmental and social elements of sustainable development. Given the considerable heterogeneity between EU member states, it goes without saying that all countries that are integrated into the EU have the same approach to rural development. In some countries, there is a long national tradition and institutional framework for rural development, while other countries have only recently adopted a rural development policy and have been implementing it primarily under the influence of measures and mechanisms of the EU Common rural policy (Central and Eastern European countries, West Balkan countries). The main topics of the national rural development programmes of the EU member countries

are: modernization of agriculture; rural infrastructure development; population increase and maintenance at the local level; landscape protection and land conservation; diversification of rural economy and mitigation of rural areas' isolation. A new feature for 2007 to 2013 is a greater emphasis on a coherent strategy for rural development across the EU as a whole. This is being achieved by implementing the National Strategy Plans which must be based on the EU Strategic Guidelines [EC, 2011].

The rural areas - defined in compliance with the OECD standards of defining rural areas, account for 85% of the territory of Serbia with 55% of the country's total population living in them and the population density of 63 inhabitants per km². The territory of Serbia is divided into 165 municipalities (that include 4715 settlements) out of which 82.2 % of municipalities, i.e. 130 municipalities (consisting of 3904 settlements), are classified as rural municipalities. In the period from 1991 – 2002 (based on the census data) the number of inhabitants in rural areas fell by 3.6%, moreover the number of people older than 50 years of age who inhabited rural areas fell by 22.4%. The unemployment rate is high (21%), and it reflects the lack of employment opportunities. Both, economic and social infrastructure, are fragile, underdeveloped and they negatively influence the competitiveness of the rural areas. GDP per capita in rural areas amounts to 74% of the national average and approximately a million people are faced with the high poverty rate. Rural areas in Serbia can be divided into four homogeneous groups of municipalities in order to more easily identify specific strengths and weaknesses of these areas and develop appropriate strategies, policies and measures for their development within the framework of the Rural Development Strategy Plan. The mentioned groups are [MAFWM of the RS, 2009:8-11]: the region of highly productive agriculture and integrated economy; the region where the existing sectors of the economy are typical of smaller urban areas that practice agriculture with the extensive use of labour; region in which the industrial branches are oriented towards the use of natural resources (mainly mountain areas) and the region with a large tourism potential (Table 1).

Despite the significant diversity of the basic characteristics of the rural areas in Serbia and the EU, con-

sistent analysis of their own needs and capabilities and harmonization of rural development programme in Serbia with that of the EU is an ongoing process in which all key stakeholders take part.

Research Results

Comparative analysis of rural development of Serbia and the countries that have completed the transition and are EU members, according to the parameters set out in the research methodology, indicate the priorities, measures and activities related to the Rural Development Programme (RDP) implementation that have positive impact on the rural communities (Table 2).

General Socio-Economic Situation in Rural Areas in Bulgaria

The Republic of Bulgaria is situated south-eastern part of Europe and has a total territory of 111 002 km² with 7.8 million inhabitants. According to the data of the ENRD:

- rural areas in Bulgaria cover 81% of the territory, and include 42% of the population (2004 data);
- in 2004, the unemployment rate in rural municipalities exceeded 19.2%, while the long-term unemployment rate in the rural areas was 11.3%;
- low productivity in agriculture and food industry;
- high unemployment rates among young people, an ageing population, negative population growth;
- large number of rural communes with rich historical and cultural traditions;
- favourable agro-ecological potential;
- long traditions in the production of various primary products and processed foods;
- functional system of research, training and consultancy in agriculture, the food-processing industry and forestry.

RDP Strategic Objectives and Expected Outcomes of the Policies

The overall objectives of the Bulgarian RDP were chosen in accordance with the EU Strategic Guidelines for rural development and the National Strategy Plan. Monitoring and evaluation is based on the guidance contained in the EU Commission Common Monitoring

Table 1
Comparative analysis of the basic characteristics of rural areas of Serbia and the EU

	EU Countries	Serbia
1. Main characteristics		
Socio-economic structure	<ul style="list-style-type: none"> ● rural areas account for over 90% of EU territory and are inhabited by 50% of the total number of EU population ● 9.9% of total population are employed in the primary sector in rural areas ● 20 % of active rural population is employed in agriculture in rural areas 	<ul style="list-style-type: none"> ● rural areas account for 85% of the territory of Serbia with 55% of the country's total population living in them ● approximately 30% of rural population practices agriculture as a primary business activity ● 50% of active rural population is employed in agriculture
State of agriculture	<ul style="list-style-type: none"> ● high productivity level ● well equipped farms – average size about 20ha ● support to the agriculture from SAR since 1960s 	<ul style="list-style-type: none"> ● low productivity level ● average size of farms 3 ha, insufficient farming equipment, etc. ● insufficient budgetary support and information available to users
Rural infrastructure	<ul style="list-style-type: none"> ● sufficiently developed rural infrastructure 	<ul style="list-style-type: none"> ● underdeveloped, poor (physical, economic and social)
Economic structure	<ul style="list-style-type: none"> ● diversified ● new rural businesses and services 	<ul style="list-style-type: none"> ● insufficiently diversified ● insufficiently developed businesses and services
2. Development potential		
Human capital	<ul style="list-style-type: none"> ● high level of both quality and quantity of the available resources 	<ul style="list-style-type: none"> ● low level of local potentials, education and initiative
Education, training	<ul style="list-style-type: none"> ● since the beginning of 1970s supported by SAR ● developed advisory services 	<ul style="list-style-type: none"> ● focused on technical skills and knowledge ● insufficient advisory services and marketing and management education
Production connectivity	<ul style="list-style-type: none"> ● established partnerships ● networking of institutions that work on common projects 	<ul style="list-style-type: none"> ● undeveloped partnerships ● slow progress in establishing groups and associations of producers
Local self-government	<ul style="list-style-type: none"> ● developed profit organizations and local action groups (LAGs) ● innovative and efficient local entrepreneurs and local administration 	<ul style="list-style-type: none"> ● insufficiently developed local action groups (LAGs) ● inefficient decision making system (mostly top-down type) and insufficient influence of the local authorities on the entrepreneurial development
3. Programmes and financial support		
Funds and financial resources	<ul style="list-style-type: none"> ● Structural Funds, LEADER I, LEADER II, LEADER + ● national programmes 	<ul style="list-style-type: none"> ● donations and pilot projects ● small municipal budgets, Agrarian budget, Development fund
Stakeholders	<ul style="list-style-type: none"> ● state institutions ● science/ researchers ● local action groups ● other organizations and institutions 	<ul style="list-style-type: none"> ● Ministry of Agriculture Forestry and Water Management ● local entrepreneurs and decision makers ● other institutions and organizations (small influence and small funds)
4. Rural development priorities		
Main objectives	<ul style="list-style-type: none"> ● Agricultural Competitiveness ● environmental protection ● multifunctionality 	<ul style="list-style-type: none"> ● productivity growth ● trade, processing, SMEs, rural tourism
Mid-term objectives	<ul style="list-style-type: none"> ● diversification of economic activities 	<ul style="list-style-type: none"> ● development of infrastructure, institutional and organizational strengthening of all stakeholders
Strategies and relevant factors	<ul style="list-style-type: none"> ● focus on the competences of the local self - governments through mobilization of local resources ● development of local service providers and private-public partnerships 	<ul style="list-style-type: none"> ● focus on SMEs and rural tourism ● poor funding and financial support ● low employment level and new business opportunities ● poor initiative and involvement of local stakeholders

Source: [Bogdanov, 2007:65-6].

Table 2
Comparative analysis of some EU countries and Serbia – main country indicators

	Total area, km ²	Population, thousands	GDP per capita, €*	Rural areas, % of territory	Rural population, %
EU-27	4 308 406.6	492 090	25100	91	56
All West Balkan countries	264 462	23 614	4 599	N/A	46
Bulgaria	111002	7 800	4500	81	42
Romania	238 000	21 500	6500	87.1	45.1
Slovenia	20 273	2 000	18400	77	50
Serbia	77 474	7 382 **	3 683	85	55.5

Source: [Eurostat, 2010]. *2008 data; **excl. Kosovo

and Evaluation Framework, in accordance with Articles 85 and 86 of Council Regulation (EC) No 1698/2005. The main expected outcomes of the RDP are: economic growth; increase of labour productivity; environmental impacts; impacts on employment; and combating climate change.

Current Situation and Trends Faced by Romanian Rural Areas

Situated in the south-eastern part of Europe, with an area of 238 000 km² and a population of more than 21 million inhabitants, Romania is the second largest new European Union Member State, after Poland. According to the data of the European Network for Rural Development [ENRD, 2010]:

- rural areas in Romania cover 87.1% of the territory, and include 45.1% of the population (9.7 million inhabitants);

- agriculture – 14 741 200 ha of agricultural land (61.8%); Forests and other wooded land areas (6 742 800 ha) accounts for 28.28% of the total land area; large areas are characterized by natural limitations of agricultural production;

- non-agricultural activities in rural areas include: mining, energy industry, forestry, food processing industry, small-scale trading activities, services, crafts, and small and medium enterprises - SMEs.

- weak entrepreneurial culture and poor enterprise support together with agricultural productivity below its potential;

- low level of crop diversification and low level of compliance with the EU standards;

- a lack of financial resources and a lack of coopera-

tion between public and private sector;

- 232 000 unemployed people in rural areas, which makes up 33% of the total number of Romanian unemployed population.

RDP Strategic Objectives and Expected Outcomes of the Policies

The Romanian RDP is coherent with the National Strategy Plan of Rural Development. Monitoring and evaluation is based on the guidance contained in the EU Commission Common Monitoring and Evaluation Framework, in accordance with Articles 75 of Council Regulation (EC) No 1698/2005, and the General Directorate for Rural Development, within the Ministry of Agriculture and Rural Development is the authority responsible for managing and implementing the Programme. The main expected outcomes of the RDP are: a more competitive, knowledge-led agri-food sector; environmental friendly farming; diversification of farming activities and new business in rural areas; improved services and rural infrastructure.

Socio-Economic Situation in Rural Areas in Slovenia

Slovenia is a European country 20 273 km² and is recognized as having a unique natural heritage. The population of Slovenia is 2 million and according to the data of the European Network for Rural Development [ENRD, 2010]:

- rural areas in Slovenia cover 77 % of the territory, and include 50 % of the population;

- setting up of young farmers and early retirement;

- agriculture, forestry and food industries are facing restructuring processes;

- enterprises have established strong quality control system;
- the forestry sector plays an important role in the economy and in nature protection;
- the environment is well preserved;
- in the rural communities local development partnerships are established, active NGOs, integration of rural enterprises as well as a strong craft tradition;
- diversification into non-agricultural activities;
- implementing local development strategies.

RDP Strategic Objectives and Expected Outcomes of the Policies

The overall objectives of the Slovenian RDP are based on the EU Strategic Guidelines for rural development. Responsibility for the RDP monitoring and evaluation strategy is undertaken by the Monitoring Committee which is chaired by the Ministry of Agriculture, Forestry and Food. The main expected outcomes of the RDP are: positive impact on the agrifood and forestry sectors, rural communities, local development potential and the environment.

Rural Development Programme (RDP) 2007-2013 of these countries puts a strong emphasis on the needs for improving the quality of life, diversifying the economy, competitiveness in agri-food sector, environment and the countryside (Table 3).

As a result of the 2009 RDP amendments, **Romania** has been assigned a total of €126.29 million (EAFRD 101.69; national public funds 24.59) to support new challenges: climate change, renewable energy, water management; biodiversity and restructuring of the dairy sector; **Slovenia** €12 806 667 (EAFRD 11 526 000; national public funds 1 280 667) to support climate change, renewable energy, water management and restructuring of the dairy sector, and infrastructure; **Bulgaria** €36 833 333 (EAFRD 33 150 000; national public funds 3,683,333) to support new challenges: renewable energy, restructuring of the dairy sector; water management; and improving its competitiveness).

A clearer picture of general socio-economic situation in rural areas and the need for constant amendments of the Rural Development Policy, based on the EU Strategic Guidelines, is gained through a comparison of the West Balkan countries based on the param-

eters set forth in the comparative analysis methodology (Table 4).

A More Detailed Explanation of the Results

In terms of rural development policy in Serbia and other West Balkan countries, it should be emphasized that significant structural changes occurred in the production, organizational and management structure, in accordance with the new rural policies of the European Union, whose ultimate goal is strengthening the competitiveness of rural economies and development of local communities. The ability to recognize trends in the development of rural areas in the EU is an important criterion for the design and implementation of Rural Development Programmes in the West Balkan countries for the period 2007 to 2013.

Republic of Croatia

The Republic of Croatia became an independent state in 1991. Croatia is a candidate country for the EU membership. It participates in the Stabilization and Association Process (SAP), which is the EU policy framework for the countries of the Western Balkans. Croatia has been a member of the World Trade Organization (WTO) since 30 November, 2000, and joined the Central European Free Trade Agreement in 2006. The European Union is the country's main trading partner. Agriculture plays an important role in its economy, as well as tourism [EC, 2011]):

Country profile:

- Size: 56 542 km²; Population: 4. 441 million;
- Agriculture: 6.8% of GVA; share of agricultural labour in total labour: 13%;
- The official average farm size is 2.4 ha
- Country is self-sufficient in the production of: potatoes, poultry meat, eggs, corn, wine, sugar and wheat.
- The most important production types are: cereals, livestock sector, vegetable and fruit sector (including grapes); olives; and fish;
- Environment: well preserved and rich in biodiversity;
- Rural areas: land fragmentation and low level of production.

Croatia receives € 1 071 123 001 or €241 per capita for five IPA components over the period 2007 – 2013, according to the Multi-Annual Indicative Financial Framework (MIFF). The focus on priorities for each component is given in the Multi-annual Indicative

Planning Document (MIPD). As far as agriculture and rural development are concerned, the two most important components are [EC, 2011]:

- Transition Assistance and Institution Building – represents € 299 million (28% of total budget); it is

Table 3
RDP budget breakdown by axis

	Slovenia	Romania	Bulgaria
Total RDP budget (€)	1 525 618 124	13 574 447 833	4 328 557 047
Axis 1 (million €)	651.76 (42.72%)	6 850.41 (50.47%)	2 000.00 (46%)
- National/Regional (Public)	15.22%	11.75%	12%
- EAFRD (Public)	46.46%	47%	49%
- Private funds	38.32%	41.25%	39%
Axis 2 (million €)	592.89 (38.86%)	2 360.86 (17.39%)	784.52 (18%)
- National/Regional (Public)	20%	17.74%	18%
- EAFRD (Public)	80%	80.81%	81%
- Private funds	0%	1.45%	1%
Axis 3 (million €)	203.37 (13.33%)	3 048.93 (22.46%)	1 140.00 (26%)
- National/Regional (Public)	16.44%	16.46%	16%
- EAFRD (Public)	50.58%	65.85%	64%
- Private funds	38%	17.69%	20%
Axis 4 (million €)	65.59 (4.3%)	312.99 (2.31%)	120.10 (2.4%)
- National/Regional (Public)	32.98%	15.02%	15%
- EAFRD (Public)	41%	60.08%	60%
- Private funds	31%	24.89%	25%
Technical Assistance (million €)	12.0 (0.07%)	376.12 (2.77%)	123.18 (3%)
Complementary direct payments to Bulgaria and Romania (million €)	-	625.14 (4.61%)	181.84 (4%)

Source: [Research conducted by the authors, based on the ENRD, 2010].

Table 4
EU, West Balkan Countries and Serbia - Main Country Indicators

	Total area, km ²	Population, thousands	GDP per capita, €* [*]	Agricultural area, %	Agricultural labour in total labour, %	Share of agriculture in GDP, %
EU-27	4 308 406.6	492 090	23 600	41.5	5.6	1.8
Candidate countries						
Croatia	56 542	4 441	10 226	21.2	13	6.8
F.Y.R. Macedonia	25 713	2 042	3 239	41.9	18.3	12.6
Montenegro	13 812	625	4 720	37.4	8	10
Potential candidate countries						
Albania	28 750	3 153	2 530	39	58	19
Bosnia and Herzegovina	51 209	3 844	3 194	42.8	19.4	10.4
Serbia	77 474	7 382 **	3 683	65.3	21.4	16.6
Kosovo (UNSCR 1244)	10 887	2 180	1790	50	35	12

Source: [Eurostat, 2007]. *2009 data; **excl. Kosovo

successor of PHARE, its main instruments are twinning and twinning light projects, but it also includes TAIEX short term assistance;

- Rural Development – represents € 184 million (17% of total budget); it is successor of SAPARD; concerns local rural development strategies; investment in agricultural holdings, processing and marketing; and diversification and development of rural economic activities. The IPARD programme funds have already started to flow to Croatia.

The IPARD Programme 2007-2013 for Agriculture and Rural Development was initiated in Croatia in 2010.

F. Y. R. Macedonia

The Former Yugoslav Republic of Macedonia became an independent state in 1991. It is a land-locked country with an area of 25 713 km² and population estimated at 2 million. F.Y.R. Macedonia is a candidate country for the EU membership. It was the first country from the region to sign the Stabilization and Association Agreement (SAA) in 2001. Macedonia joined the Central European Free Trade Agreement in 2006 and became a member of the World Trade Organization in April 2003. The EU is its main trading partner. Agriculture plays an important role in its economy [EC, 2011]:

Country profile:

- Size: 25 713 km²; Population: 2 million;
- Agriculture: 12% of GDP; agricultural employment: 36%;
- The most important production types are: raising grazing livestock; vegetable, fruit and wine production;
- Low productivity, agri-food sector is not completely harmonized with the EU standards; poor land parcel structure; low level of modernization of agricultural holdings; unfavourable age and education structure; limited investment capacity; low level of business activities in rural areas;
- Environment: well preserved and rich in biodiversity; soil and water sensitivity to erosion in some areas;
- Rural areas: poorly developed infrastructure; low income and lack of alternative income sources; rich natural and cultural heritage; multifunctional role of rural areas.

As a candidate country, the F.Y.R. Macedonia is eligible for the five components under the IPA assistance,

including the Rural Development component – IPARD. The IPARD programme for the period 2007-2013 sets out detailed objectives for the agricultural sector and describes measures to achieve them. The following funds were allocated to FYRM: for the period 2007-2009 - €25.27 million and for the period 2009-2011 €36.7 million, distributed among the existing 3 axis: improving the competitiveness of the agricultural and forestry sector; improving the environmental and the countryside; improving the quality of life in rural areas and diversification of the rural economy. Measures under the Axis 2 and the LEADER approach will be developed for implementation during the financial period 2010-2013. The national IPARD program was approved by the Commission at the end 2007. Its general objective is to improve competitiveness of agricultural holdings and the food industry and bringing them into compliance with the EU standards. The country has drafted the National Agricultural and Rural Development Strategy (NARDS) for the period 2007-2013. For this period, the EU funds allocated to Macedonia under IPA € 622 496 001 or €305 per capita [EC, 2011].

Republic of Montenegro

Montenegro declared independence on 3 June, 2006, signed the Stabilization and Association Agreement (SAA) in October 2007, and in December 2010 became a candidate country. It has a surface area of 13 812 km² and approx. 621 thousand inhabitants. Agriculture plays an important role in the country's economy. Montenegro has strong steel and aluminium industry, coal mining, forestry and wood processing, textiles and tobacco manufacture, with rapidly growing tourism. The EU is its main trading partner. The Republic of Montenegro joined the Central European Free Trade Agreement in 2007 and is not a member of the World Trade Organization [EC, 2011].

Country profile:

- Size: 13 812 km²; Population: 625 thousand inhabitants;
- Agriculture: 10% of GDP; agricultural labour in total labour: 8%;
- The most important production types are: agricultural plants and forest fruits; vegetables; olives; wine; tobacco; honey, fish and spring water;

- The average farm size is estimated to be less than 5 ha;

- Low productivity, agri-food sector is not completely harmonized with the EU standards; low level of modernization of agricultural holdings; unfavourable age and education structure; limited investment capacity; low level of business activities in rural areas;

- Environment - well preserved and rich in biodiversity; natural spring water;

- Rural areas: poorly developed infrastructure; low income and lack of alternative income sources; multi-functional role of rural areas.

This country has drafted the Montenegro's Agriculture and Rural Development Strategy 2007-2013, and adopted it in 2006. Montenegro benefits from the two components of IPA 2007-2009 (Institutional building and transition facility, and Cross-border cooperation). In its IPA 2008 draft National Action Programme, Montenegro has been allocated €1.5 million to establish the institutional capacities required for implementation of the rural development component of the IPA. Multi-annual Indicative Planning Document (MIPD) for the years 2007- 2009 granted Montenegro an allocation of € 97.3 million for the three-year period. For the period 2007-2013, the EU funds provided to Montenegro under the IPA are € 235,175,200 or € 377 per capita [EC, 2011].

Republic of Albania

The Republic of Albania is situated in the West Balkan part of Europe with a population of 3.2 million. It has a surface area of 28 750 km². Albania signed the Stabilization and Association Agreement (SAA) with the EU in 2006. It entered into force in 2009. Albania joined the CEFTA in 2006 and is a member of the World Trade Organization from 8 September, 2000. The EU is the country's main trading partner [EC, 2011].

Country profile:

- Size: 28,750 km²; Population: 3.2 million;

- Agriculture: 19% of GDP; agricultural labour in total labour: 58%; about 56% of the population live in rural areas;

- The most important production types are: animal production (53%); fruits (including grapes); vegetables;

- The average farm size is 1.1 ha, divided up into 3.9 parcels;

- Low productivity; agri-food sector is not com-

pletely harmonized with the EU standards; low level of modernization of agricultural holdings and processing industry; low interest for investments in agriculture; underdeveloped irrigation and drainage systems; poor marketing of products;

- Environment - well preserved and rich in biodiversity;

- Rural areas: poorly developed infrastructure; low income and lack of alternative income sources.

As a potential candidate country Albania receives benefits from the two components of IPA. Multi-annual Indicative Planning Document (MIPD) for the years 2008-2010 granting Albania an allocation of € 245.1 million. Out of this amount, 88% directed to projects under IPA component I Transition Assistance and Institutional Building – which follows the priorities set in the EU; and the rest for funding the Cross Border Cooperation projects [EC, 2011]. There is a Development Strategy of Albania ISRDSA 2007-2013, from March 2007 – Draft version. The amount of allocated IPA funds is € 594 396 001 or € 189 per capita.

Republic of Bosnia and Herzegovina

The Republic of Bosnia and Herzegovina (BiH) is situated in the West Balkan part of Europe. BiH became independent in April 1992. Since the country is a federation, it consists of three states: Federation of Bosnia and Herzegovina, Republika Srpska and District of Brcko. The EU is the country's main trading partner. BiH participates in the Stabilization and Association Process (SAP). BiH joined the Central European Free Trade Agreement on 6 September, 2007 and is not yet a member of the World Trade Organization (WTO).

Country profile [EC, 2011]:

- Size: 51 209 km²; Population: 3 844 thousand;

- Agriculture: 10.4% of GDP; agricultural employment: 19.4%;

- Rural population accounts for 60% of the population of the country;

- Over 50% of agriculture holdings are estimated to be less than 2 ha;

- The most important production types are: crop production; livestock production; vegetables; cow milk, maize and potatoes;

- Low productivity, agri-food sector is not com-

pletely harmonized with the EU standards; poor land parcel structure; low level of modernization of agricultural holdings; limited investment capacity; low level of business activity in rural areas;

- Environment: well preserved and rich in biodiversity;
- Rural areas: poorly developed infrastructure; low income and lack of alternative income sources, rich natural and cultural heritage;

Bosnia and Herzegovina is committed to engaging necessary political, economic and social reforms leading to progressively closer relationships with the EU and to the potential future accession. BiH received under the instrument for Pre-accession Assistance (IPA) €226 million over a period 2007-2009; 90% of the envelope directed to projects under IPA component I Transition Assistance and Institutional Building, which follows the priorities set in the European Partnerships (EPs); the rest was allocated to funding Cross Border Cooperation projects. For the period 2007-2013, the EU funding provided to BiH under IPA is € 660 096 001 or € 172 per capita [EC, 2011].

The main strategic priorities and measures for achieving and meeting the Rural Development objectives, that are included in the B&H Strategic Plan for Harmonization of Agriculture, Food and Rural Development in the period 2008-2010 are closely linked to the achievement of the objectives in priority axis 1, 2 and 3, based on the EU Strategic Guidelines.

Republic of Serbia

The Republic of Serbia is situated in the West Balkan part of Europe and it is landlocked. The Danube River provides shipping access to inland Europe and the Black Sea. The country is characterized by rich land resources and favourable climate, thus agriculture represents a vital sector of the Serbia's economy. The EU is the country's main trading partner. Serbia participates in the Stabilization and Association Process (SAP). Serbia joined the Central European Free Trade Agreement (CEFTA) on September 6, 2007 and is not yet a member of the World Trade Organization [EC, 2011].

Country profile:

- Size: 77 474 km²; Population: 7 382000;
- Agriculture: 16.6% of GDP; agricultural employment: 21.4%;

- Two thirds of the population in rural areas are involved in agriculture;

- Private farms cultivate approximately 85% of agricultural land;

- Only 5.5% of producers from the total number of 778,890 cultivate over 10 ha of land;

- The most important production types are: crop farming; vegetable, fruit and wine production; suitable for sheep and cattle breeding; natural spring water; forest fruits; honey;

- Low productivity, agri-food sector is not completely harmonized with EU standards; weak land parcel structure; low level of modernization of agricultural holdings; limited investment capacity; low level of business activity in rural areas;

- Environment: well preserved and rich in biodiversity;

- Rural areas: poorly developed infrastructure; low income and lack of alternative income sources, rich natural and cultural heritage, multifunctional role of rural areas.

The main strategic priorities and measures for achieving and fulfilling the rural development objectives in Serbia, which are included in the National Programme for Rural Development (NPRD) in the period from 2009-2013 are [MAFWM of the RS, 2009:30]:

- **Priority Axes 1** - improving market efficiency and applying the EU standards:

- (a) Investing in farms in order to restructure farming and meet the EU standards;

- (b) Support for the establishment of **farmer's associations**;

- (c) Investing in processing and placement of agricultural products in order to restructure these activities and to meet the EU standards.

- **Priority Axes 2** - Preparation activities for application of agro-ecological measures and local rural development strategies:

- (a) Activities aimed at improvement of the environment and rural areas;

- (b) Drafting and implementation of the local rural development strategies.

- **Priority Axes 3** - development of rural economy:

- (a) Improvement and development of infrastructure in rural areas;

- (b) Diversification and development of business activities in rural areas;

(c) Improving the professional trainings.

The National Programme for Rural Development is funded from the state budget of the Republic of Serbia and earmarked funds in the amount of €1183.6 million for the I and II IPA component for the period from 2007-2012. Other donor sources for 2007-2013 include the European Union funding provided to the Republic of Serbia under IPA in the amount of € 1 395 868 923 or € 188 per capita [EC, 2011]. As soon as Serbia receives the status of the “candidate country” for the EU membership, funding given for financing one part of the public expenditures is expected to be available, as well as for other IPA components (RD) funds if the state budget provides the amount of €250 million for five - year rural development programme 2009-2013 [MAFWM of the RS, 2009:40].

Kosovo (Under UN Resolution 1244)

Kosovo (under UNSCR 1244/99) is a territory of 1.1 million ha situated in the West Balkan part of Europe with a population of around 2 million. Kosovo participates in the Stabilization and Association Process (SAP). Kosovo is a member of Central European Free Trade Agreement (CEFTA) – UNMIK on behalf of Kosovo. The EU helps ensure the stability of Kosovo through: EULEX rule of law mission in Kosovo; Special representative in Kosovo; and Kosovo international civilian office. Commission provides recommendations on how to achieve the targets in the European Partnership for Kosovo. Agriculture is one of the most important sectors of the economy. In rural areas, in which an estimated 60% of the population lives, it is the main source of income. The EU is Kosovo’s main trading partner (Kosovo exports mainly base metals and metal products) and foreign investor [EC, 2011].

Kosovo profile:

- Size: 10 887 km²; Population: 2.180 million;
- Labour force in agriculture: 35%; agricultural area: 50%;
- 97% of holdings are less than 5 ha; average land holding per family is about 3.2ha, typically fragmented into 6 to 8 plots; less than 1% holdings above 10ha;
- The most important production types are: animal production; cereals and rice; sugar; vegetables; fruits and nuts; raw hides and skins; oilseeds;

- Low productivity, agri-food sector is not completely harmonized with the EU standards; low level of modernization of agricultural holdings and processing industry;

- Environment - well preserved;
- Rural areas: poorly developed infrastructure; low income and lack of alternative income sources.

Kosovo receives assistance from the two components of IPA. Multi-annual Indicative Planning Document (MIPD) for the years 2010-2012 under IPA allocated to Kosovo in total amount of € 206 million. Of this amount, 98% directed to projects under IPA component I Transition Assistance and Institutional Building – which follows the priorities set in the EU; the rest is allocated for funding the Cross Border Cooperation projects. Kosovo is making an intensive use of TAIEX assistance for agriculture. For 2007-2013, EU fund provided to Kosovo under IPA is € 638 800 000 or € 309 per capita [EC, 2011]. Law on Agriculture and Rural Development (Law No. 03/L-098) was adopted on June 11, 2009.

Conclusion

The European Union has an active rural development policy, linked to a number of other policies set at the EU level. For the period 2007 to 2013 a greater emphasis is put on a coherent strategy for rural development of the EU, thus the National Strategy Plans of each Member State must be based on EU Strategic Guidelines. RDP implementation in Bulgaria, Romania and Slovenia, has a positive impact on rural economy and improving the quality of life in rural areas.

Although at different stages of development, the West Balkan countries face similar challenges concerning diversification and modernizing of their rural economies. The ultimate purpose of these changes is related to strengthening the competitiveness of the rural economy. The natural and labour resources, favourable climate, and proximity to the EU market give every reason to suggest that the countries of the Western Balkans have adequate pre-conditions for successful implementation of the concept of integrated rural development. However, there are numerous limitations to development of these areas in the process of the EU integra-

tions. In this respect, all countries have initiated activities to harmonize and strengthen the link with the main EU priorities, as well as the consistency with other EU policies. The West Balkan countries that received the candidate country status for EU membership (Croatia, FYR of Macedonia and Montenegro) have made significant progress in the development of rural areas due to the access to pre-accession funds and other forms of the EU support. As far as other West Balkan countries which have the status of the potential candidate countries for the EU membership are concerned, it is very important to establish a national strategy for rural development which includes a realistic assessment of local potentials, problems and needs in this area that are constantly updated throughout the year in accordance with the EU rural development policy. The main goal of the EU financial assistance to West Balkan countries is to enhance their institutional capacity, the quality of implementation of the legislation so as to make it possible to integrate easily the common policies when they become the full members of the EU. The mechanisms of financial assistance of the EU are consolidated into the IPA and they have huge significance for the development of rural areas.

The ability to recognize development directions in the EU-27 is an important criterion for guiding the rural development of Serbia. On the one hand, this provides us with valuable guidelines on possible ways of implementing the process of reconstruction and development of rural areas, on the other hand, the available information allow us to avoid the mistakes that other countries were making in their accession processes to the EU. In these processes, the solutions cannot be generalized

and generated, since each area requires special considerations and specific solutions.

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Received October, 20, 2011; accepted for printing February, 2, 2012.