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## THE RURAL POLICY OF SLOVAKIA AFTER JOINING THE EU

### SUMMARY

The main players in rural development are for instance, factors as impact of technologies, development of domestic and foreign markets, benefits in communication and transport and population migration. The research object of the study is the rural policy and its tools such a financial subsidy contributing to rural economic development in Slovak conditions. The objective of the scientific study is to examine the development of rural policy in Slovakia since 2004 and its tools for augmentation of economic development sustaining ecologically clean environment and agricultural production. As a member state of the European Union, the Slovak Republic has the possibility to use the supporting policy instruments for the development of rural areas, agriculture and society as such. The instrument for this goal is the Rural Development Program 2014-2020. The program belongs to documents of national nature and represents a rural development strategy through various measures. Measures are grouped in line with the axes such as: increasing the competitiveness of the agricultural and forestry sector, improving the environment, the quality of life in rural areas and the diversification of the rural economy to which it is directed assistance exclusively from the European Agricultural Fund for Rural Development.

**Keywords:** rural development, agriculture, subsidy, common rural policy.

### INTRODUCTION

The total budget for agriculture and rural development represents about 46% of EU spending per year. Agriculture and rural development has become again a central issue and a major determinant of EU development. Agricultural

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and rural development policies play a vital role in the territorial, economic and social cohesion of the European Union and in the protection of the environment. Forms of agricultural entities where the agricultural production is conducted varies. Cooperative farming is frequently observed especially in small countries or as a complement in larger countries. „Cooperative is a group of people that allow several people or legal entity working together on a basic of voluntary held a job to improve the lives of its members (Sagimun, 2005; Amelia & Ronald, 2018). In the past there were cooperative farms in Slovakia, nowadays it is a mix of farming enterprising entities, cooperatives and micro, small and medium entrepreneurs as producers in agriculture. As a member state of the European Union, the Slovak Republic has the possibility to use supporting policy instruments for the development of rural areas, agriculture and society as such. The population exceeds 5.4 million and consists of mostly of Slovaks and the biggest Hungarian nationality in the southern territories of Slovakia. Slovakia's territory spans about 49,054 square kilometers (19,000 sq mi) and is mostly mountainous. The capital and largest city is Bratislava and the second largest city is Košice.

In the period of fifteen years from 2004-2018, Slovakia, as a member of the EU, benefitted from around 35 billion euros of EU funding. Slovakia will have €12 billion available in period between 2021 and 2027. Slovakia's contribution to the EU budget is the amount of €646 million. Slovakia is a recipient of €2.66 billion in EU funding. Financial resources obtained for financing from the EU are invested into the following areas: Agriculture (21.27%), Regional policy - cohesion and structural funds (74.72%), Research and development (3.21%), Citizenship - freedom, security and justice (0.40%), Administration (0.40%).

Slovakia is divided into 8 regions, such as Bratislava, Trnava, Nitra, Trenčín, Banská Bystrica, Žilina, Prešov and Košice region. Of the total area of Slovakia, according to the individual types of regions, the largest share of 59% spreads also in the prevailing rural areas, with the transito-nal regions having a 36.8% share, predominantly the smallest 4.2% share being urban regions.

## METHODOLOGY

Rural areas represent about 92% of the territory in the EU-28. These regions produce around 45% of gross value added (HPH) in the EU-28 and represent more than half of jobs. Rural development must be able to meet market requirements and ensure adequate food quality and protection as well as the protection of environmental policy. The research object is the rural policy of the Slovakia from historical perspective in the period after Slovakia's accession to the EU so are rural policy tools such a financial subsidy contributing to rural economic development in Slovak conditions. The objective of the scientific study is to examine the development of rural policy in Slovakia since 2004. The research approach applied when examining research phenomena was a combined approach by mixing several classical research methods (synthesis, deduction,

analysis, comparison) and empirical results obtained by processing secondary data from database of the Ministry of Agriculture of the Slovak Republic, European Commission etc. Results of the research is systemization of the rural development process and compilation of the existing organizations focusing on supporting and managing the process of rural development. Their role is to bring benefits for augmenting the quality of the life in rural areas, highlighting the ecological and environmental friendly activities (Spalevic et al, 2017a) leading to competitive food products and health improvement. These are attractive features to attract people again for living in the countryside and work as farmers. To assist to perform this old profession could result in reviving rural areas economically and in sociable, cultural and generational aspects.

### **CURRENT STATE OF THE KNOWLEDGE IN THE LITERATURE**

Agriculture represents an indispensable production process that is beneficial substantially to every society and economy (Johnston and Mellor, 1961; Melovic et al., 2020a; Sinabell, 2009) and remains an essential driver of the rural areas of the European Union (Bournaris et al., 2016). The enterprise value of an agricultural operation is the present value of expected future cash inflows reduced by present cash outflows or future returns plus the value of future investment opportunities. A farm that maintains the flexibility to alter production in the future will be worth more than an identical farm that cannot (Dixit & Pindyck, 1994; Carey & Zilberman, 2002). The transitional years during which an agricultural producer waits for newly grafted or planted agricultural products to mature cannot be reversed. Forgone revenue cannot be recovered. The farmer as a producer has a choice to make a decision about the change in the future point. The level of a grower's perception of uncertainty about future price premiums will largely dictate the duration of the delay of an investment (West, 2019; Melovic et al., 2020b).

In big agricultural countries, an example is from in Indonesia, Muftiadi (2018) made a research in food crops market. The market is very large, he highlighted its slow growth, and pointed out that contribution to economy indicated a negative trend in rice production, the results showed a very sharp decrease during 1971-2008, the efficiency of other food crops subsector production (beans, corn, vegetables and fruits and other food crops) shows an increase in efficiency. Both subsectors tend to be more inefficient in the future, if no fundamental government policy to support the sector is accepted. It is an eternal problem that agriculture industry is underfinanced, since the prices of the product cannot fly up, as it is the essential commodity for the people's life. Many examples prove that farmers survive in business only with the support of subsidies. (Loizou et.al., 2019) stressed that the impact of the financial crisis, being spread globally, again strengthened its effect on agriculture in Europe. Especially in south European countries where agriculture plays a more important role than in the north European countries. They point out that „the role of agriculture particularly within the reformed Common Agricultural Policy (CAP)

should be reevaluated, as a chance to remunerate the knowledge and to depict its significance and potential as an economic growth factor“ (Loizou *et al.*, 2019).

Priorities and requirements for rural development are protecting environmental policy, meeting market requirements, ensuring adequate food quality and protection. The main factors having impact on rural development are for instance, impact of technologies, development of domestic and foreign markets, benefits in communication and transport and migration of the population (El Mouatassime *et al.*, 2019; Parsipour *et al.*, 2019). Three key areas are important in rural development policy: the agri-food sector, the rural economy together with the rural population and the environment. (Loizou *et al.*, 2019) demonstrated in their research that the impact of the new CAP is not limited to the primary sector, but it directly and indirectly affects other sectors, as well as the total output, employment and household income of the region. Results suggest that agriculture is an important driver of growth throughout the region (Loizou *et al.*, 2019). Argued that regional characteristics played a critical role on the direct and indirect effects of the CAP on family and subsistence farming in the Czech Republic, Latvia, Hungary, Poland, Slovakia and Romania (Baumet *et al.*, 2006). Stress essential commensalism of the law via necessity of high-quality legislation to secure a safe business environment for attracting investment to Slovakia (Novackova *et al.*, 2018). Attracting investment, even from abroad may contribute to increasing competitiveness of Slovak products.

## SLOVAK AGRICULTURE INDUSTRY IN FIGURES

Structure of agricultural land in Slovakia is shown in Table 1. The Slovak Republic covers an area of 4,903,347 ha, the agricultural land is on 1,895,500 ha, of which arable land is 71%, TTP and meadows 28% and permanent crops 1%.

Table 1: Acreage of the land in the SR, in ha.

Indicator	Ø 2012 – 16	2016	2017	Index 2017/2016	Index 2017//Ø 2012 – 2016
Utilised agricultural land	1,922,277	1,918,878	1,910,654	99.57	99.40
including: arable land	1,352,614	1,347,293	1,342,885	99.67	99.28
permanent grassland 1)	18,850	17,788	17,761	96.84	94.22
home gardens	32,253	32,357	32,329	99.91	100.24
permanent meadows and pastures	518,547	521,441	517,679	99.28	99.83

Source: Statistical Office of the SR

Note: 1) vineyards, wine-growing areas under remediation, orchards, hops, other permanent crops ( NAFC-RIAFE)

Slovak agriculture has still been undergoing gradual restructuring. As for agricultural primary production, the structure of businesses consists mainly of commercial farms of legal entities–trading companies (TC), agricultural

cooperatives (AC) and physical entities (PE)–especially self-employed farmers (SEF), sole proprietors – who also work as SEF and free business on a marginal basis. In the case of Slovak legal entities, an average farming area is approximately 500 ha, in the case of small farmers it is 21 ha. In Slovakia the small-size private properties represent less than one third of the private forests (Bouriaud et al., 2013). In Slovakia, there are many sole-proprietors with a very small area of land, which, however, are not significant from a societal point of view, but they supply local markets (representing more shadow economy).

Table 2: Agricultural land

Agricultural land	Legal entities	Individuals	Total
Hectares (ha)	1,529,083	366,417	1,895,500
in percent (%)	80.7	19.3	100.0

Source: Green report, 2017

Table 3: Interval of agricultural land

Interval of agricultural land	Number of enterprises		Profit/Loss (revenues-expenses)			Profit/Loss (revenues-expenses-personal income)		Income costs	
	2016	2017	2016	2017	Index	2016	2017	2016	2017
in €per ha									
up to 50	340	267	67.5	120.1	177.9	-263.6	-276.2	97.6	95.2
50 – 100	267	228	59.7	63.0	105.5	-56.4	-58.0	93.9	94.3
101 – 500	401	404	49.5	37.2	75.2	8.4	-5.6	95.9	96.8
above 500	41	45	57.6	48.6	84.4	47.7	37.5	95.6	96.8
Total	1049	944	53.9	46.6	86.5	-7.1	-12.2	95.9	96.4

Source: NAFC-RIAFE

Economic outturn and the number of SEF enterprises divided into intervals showing agricultural land intervals in €per ha of agricultural land, index in %. (Information sheets of the MARD SR, CD of NAFC-RIAFE).

Majority of the banks offer credit products for the agricultural sector and its enterprises can use:

- short-term bridging loans for the financing of operating needs up to the amount of eligible direct payments from the Agricultural Paying Agency (APA),
- short-term bridging loans for the financing of a project before a subsidy is granted from the EU structural funds,
- investment loan for the purchase of land in the territory of the Slovak Republic intended for agricultural production,
- investment mid-term and long-term loan for the procurement of tangible and intangible assets, the construction of operational premises, the reconstruction of real estate or the purchase of technologies, machines and equipment,

-loans for the financing of temporary storage of harvest in compliance with the provisions of the Act on Warehouse Receipt in the form of a term or revolving loan,

-investment loans for the purchase of shares in agricultural land. (Green Report, 2017)

### **ORGANISATIONS FOR RURAL DEVELOPMENT**

A. European Network for Rural Development (ENRD) serves as a hub for exchange of information on how Rural Development policy, programs, projects and other initiatives are working in practice and how they can be improved to achieve more.

The ENRD is not a membership organization. Its work aims to engage and reach anyone with an interest in and commitment to rural development in Europe.

The main stakeholders of the ENRD include:

- National Rural Networks (NRNs);
- RDP Managing Authorities and Paying Agencies;
- Local Action Groups (LAGs);
- European organizations;
- Agricultural advisory services;
- Agricultural and rural researchers

B. Ministry of Agriculture and Rural Development of the Slovak Republic is responsible for the coordination of legal relations in providing any assistance or subsidies for rural development. This ministry carries out financial management and decision-making on project assignments and direct support.

C. Agricultural Paying Agency is a payment agency providing administrative activities in securing support and subsidies as a state administration body. Another important body that is involved in providing financial resources is, according to § 9 Act 280/2017, a payment agency, which is a budgetary organization linked in financial relations to the budget of the Ministry of Agriculture. This agency acts as a state administration body. The payment agency carries out activities related to the provision of support in agriculture and subsidies for rural development only on the grounds of accreditation granted by the Ministry of Agriculture.

Table 4: Budget Ministry of Agriculture and Rural Development of Slovakia for 2019-2020.

Budget 2019-2020	2019	2020
EU budget	1,236,686,967	1,107,894,383
Slovakia budget	170,220,032	173,622,521
Other	85,432,368	85,432,368
<b>TOTAL</b>	<b>1,492,339,367</b>	<b>1,366,949,272</b>

Source: Own elaboration based on Slovak Ministry of Agriculture and Rural Development, 2018.

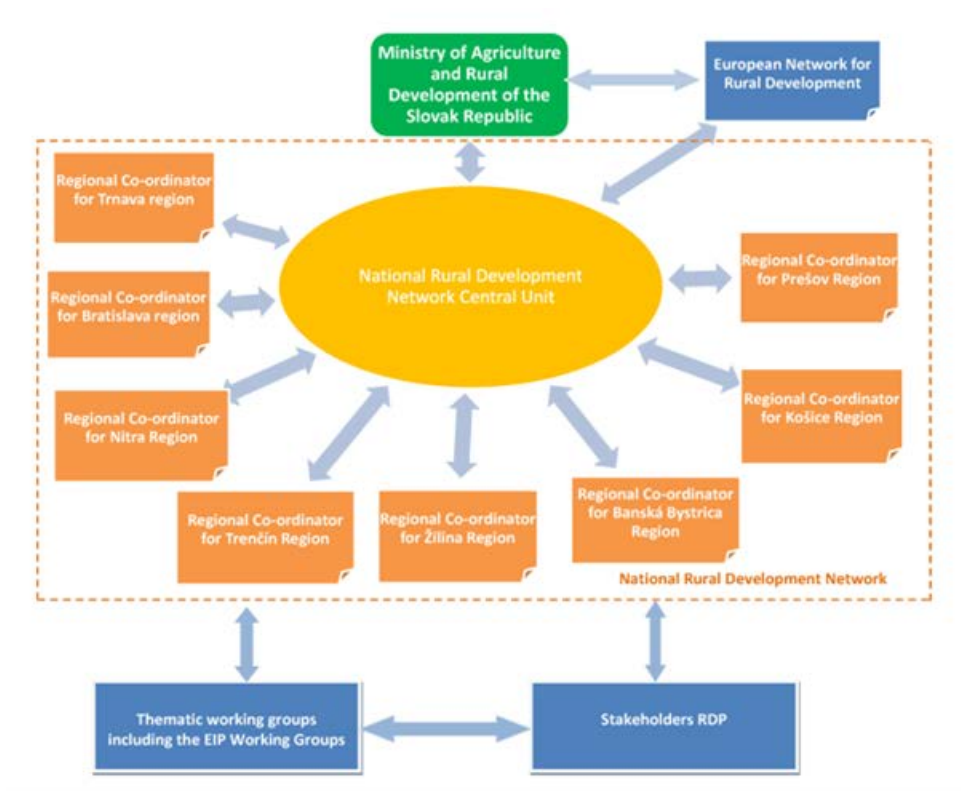


Figure 1. The structure of the NRN and the network central unit

Source: <http://www.nsrv.sk/?pl=17>

D. National Network for Rural Development collects and disseminates information on rural development, provides advice to potential and existing businesses. The Rural Development Agency (ARVI) is a national, contributory organization of the Slovak Ministry of Agriculture and Rural Development. It assists to collect, analyze and disseminate rural development provides feedback to responsible authorities in relation to rural development. Moreover, it promotes sustainable activities for balanced, socio-economic development of rural settlements, provides advice to potential and existing businesses, the public and non-profit sector in rural areas on their rural development activities. A regional representation is established in each region. National Rural Network (NRN) has a central office–National Support Unit hosted by the Agency for Rural Development in Nitra. Regional antennae of NRN operate in 8 regions of Slovakia, in Bratislava, Trnava, Nitra, Trenčín, Banská Bystrica, Žilina, Prešov and Košice region. The chapter 17.2 of the Rural Development Program of the Slovakia 2014–2020 defines the structure of the NRN and the network central unit (the executive body of the network).

## **PROGRAMS FOR THE DEVELOPMENT OF AGRICULTURE AND RURAL DEVELOPMENT BEFORE EU MEMBERSHIP AND NOW**

The largest beneficiary of state aid in the agricultural sector are France (14.9%), Germany (14.2%), Spain (10.9%) and Italy (10.9%). Slovakia received 0.9% of total EU subsidies. Slovak agriculture has been still undergoing gradual restructuring. Since Slovakia has become a member of the European Union, it has the possibility to use the support policy tools for the development of rural areas, agriculture and society as such. In Slovakia the representation of the rural area amounts to 86% of the total area. The observation period can be divided into five phases:

<b>I.</b>	<b>II.</b>	<b>III.</b>	<b>IV.</b>	<b>V.</b>
1990-2004	2004-2006	2007-2013	2014-2020	2021-2027

### **Transition of Slovak Agriculture for the period 1990-2004**

Slovakia's agriculture has been exposed to the external pressure of market forces for achieving greater efficiency, performance and adapting to market conditions during ten years of the economic reform in the period from 1990 to 1999. The greatest decline in agriculture was in 1993, followed by moderate growth. The decline in the rural sector and the decline in agricultural cooperatives has greatly affected the rise in unemployment. Structural Funds of the EU– SAPARD, PHARE ECOSOC (Economic and Social Cohesion) were not sufficiently utilized, only 20% of funds were used.

### **Rural development program 2004 – 2006**

The guiding principles are those of decentralization of responsibilities - thus strengthening subsidiarity and partnership - and flexibility of programming based on a 'menu' of 22 measures (extended to 26 with the mid-term review of the Common Agricultural Policy) to be targeted and implemented according to Member States' specific needs. As a coherent package of measures, it has three main objectives: (1) To create a stronger agricultural and forestry sector, the latter recognized for the first time as an integral part of the rural development policy; (2) To improve the competitiveness of rural areas; (3) To maintain the environment and preserve Europe's rural heritage.

### **Slovak rural development program 2004 – 2006**

On May 1, 2004, Slovakia became a member of the EU, which allowed her to use funds from the EU funds. The EU provides financial support to the agricultural and forestry sectors and rural areas to improve efficiency in agricultural production and quality of life of rural population.

Table 5: program 2004 – 2006.

Year	2004	2005	2006
In EUR	119,500,000	133,100,000	144,500,000

Source: own elaboration



### "EU Quality Policy" or "Quality brand SK"

The aim of this project is to attract Slovak consumers to quality domestic products. Any Slovak producer may obtain the Slovak certificate of the quality-Slovak brand if its products are made from domestic raw materials in accordance with the declared technological procedure, parameters of quality and safety of food. It is also necessary to register raw materials in order that the total consumption of raw materials may be at least 75% of the consumption of domestic raw materials. The stages of the production process must be carried out in the territory of the Slovak Republic and products that have had excellent quality properties before will receive the Slovak certificate of quality it for a period of three years and for seasonal products for a period of one year. All criteria must be in accordance with national legislation of the SC, as well as EU legislation.



### Rural development program 2007 – 2013

In the framework of the EU rural development program, Member States received €6 billion. The aims of the policy have been simplified and clarified around three clearly defined economic, environmental and territorial objectives, namely: (1) improving the competitiveness of agriculture and forestry; (2) improving the environment and the countryside; and (3) improving the quality of life in rural areas and encouraging diversification of economic activity.

### Slovak rural development program 2007 – 2013

PRV 2007-2013 was approved by the European Commission decision C (2007) 6164 of December 4<sup>th</sup>, 2007 by the European Commission in Brussels (the EC assessed the program as harmoniously balanced and uniform for the whole of Slovakia). The main focus in the program, besides investing in primary

agricultural production and manufacturing, is to promote the environment and disadvantaged areas.

Table 6: program 2007 – 2013

	EU budget	Slovakia budget
SR 2007-2013	€1,969,418,078	€93,167,836
Total in € (EUR)	€2,562,585,914	

Source: own elaboration

### Rural Development Program in Slovakia 2007 - 2013

OS 1: Increase in the competitiveness of agriculture and forestry sector

OS 2: Improvement of the environment and landscape

OS 3: Quality of the life in rural areas and rural economy diversification

OS 4: Leadership

Table 7: Program 2007 – 2013.

Operational system	Public subsidy			Share of OS in % (from EAFRD)
	Total	EAFRD	Slovakia	
	€	€	€	
Os 1	847,577,149	628,241,695	219,335,454	31,46%
Os 2	1,270,188,674	1,007,199,039	262,989,635	50,44%
Os 3	343,956,872	256,646,440	87,310,432	12,85%
Os 4	79,013,206	62,582,542	16,430,664	3,13%
Technical assistance	56,317,816	42,238,362	14,079,454	2,12%
NSRV – operating costs	666,666	500,000	166,666	-
NSRV – action plan	2,000,000	1,500,000	500,000	-
Total	2,599,720,383	1,998,908,078	600,812,305	100%

Source: Rural Development Programme of the Slovak Republic 2007 – 2013

Based on the results achieved, the program has largely met its objectives. Support for the investment program has helped increase gross value added, profit, economic performance and employment. As far as improving the quality of innovation and products in the agricultural, food and forestry sectors is concerned, this program has not achieved its objective.

### Rural Development Programme of Slovakia 2014-2020

Rural Development Policy as a part of Common Agricultural Policy (CAP) of the European Union serves for reaching sustainable rural development. From the

European Commission perspective, the legislative proposal is drafted in a way that CAP would decisively contribute to the implementation of the strategy "Europe 2020 – A strategy for smart, sustainable and inclusive growth".

### **Objectives of RDP of Slovakia 2014-2020**

Rural development in the European Union countries in 2014-2020 is funded by the European Agricultural Fund for Rural Development and pursues the following objectives:

- the most important strategic goal of the programme is strengthening the competitiveness of agricultural sector (agriculture, forestry and food industry).
- the second strategic goal is sustainable management of natural resources and adaptation to climate change.
- the third strategic goal is achieving a balanced territorial development of rural economies and communities including job creation and maintenance.

### **Priorities of RDP of SR 2014-2020**

1. Knowledge transfer in agriculture and forestry (transversal priority)
  - Human capital and smart networking in agriculture and forestry
  - Innovation and the knowledge base of agriculture and forestry
  - Strengthening the links between agriculture and forestry / research and development
2. Competitiveness of agriculture and farm viability
  - Restructuring of farms facing major structural problems
  - Generational renewal in the agricultural sector
3. Food chain organization and risk management in agriculture
  - Integrating primary producers into the food chain
  - Supporting farm risk management
4. Preserving and enhancing ecosystems dependent on agriculture and forestry
  - *With a focus on:* biodiversity/landscapes, water, soil management and carbon sequestration
5. Resource efficiency and the transition to a low carbon economy in the agri-food and forestry sectors
  - Production of renewable energy in agriculture and forestry
  - Reducing nitrous oxide and methane emissions from agriculture
6. Job creation and the renewal of rural area:
  - Diversification, fostering creation of small businesses and job creation
  - Fostering local development in rural areas (LEADER)
  - Promotion and use of ICT in rural areas<sup>2</sup>

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<sup>2</sup> <http://www.apa.sk/en/project-supports>

## Slovak rural development program 2014-2020

The Rural Development Program of the Slovak Republic 2014 - 2020 (hereinafter referred to as the "RDP") is a program document of the Slovak Republic for the use of assistance from the European Agricultural Fund for Rural Development (hereinafter "EAFRD") in the area of achieving sustainable development of the Slovak Republic, which creates conditions for strengthening the competitiveness of agricultural and the balanced territorial development of rural economies and communities, including sustainability of job creation.

Table 8: program 2014 – 2020

	EU budget	Slovakia budget	Total
SR 2014-2020	1 574 569 461,50	524 630 234,50	2 099 199 696,00

Source: own elaboration

## CAP (COMMON AGRICULTURAL POLICY) 2021 – 2027<sup>3</sup>

The European Union shapes its budget for a pragmatic, modern, and long-term planning for the 2021-27 period to deliver on issues that matter to Europeans. The Commission proposes that funding for the CAP is moderately reduced – by around 5% – due to less contribution, with a future union of 27 members. Based on nine objectives, the future CAP will continue to ensure access to high-quality food and strong support for the unique European farming model.

Nine objectives comprise relevant areas for farmers, which are the tasks and challenges, such as:

- a) ensuring fair income for farmers due to the significance of the agricultural production and sustainability of the sector and sustainability of jobs in agricultural industry,
- b) increasing competitiveness of agricultural products will help to achieve higher quality of these products,
- c) rebalancing power in food chain, securing an appropriate share of all components in agricultural production,
- d) encouraging climate change action, e) enhancing environmental care,
- f) preserving landscapes and biodiversity – all mentioned tasks will lead to healthier products and also, they will motivate farmer to ecological production in farming (Spalevic et al, 2017b),
- g) supporting generational renewal with the objective of attracting young generation to start business in this industry, that will result in
- h) enhancing vibrant rural areas,
- i) finally striving to protect food and health quality.

The new way of working will also entail:

<sup>3</sup> [https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap\\_en](https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap_en)

1. streamlining administrative processes: countries shall submit only one strategic plan covering direct payments, rural development and sectorial strategies,
2. making environmental protection easier: through a set of standards and objectives at EU level, each country shall adapt environmental and climate actions to the reality on the ground,
3. simplifying support to young farmers: a single strategic plan will enable a consistent action for generational renewal covering both direct payments and rural development. Moreover, young farmers will have easier access to complementary income and installation support as EU eligibility criteria will be reduced.



Figure 2. Nine (9) goals for high-quality food & strong support for the European farming model.

Source: [https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap\\_en](https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/future-cap_en)

As shown in Table 9. France would remain the largest Common Agricultural Policy recipient (17.5%), followed by Spain (12.3%). Germany (11.5%), Italy (10.2%) and Poland (8.5%).

Table 9: CAP allocation per Member State in millions (in constant 2018 prices).

Member State	EAGF – Direct payments	EAGF – Market interventions	EAFRD – Rural Development	Total amount allocated	%
Austria - AT	4,135.6	91.0	2,988.8	7,215.5	2.3%
Belgium - BE	3,020.8	2.6	417.9	3,441.3	1.1%
Bulgaria - BG	4,930.2	172.8	1,752.4	6,855.4	2.2%
Croatia - HR	2,207.7	76.7	1,750.1	4,034.5	1.3%
Czech Rep - CZ	5,218.2	44.0	1,609.7	6,871.9	2.2%
Cyprus - CY	290.8	28.8	99.5	419.1	0.1%
Denmark - DK	5,263.5	1.8	471.6	5,736.9	1.8%
Estonia - EE	1,102.4	0.9	546.6	1,650.0	0.5%
Finland - FI	3,169.0	1.2	1,816.6	4,986.8	1.6%
France - FR	44,464.1	3,385.1	7,522.4	55,371.6	17.5%
Germany - DE	30,003.0	263.5	6,185.0	36,424.5	11.5%
Greece - EL	12,668.8	391.0	3,170.0	16,229.8	5.1%
Hungary - HU	7,587.8	200.6	2,589.1	10,377.4	3.3%
Ireland - IE	7,240.5	0.4	1,646.4	8,887.3	2.8%
Italy - IT	22,146.8	2,262.1	7,902.2	32,311.1	10.2%
Latvia - LV	1,967.4	2.0	729.7	2,699.2	0.8%
Lithuania - LT	3,343.9	3.7	1,214.2	4,561.7	1.4%
Luxemburg - LU	199.9	0.2	76.5	276.5	0.1%
Malta - MT	28.0	0.1	75.9	104.1	0.1%
Netherlands- NL	4,378.5	1.8	455.0	4,835.4	1.5%
Poland - PL	18,859.5	31.3	8,198.2	27,088.9	8.6%
Portugal - PT	3,741.0	1,038.6	3,068.1	7,847.7	2.5%
Romania - RO	11,869.7	323.0	6,006.1	18,198.8	5.8%
Slovenia - SI	802.8	34.2	636.1	1,473.1	0.5%
Slovakia - SK	2,444.5	36.6	1,416.3	3,897.5	1.2%
Spain - ES	29,750.3	2,921.7	6,228.2	38,900.2	12.3%
Sweden - S	4,187.7	3.7	1,316.0	5,507.4	1.7%
TOTAL MS	235,022.2	11,319.4	69,861.7	316,203.3	100%
% expenditure allocated	74.3%	3.6%	22.1%	100%	--

Source: Towards the Common Agricultural Policy beyond 2020: comparing the reform package with the current regulations.

## RESULTS AND DISCUSSION

Public funding in 2016 subsidized the forest sector by €27,263,000 from various public sources (state budget, EU funds, etc.). In 2015, public sources allocated to the sector €8,009,000. The decrease in funding was caused by lower funding from the Rural Development Program of the Slovak Republic (RDP SR) 2014-2020 which represented the main source of public funding in forestry in

2016, funding from the RDP SR 2014-2020 was mostly secured by non-state forest enterprises. From other sources (other than the Ministry of Agriculture and Rural Development of Slovakia, funding was made available to the Military Forests and Estates of the Slovak Republic. The history of public funding (years 1990-2016) is demonstrated in Figure 3.

Figure 3 Public Funding



Source: Green Report , 2017.

Tax income represents a substantial source of public finance in contemporary economies. Tax income contributes to the public finance budget, resources of which will be used for essential and inevitable public consumption (Saxunova et.al. 2017, 2018). Therefore, it is important if industry contributes in the state budget by tax incomes.

To illustrate the example of economic benefits from agricultural sector, we show it on the example of its subsector “forestry”. It is necessary to mention that in 2016 this sector contributed to the state and municipal budgets in taxes by the amount of €2.87 million, with the VAT - the value added tax (balance of tax on inputs and outputs), as the biggest contributor - €9.53 million, or 55.9 percent of the total tax. Similarly, in 2017, VAT in taxes was in €6.24 million and represented 61.8% of the total tax. In 2016 the state and municipal (council) budgets increased by the amount of €8.61 million from VAT revenues. Compared to 2016, it increased by €5.74 million, almost equally for both state and non-state forest enterprises. The taxes have grown by €9.54 million since 2010. Property tax annually grew by 5.7%; the growth was more apparent in state enterprises in 2016. Income tax decreased by 5.6% in 2016. (See table 11). Income tax reached in 2017-€12.62 million (has been decreasing over the last 3 years); property tax came to €9.15 million, the largest sum since 2010. (Green report, 2017 and 2018). In 2016, earnings and revenue from the forestry sector amounted to the level of €08.26 million, growing by 3.4% compared to 2015.

Other earnings and revenue represent income from the trading of forest products, transplants, by-products, hunting, tourism and forest services as well as income from leasing and the sale of forest property and revenue from capital and bonds.

The contribution to the state budget by taxpayers is demonstrated in table 10, where we may see that VAT is showing a high increase from the year 2016 to 2017 after introducing electronic system of VAT monthly reports. Increasing as a total by 36%.

Table 10: Tax contribution to national and municipal budgets (million €)

Type of TAXES		2010	2012	2013	2014	2015	2016	2017
$\Delta$ in % = change in		% from year $x$ to year $x+1$ , $x=2010$						
VAT	State	17,25	18,26	18,00	17,01	18,28	18,13	21,94
	$\Delta$ in %	1,00	5,86	- 1,42	- 5,50	7,47	- 0,82	21,01
	Non-State	13,31	13,20	13,23	14,78	12,32	12,40	14,30
	$\Delta$ in %	1,00	- 0,83	0,23	11,72	- 16,64	0,65	15,32
	Total	30,56	31,46	31,73	31,79	30,60	29,53	36,24
	$\Delta$ in %	1,00	2,95	0,86	0,19	- 3,74	- 3,50	22,72
PRO-	State	5,38	5,94	7,14	6,57	6,35	6,73	6,88
	$\Delta$ in %	1,00	10,41	20,20	- 7,98	2,44	5,98	2,23
PERTY	Non-State	1,50	1,60	1,93	1,90	2,00	2,10	2,27
	$\Delta$ in %	1,00	6,67	20,63	- 1,55	5,26	5,00	8,10
TAX	Total	6,88	7,54	9,07	8,47	8,35	8,83	9,15
	$\Delta$ in %	1,00	9,59	20,29	- 6,62	- 1,42	5,75	3,62
	State	0,57	0,53	0,56	0,55	0,31	0,18	0,20
	$\Delta$ in %	1,00	- 7,02	5,66	- 1,79	- 43,64	- 41,94	11,11
ROAD	Non-State	0,32	0,40	0,42	0,41	0,40	0,30	0,40
	$\Delta$ in %	1,00	25,00	5,00	- 2,38	- 2,44	- 25,00	33,33
	Total	0,89	0,93	0,98	0,96	0,71	0,48	0,60
	$\Delta$ in %	1,00	4,49	5,38	- 2,04	- 26,04	- 32,39	25,00
	State	5,67	8,14	4,87	6,82	8,68	7,79	7,43
	$\Delta$ in %	1,00	43,56	- 40,17	40,04	27,27	- 10,25	- 4,62
INCO-	Non-State	5,06	6,30	5,55	5,73	6,19	6,24	5,19
	$\Delta$ in %	1,00	24,51	- 11,90	3,24	8,03	0,81	- 16,83
TAX	Total	10,74	14,44	10,42	12,55	14,87	14,03	12,62
	$\Delta$ in %	1,00	34,45	- 27,84	20,44	18,49	- 5,65	- 10,05
	State	28,87	32,87	31,07	30,95	33,62	32,83	36,45
	$\Delta$ in %	1,00	13,86	- 5,48	- 0,39	8,63	- 2,35	11,03
TOTAL	Non-State	20,19	21,50	21,13	22,82	20,91	20,04	22,16
	$\Delta$ in %	1,00	6,49	- 1,72	8,00	- 8,37	- 4,16	10,58
	Total	49,07	54,37	52,20	53,77	54,53	52,87	58,61
	$\Delta$ in %	1,00	10,80	- 3,99	3,01	1,41	- 3,04	10,86

Source: (Green report, 2018)



## CONCLUSIONS

The preparation of the Slovak Republic for its accession to the European Union: the strategy of agricultural policy had begun to converge with the tasks and objectives of the agro-policy within the EU. The European Union has sought to help farmers be self-sufficient in the EU, to increase the share of investment in agricultural production and augment efficiency. The strategic interest of the European Union is the food safety and food self-sufficiency.

Support for rural development in Slovakia is based primarily on its ability to provide a range of public services that go beyond food production alone and on the ability of the rural economy to generate new sources of income and employment while preserving the culture, environment and heritage of rural areas. Rural development is implemented through EU financial instruments and through operational programs where the emphasis is on eliminating regional disparities and on using natural resources to develop entrepreneurship in rural areas. Great emphasis is placed on the development of rural tourism and on the use of land, forests and pastures for business. There is a room for establishing social enterprises, which are not-for-profit private organizations providing goods and services directly related to their explicit aim to benefit the community from economical and social area (Saxunova, Schurmann, 2015; Melovic et al, 2019; Nacka et al, 2019).

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