



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

## *Second National Networking Workshops*

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# **The State of the Art of the National Agricultural Policy Measures - Budgetary Transfers Analysis for Bosnia and Herzegovina**

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# Content

1. Introduction remarks
2. Motivation
3. Methodology
4. Draft of the results made by APM tool:
  - 4.1. Total budgetary support to agriculture on state and entity level
  - 4.2. The budgetary support to agriculture by pillars
  - 4.3. The analysis of the 1st pillar (market and direct producer support measures)
  - 4.4. The analysis of the 2nd pillar (structural and rural development measures)
5. Instead conclusion
6. Future steps

# Introduction remarks (1)

- ❑ Bosnia and Herzegovina (BiH) is organised as a highly decentralized state where the policy-related competencies are divided among the State, Entities and the Brcko District of BiH
- ❑ The State level competencies in the agricultural sector are assigned to the BiH Ministry of Foreign Trade and Economic Relations (MoFTER) and its Sector for Agriculture, Food, Forestry and Rural Development (SAFFRD), on Entities' level these are the Ministries of Agriculture, Water Management and Forestry and Department of Agriculture of the Brcko District of BiH
- ❑ Entity ministries have majority of competencies in the agriculture sector such as the creation of agricultural policy and rural development policy and implementation of the budget in the form of subsidies.

## Introduction remarks (2)

- ❑ Given the autonomous agricultural policies of BiH's Entities and Brčko District, the structure of these measures is different.
- ❑ Actually, agricultural policy in BiH does not exist; it is aggregate of entities', cantons' and Brčko District's, policies which **practically have no coordination**. Such a policy is unstable and very dependent on the political orientation, committed to serve "goals of self-interest" rather than strategic goals.

# Motivation (1)

- ❑ The volume and type of budgetary transfers to agriculture are important for agricultural policy analysis. A consistent and reliable policy measure database is the base for effective agricultural policy-making.
- ❑ Problems in collecting adequate and analytical data for deeper analysis of agricultural policy from all levels (entity, canton, DB). Thanks to work of LRT, BiH prepared APM table necessary for budgetary transfer analysis.
- ❑ Main characteristics of BiH AP (on all levels): evident problems in all points of policy cycle (no transparency, unstable financing for implementation, control system is not efficient ...)

# Motivation (2)

- The goal of this presentation is to present the results of the analysis of the BiH agricultural budget as synthesis (aggregate) of entities and DB agro-budgets, based on relevant documents (reviews) that existed in the Federation of BiH (including cantons), the Republika Srpska and District Brcko in recent years (period 2002-2012), collected by members of LRT.
  
- Objectives:
  1. Present the draft of the results made by APM tool (changes over the years in volume and scope of measures at the aggregate level and by group of measures, detailed analysis of the measures within the main groups of measures, ...).
  2. Underline main open issues (quality and availability of data, classification of the measures, presentation and understanding of results) and future steps

# Methodology (1)

- Agricultural Policy Measures (APM) database for Bosnia and Herzegovina was created using a common classification and systemization template (prepared by Volk and Rednak), which enables the qualitative and quantitative analysis of implemented agricultural policies (on state and entity level)
- The classification is primarily based on measures used in the EU, in combination with the OECD approach.
- With APM classification, all agricultural policy measures are grouped in three main pillars:
  - Pillar 1 - Market and direct producer support measures,
  - Pillar 2 - Structural and rural development measures, and
  - Pillar 3 - General measures related to agriculture.
- APM model also includes Miscellaneous transfers to agriculture - for the transfers missing information to allocate them into the appropriate categories)
- Period of analysis: 2002-2012



# Methodology (2)

- Review of agricultural policy measures refers to the measures that were implemented by the entity (RS and FBiH) MAWMMF (+ Department for agriculture of DB) and is made on the basis of annual allocation and utilization of funds (budget) for support in agriculture.
- The names of group or individual of measures are usually very general (especially in RS) and thus do not provide (even basic) information about the concrete type of support.
- Reports are often given in the aggregate forms (grouping of production - for example, support for livestock, support of all kinds of fattening, etc.).
- Details on implementation are sometimes not compatible (example: market intervention (Pillar 1) and emergency intervention (Pillar 3) are together) and thus are analytically useless..
- In some cases, one measure of the Programme is linked to several regulations.

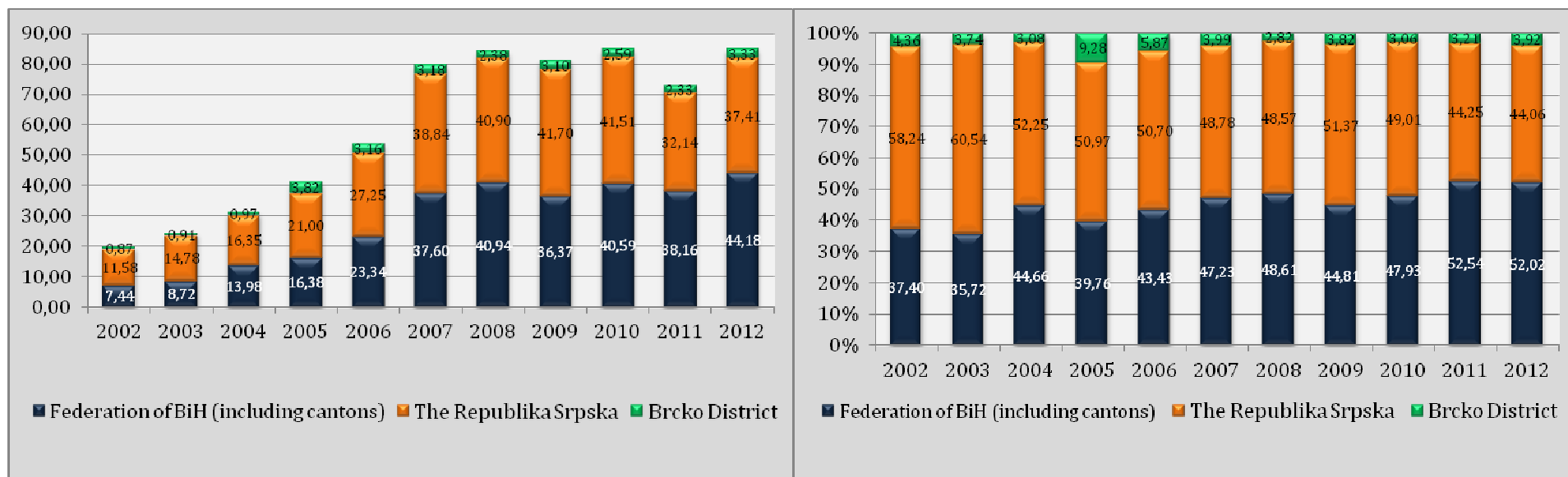
# DRAFT RESULTS

## made by APM tool

# Agricultural policy in BiH

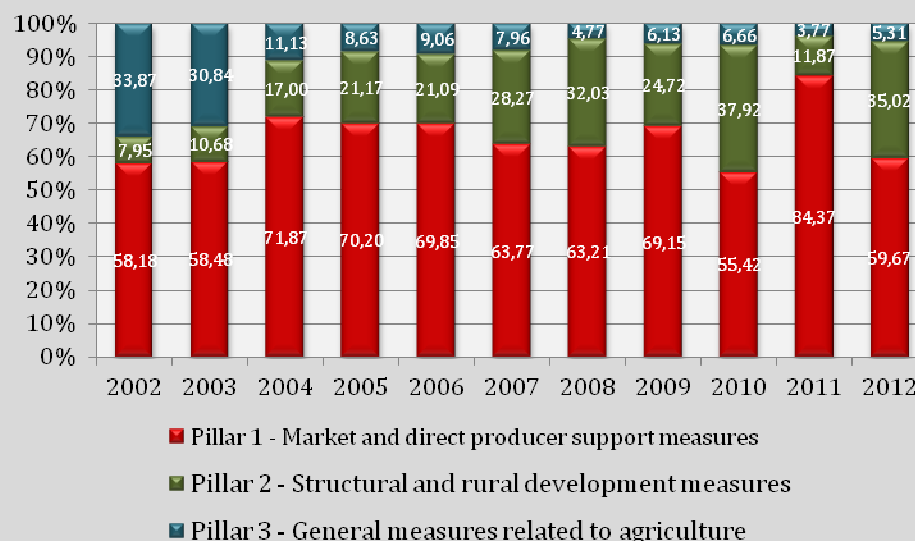
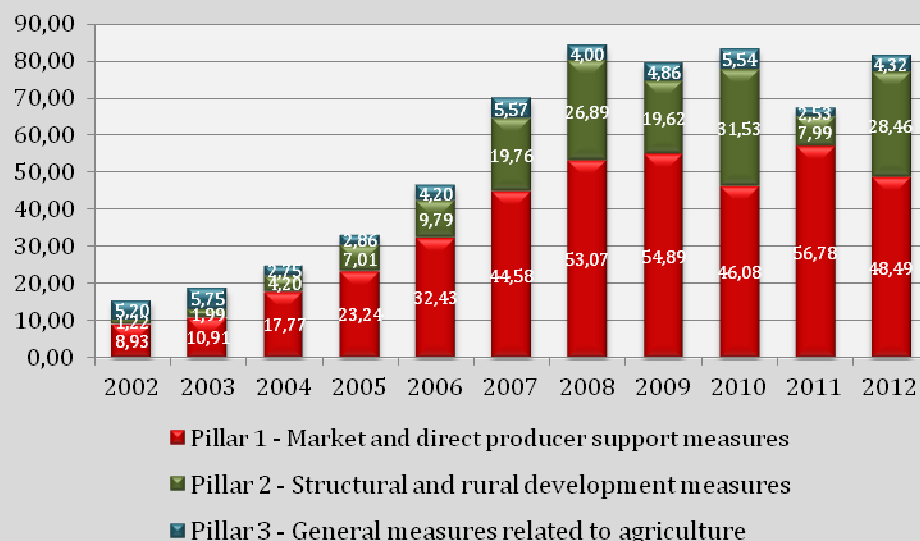
- ❑ Post war agricultural policy in BiH can be divided into three periods:
  - ❑ **The first**, which refers to time period up to 2002, in which the prevalent character of support was social, not economic, reduced to a small number of agricultural production (e.g. milk and tobacco in the Federation of BiH),
  - ❑ **The second**, from 2002-2006, in which the budgetary support extended to a wide range of agricultural productions but with modest and insufficient amounts, and
  - ❑ **The third**, starting from 2007, to the present, which adds the structural support measures for rural development (through the so-called capital investment), with significantly increased amounts at all three levels of administrative support (the Entities and Brčko District).

# Total budgetary support to agriculture



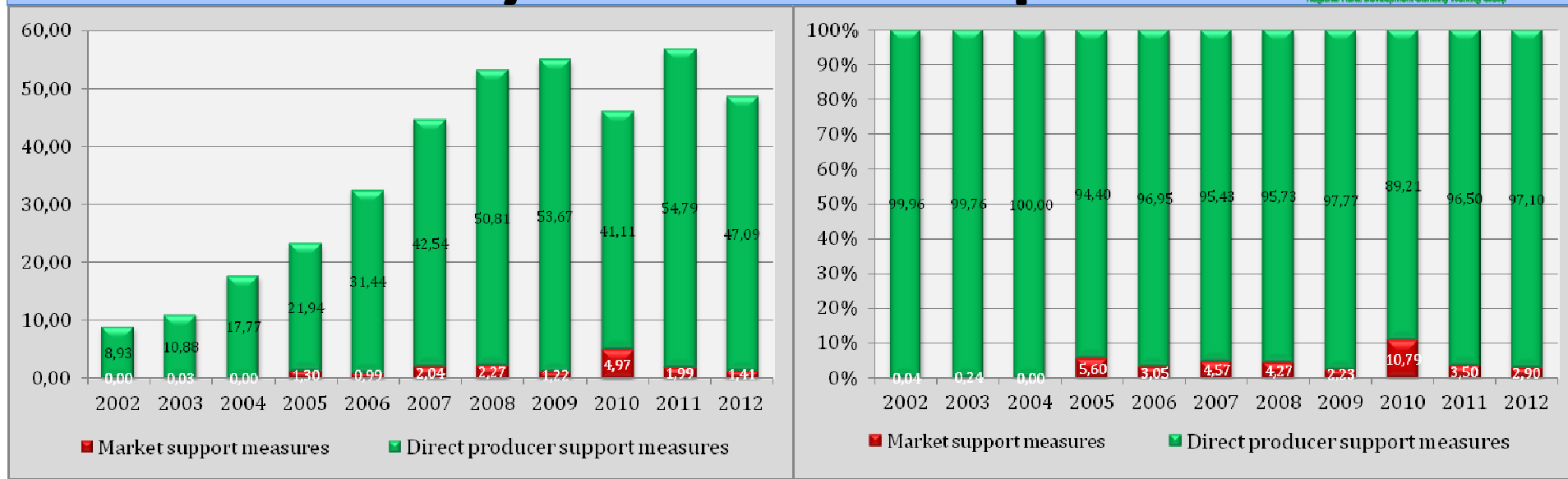
- ❑ From 2007 significantly increased amounts at all three levels of administrative support (the Entities and District Brcko), and till 2012 with small deviation (2011) the same level of support – on state level 80-85 mill. EUR
- ❑ From 2002 to 2010 a higher share of budgetary support to agriculture in RS than in FBiH in total BiH budget, but in 2011 and 2012 situation is reversed.
- ❑ Total support in both entities and DB is still modest and far from the support of the EU countries, but also in comparison to countries in the region.

# The budgetary support to agriculture by pillars



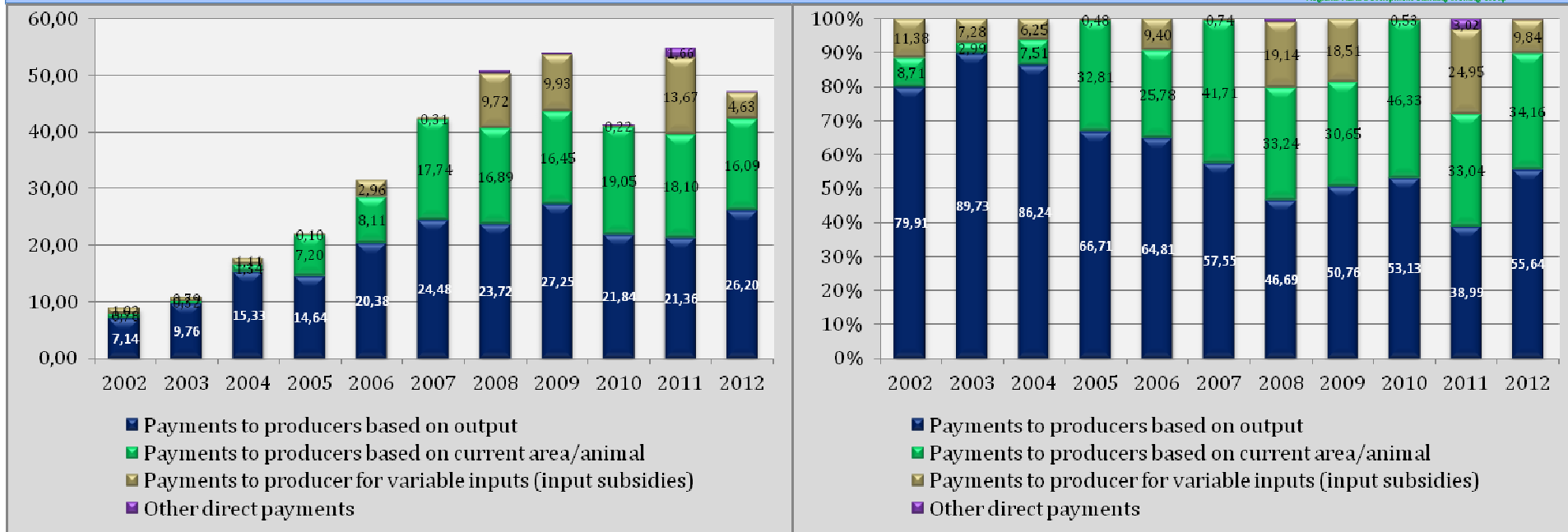
- In addition to changes in the amount of funds spent on support to agriculture in the analyzed period may be observed quite significant fluctuations of support per pillars.
- The largest share of total agro-budget has Pillar 1 - Market and direct producer support measures and ranges from 55-85%. The biggest support for this group of measures were in 2011 and amounted to 57 mill. EUR
- Since 2007, significant changes in the structure of total support to agriculture and increased allocations for Structural and rural development measures. Except in 2011, in the other years this share was at approximately 1/3 and is mainly related to the various forms of investment in agriculture.
- General measures related to agriculture – relatively stable in terms of amount and structure (between 4 and 5.5 mill EUR)

# The analysis of the 1st pillar



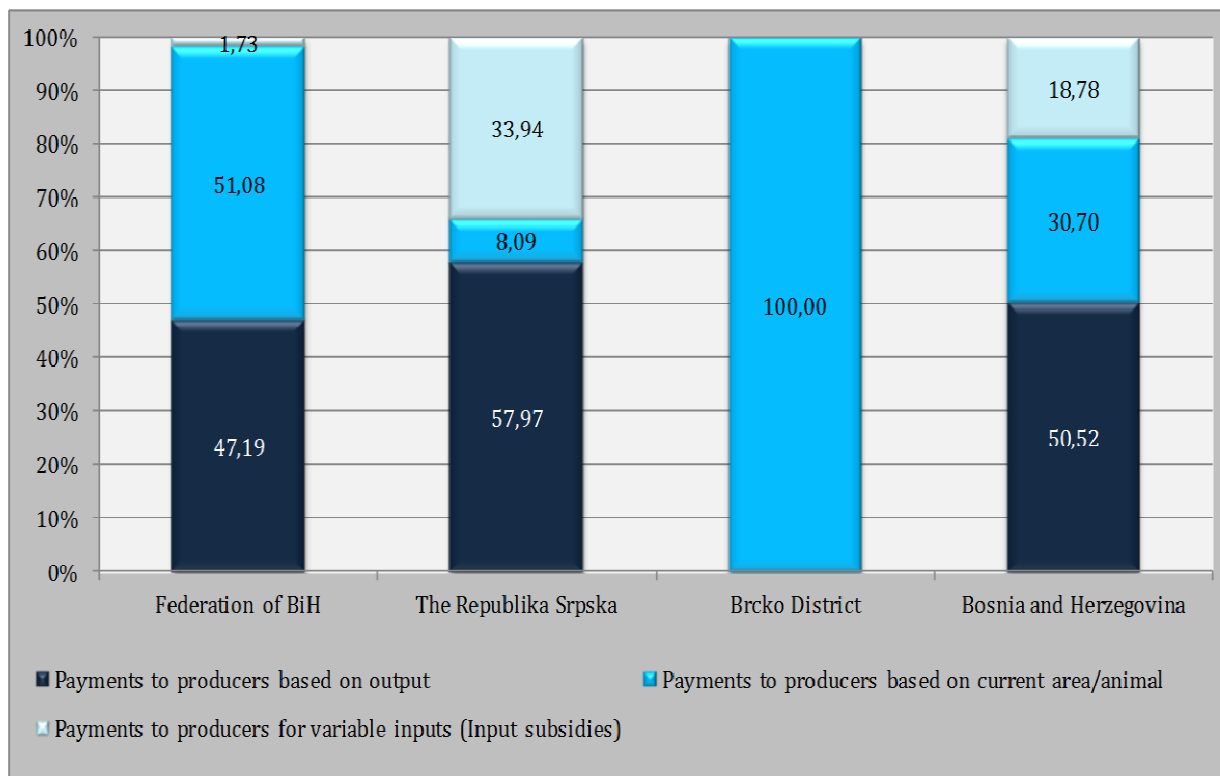
- Market support measures – very modest allocations
- Market intervention measures rarely used, mostly in years with extreme weather conditions and consequent effects of market disruption.
- Export subsidies – very rarely used (some allocation in 2012)
- Most of the support goes through various forms of direct support to producers

# The analysis of the direct payments



- ❑ The majority of direct support payments go through to producers based on output (the so-called premium) - 2007-2012 quite stable allocations (25-27 mill. EUR), in relative terms, slightly declining share of the total direct support.
- ❑ Since 2007, a significant share of payments to producer based on current area / animal (between 30 and 45%), especially in the Federation of BiH and DB.
- ❑ In recent years, except for 2011, an important participation and payments to producers for variable inputs (input subsidies), particularly in the RS.
- ❑ General characteristic of DP in BiH. - Different approaches and allocations depending of entity and its agricultural policy

## The structure of direct producer support measures in 2009 in BiH by entities and and Brcko District; In %



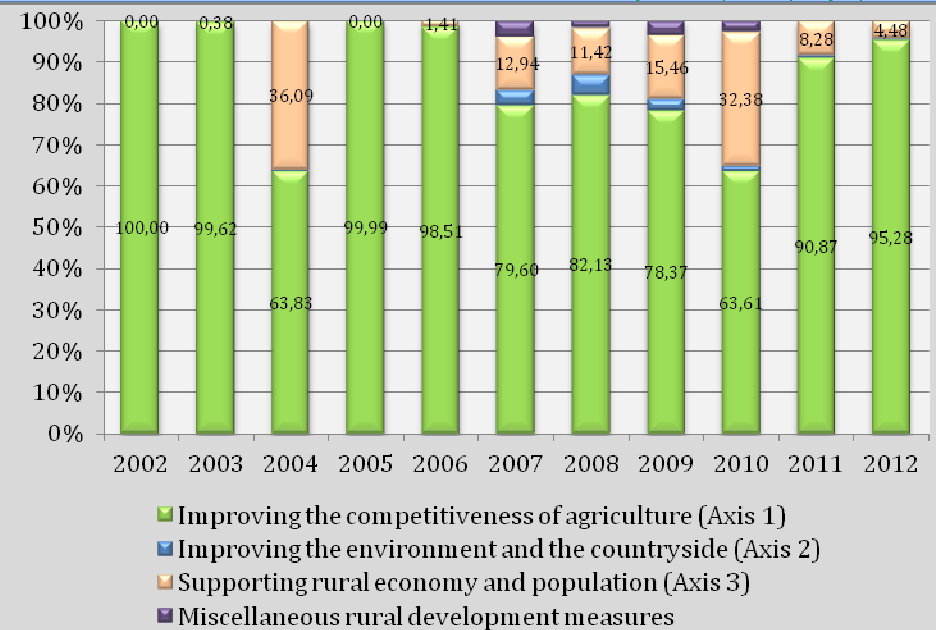
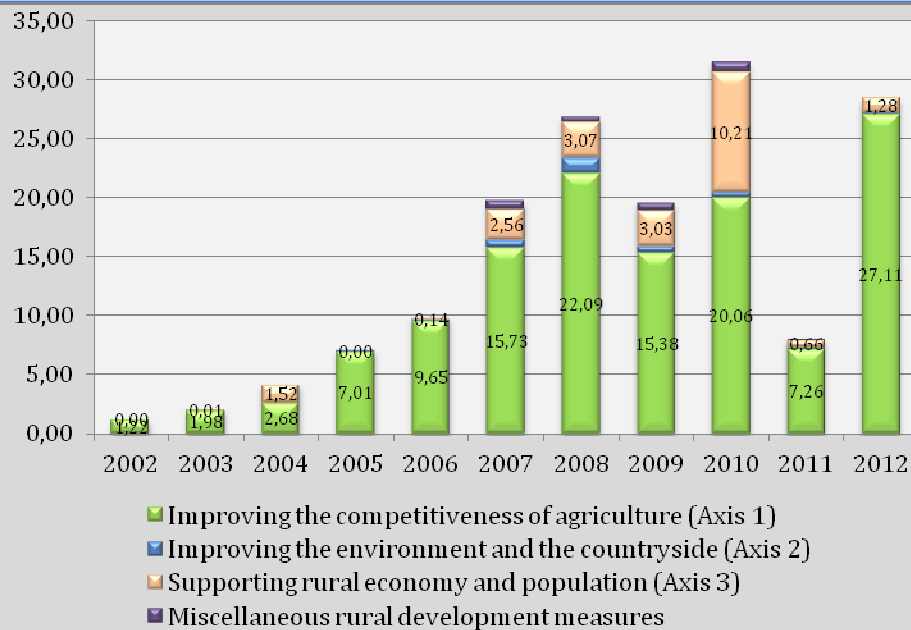
❑ All three units (entities and BD) create individual strategic documents, as well as rules and regulations governing support to farmers in BiH. This approach lead to uneven and unequal position of the BiH agricultural producers.

❑ Examples:

- ❑ Support system for cow-calf: FBiH 400 KM/head, RS 300 KM/head, BD 200 KM/head
- ❑ Support for wheat production: FBiH – 0.12 KM/kg (2010), 500 KM/ha (2011); RS – Subsidies only for variable inputs, BD – 300 KM/ha



# The analysis of the 2nd pillar



- ❑ Since 2007, much greater support for measures of Pillar 2, except for 2011 year when it was a major decline. Total allocation goes up to 30 mill. EUR (2010).
- ❑ The measures for environmental protection almost do not exist. The same state is for support to the diversification of the rural economy. Very modest support for Axes 3 mainly goes to improving of infrastructure.
- ❑ The support for improving the competitiveness of the agricultural sector is predominant in Pillar 1 and composed mostly of on-farm investment support.

# Instead conclusion (1)

- The low level of administrative analytical capacities on all levels (entities, cantons, DB).
- Lack of transparency in reporting
- Data is often insufficient for deeper analytics
- Numerous measures are still far from those used in EU countries
- BiH will, like all other countries seeking to join the EU need to fully adopt the EU's rules on agricultural policy and thus to give up on its policy. It means to improve control and information systems, agricultural land surface area records, livestock identification system. These systems can be efficiently established if the national policy accepts such a mode before accession.

## Instead conclusion (2)

- ❑ Since 2007, the support of the agricultural sector in BiH has been stabilized and ranges from 80-85 million EUR.
- ❑ Total support, due to its own entity (DB) agricultural policy is different in the entities, both by scope and the and structure.
- ❑ The most important part of the support goes through Pillar 1 and direct support to producers.
- ❑ Support from Pillar 2 is still quite modest, especially support for environmental protection (Axis 2) and rural economy (Axis 3).

# Future steps

- Development of capacity for all points of policy cycle (programming , implementing, monitoring and evaluation) at all levels (state, entity, DB, cantons) – especially analysis of agricultural policy
- Strengthening of capacity of entity MAFWM and invest in necessary infrastructure for analytic work.
- Further education of administration on modern management of public policies



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**Thank you for your attention!**

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