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Direct payment schemes and level of harmonization with Common Agricultural Policy in Bosnia and Herzegovina

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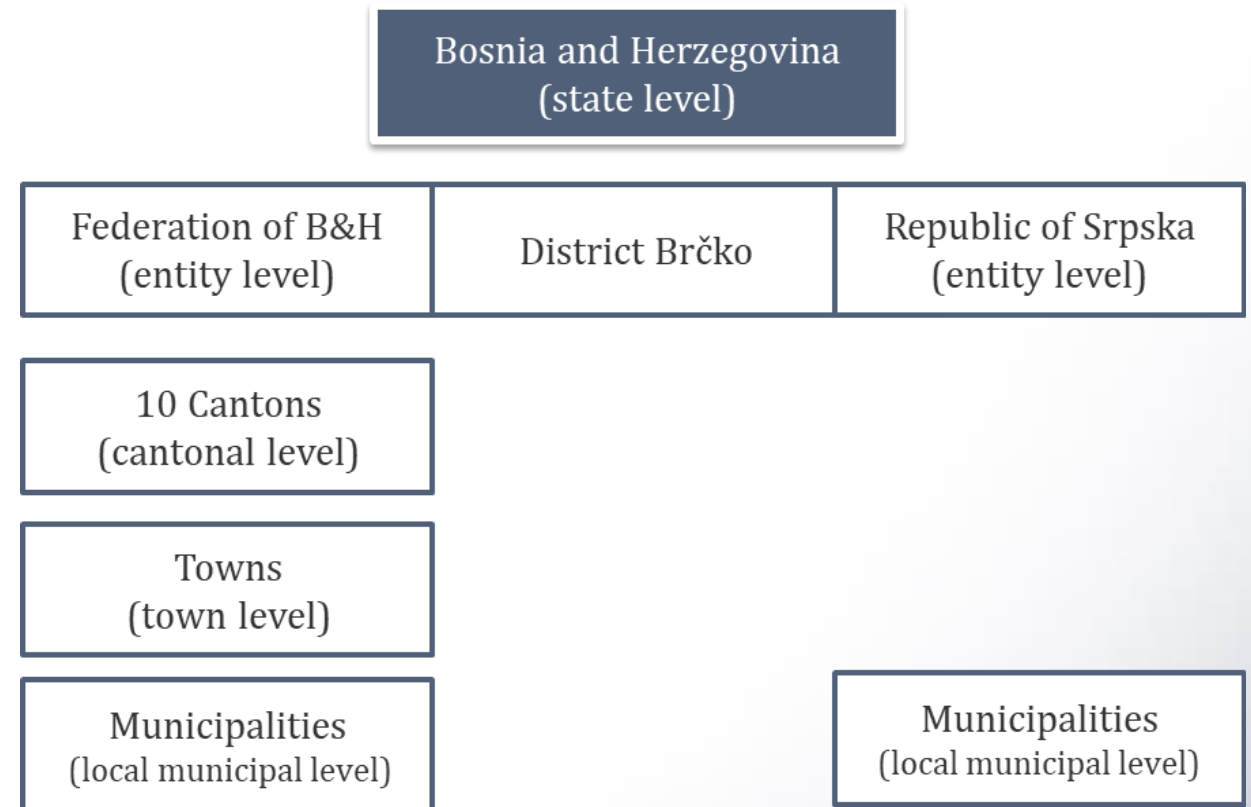
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Introduction remarks

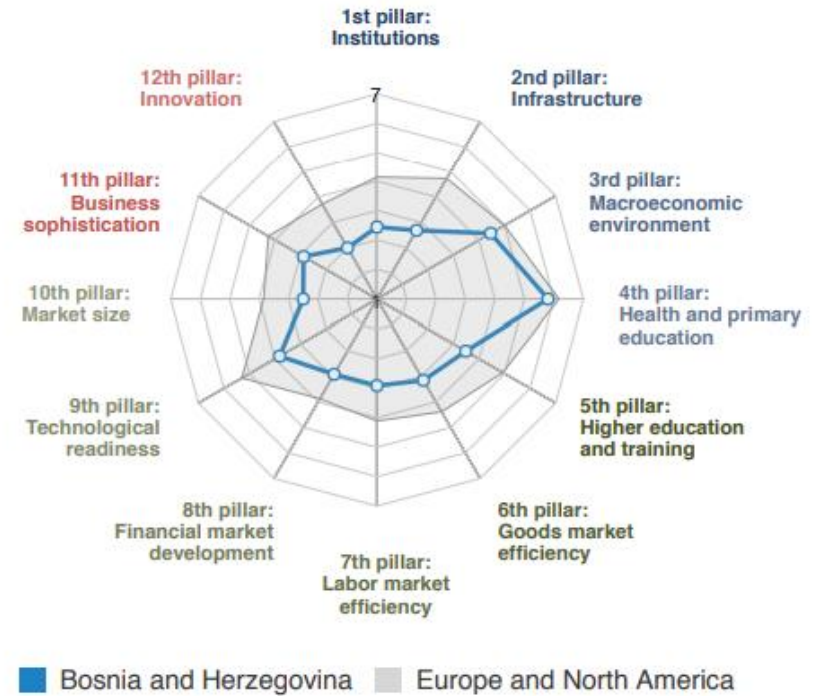
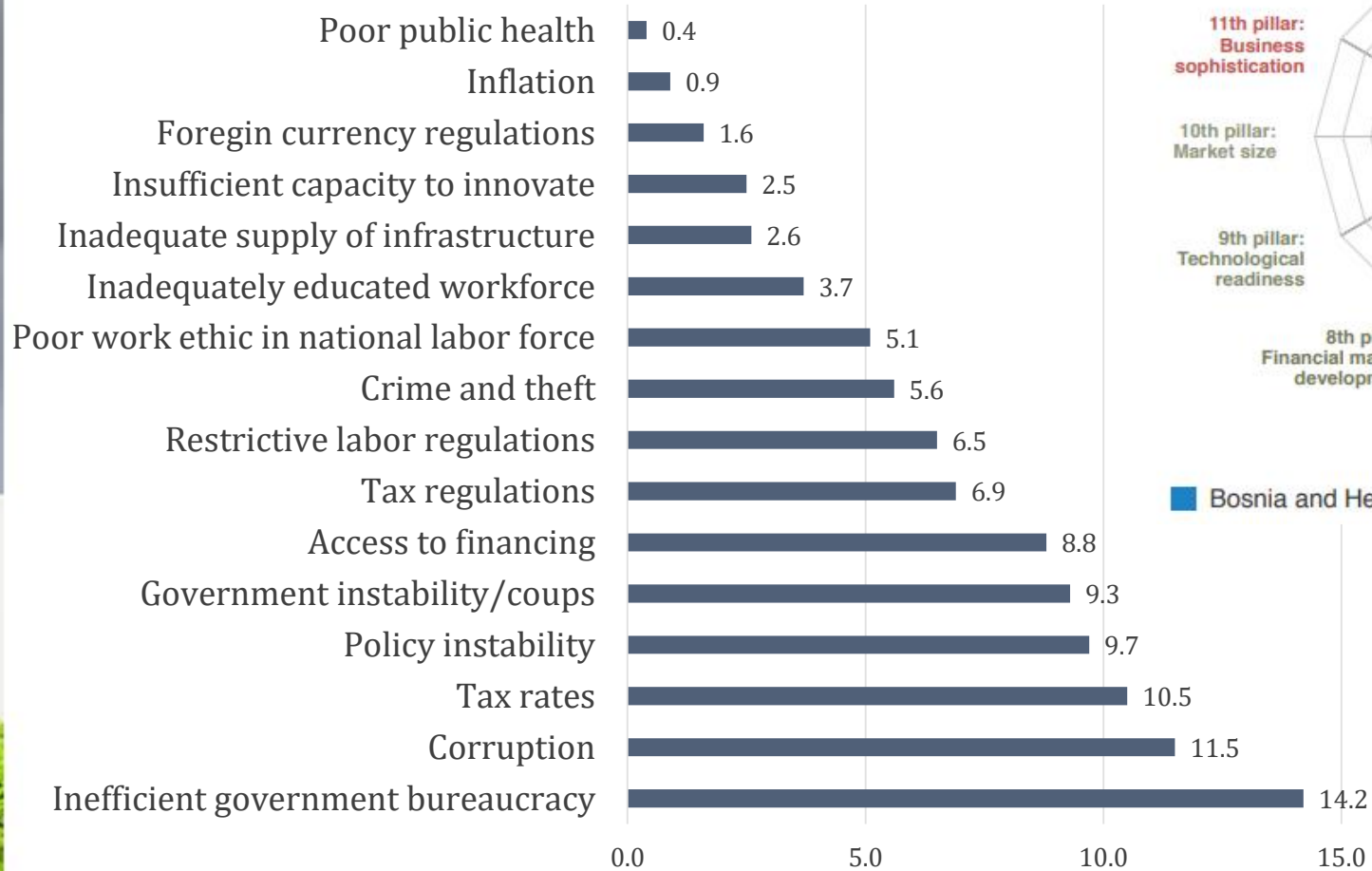
- Complex political and economic system and state structure;
- Socio-political and economic crisis since 200; (global crisis plus lack of political will for reforms)
- Slow progress towards EU;
- Potential candidate from June 2003;
- Visa facilitation and readmission agreements (2008);
- Interim Agreement on Trade and Trade-related issues (2008);
- The Stabilisation and Association Agreement (2015);

Figure 1 - Administrative structure of Bosnia and Herzegovina



Introduction remarks

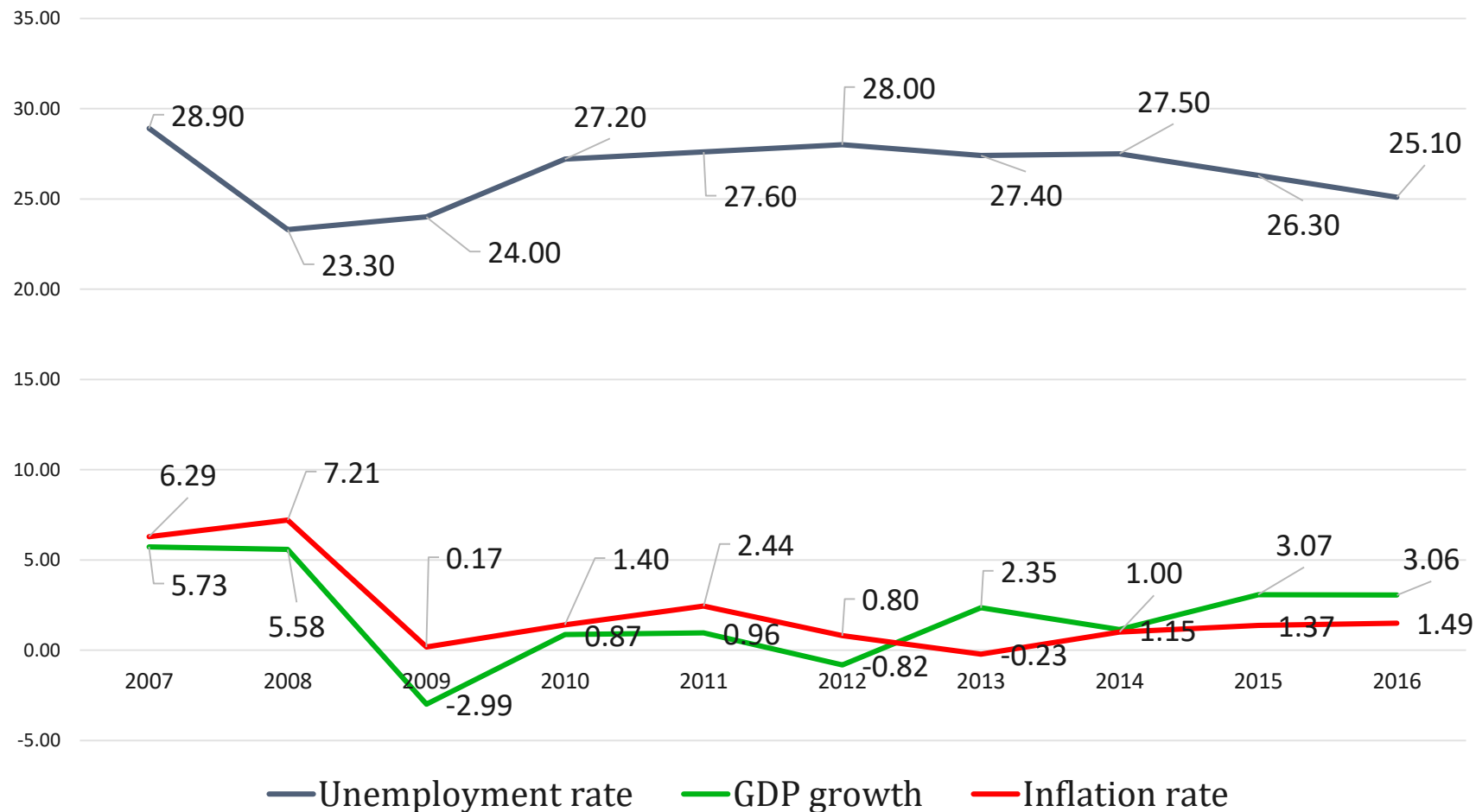
Figure 2 - Competitiveness Index of Bosnia and Herzegovina



Source: World Economic Forum, Global Competitiveness Index 2017-2018 edition for Bosnia and Herzegovina, Available on <http://reports.weforum.org/global-competitiveness-index-2017-2018/countryeconomy-profiles/#economy=BIH> Access: 11.01.2018.

Economic development of the country

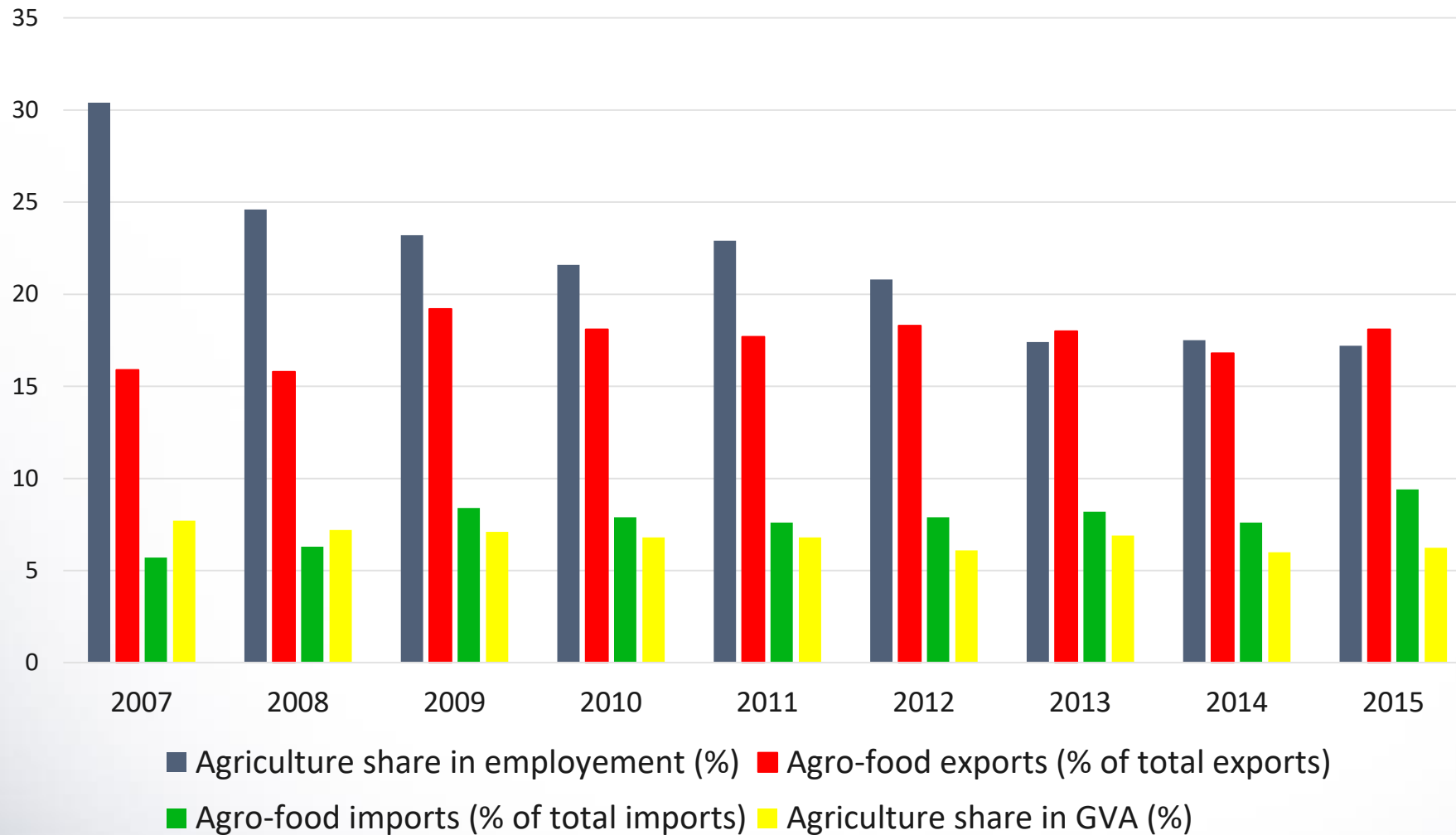
Figure 4 - Main macroeconomic indicators



Source: World Bank, 2018. available on: <https://data.worldbank.org/country/bosnia-and-herzegovina> access: 5/4/2018.

Agricultural development of the country

Figure 5 – Agriculture in the economy



Agricultural policy development

Table 1 – Overview of main strategic documents

Agriculture and rural development strategy	National programme/action plans	IPARD II
<ul style="list-style-type: none"> • Mid-term Development Strategy for the Agricultural Sector in the Federation of Bosnia and Herzegovina (2015-2019) • Strategic Plan for the Development of Agriculture and Rural Areas in the Republika Srpska (2016-2020) 	<ul style="list-style-type: none"> • Rural development Program for the Federation of Bosnia and Herzegovina 2015-2020 (2014, not adopted) 	<ul style="list-style-type: none"> • In preparation since 2014

- The documents are made in a modern manner, using all the elements of the policy cycle - planning, implementation, monitoring and evaluation.
- Gradual introduction of measures similar to the CAP EU – without measure that are not in line with CAP EU;
- Reduction of direct payments based on output, strengthening payments per hectare/head of livestock;
- Harmonization of agricultural policy with the EU CAP;

Agricultural budget and Direct payment schemes

Materials and methods

- analysis was done for period 2010-2017 Agri-Policy Measures (APM) methodology developed by Rednak and Volk (2010).
- uniform classification of agricultural budgetary support that is created using the current EU concept based on the policy pillars as a basic starting point, combined with the OECD PSE classification

Market and direct producer support measures

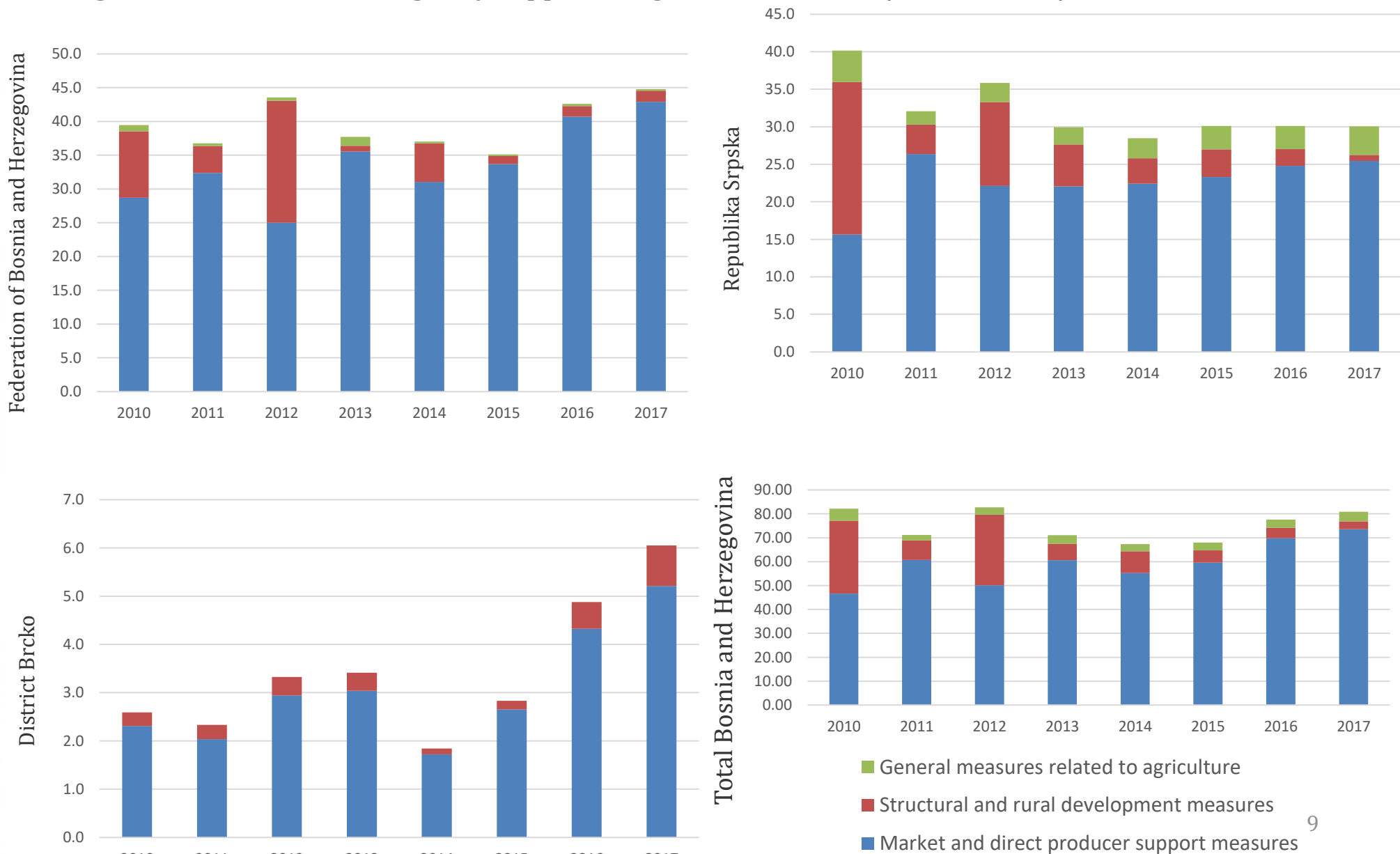
Structural and rural development measures

General measures related to agriculture

Market and direct producer support measures	
Market support measures (export subsidies; market interventions; public stockholding costs)	
Direct producer support measures	
Direct payments and variable input subsidies	
Direct payments to producers (further disaggregated according to the implementation criteria)	
Variable input subsidies (further disaggregated according to the type of input)	
Disaster payments and other compensations to producers (further disaggregated according to the implementation criteria)	
Miscellaneous (direct producer support)	
Structural and rural development measures	
Improving the competitiveness of the agricultural sector	
On-farm investment and restructuring support	
On-farm investment support (general; permanent crops; land improvement; others)	
Other on-farm restructuring support (start-up aid; adapting to standards; participating in food quality schemes; others)	
Agro-food restructuring support	
Support relating to agricultural infrastructure (hydrological and other land infrastructure; land consolidation; other)	
Food processing support, marketing and promotion (investments in food processing; marketing and promotion actions; producer groups; other)	
Forestry support	
Improving the environment and the countryside	
Payments to farmers in areas with natural constraints (areas facing natural or other specific constraints; protected areas; further disaggregated according to the implementation criteria)	
Agro-environment-climate-animal welfare payments (further disaggregated according to the implementation criteria)	
Other environment-related payments	
Supporting rural economy and population	
Diversification of activities on farms	
Other measures to support rural economy and population (business creation and development; rural infrastructure and village development; other; LEADER)	
General measures related to agriculture	
Research, development, advisory and expert services (research and development; extension services; vocational training; expert services)	
Food safety and quality control (veterinary control; plant health control; quality control)	
Other general support measures (farmer's and other non-governmental organisations; information systems; technical assistance; others)	
Miscellaneous	

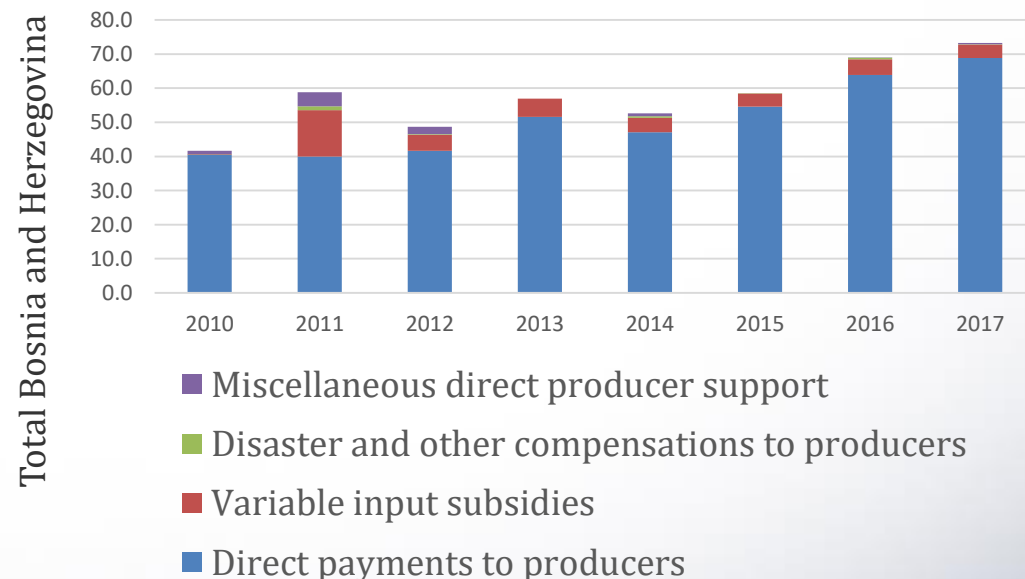
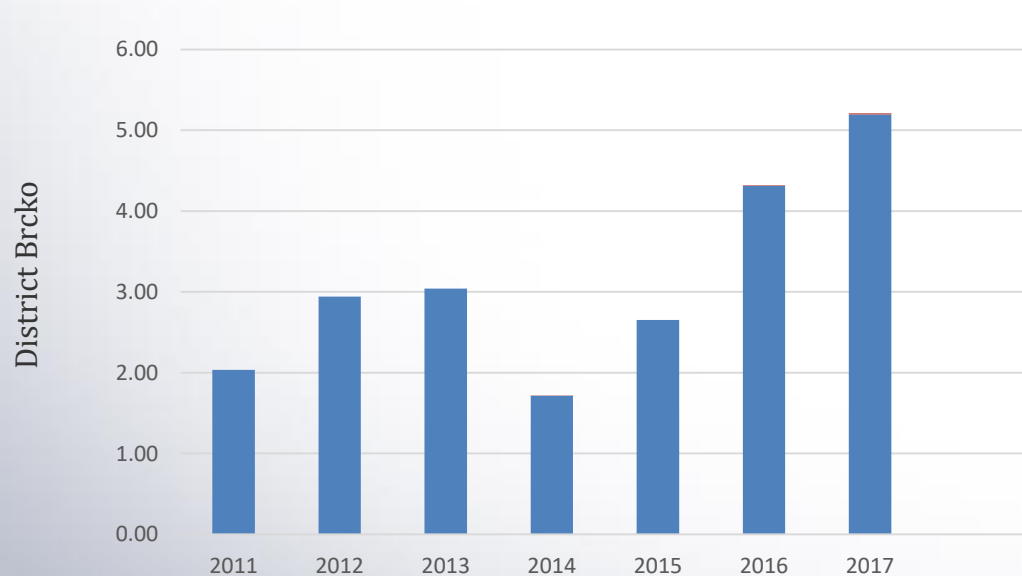
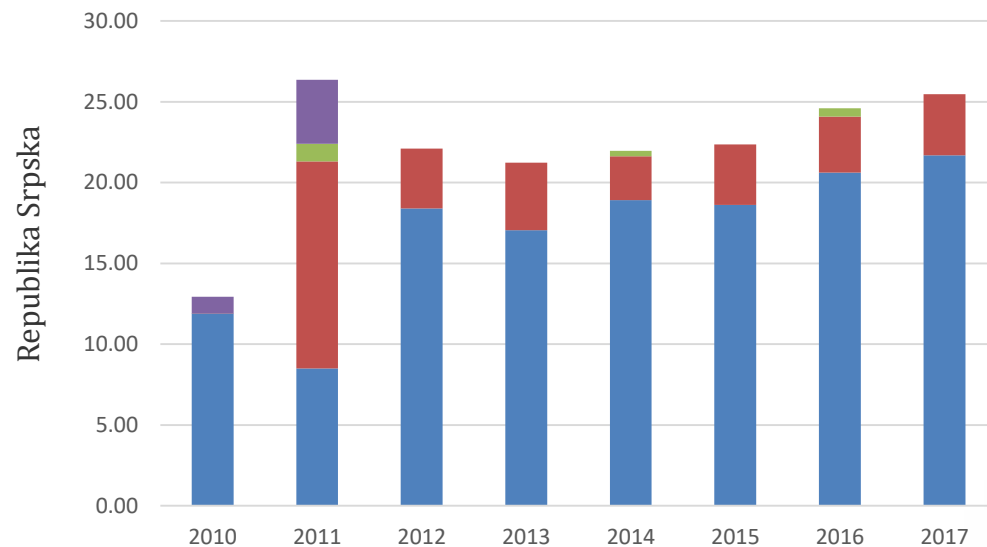
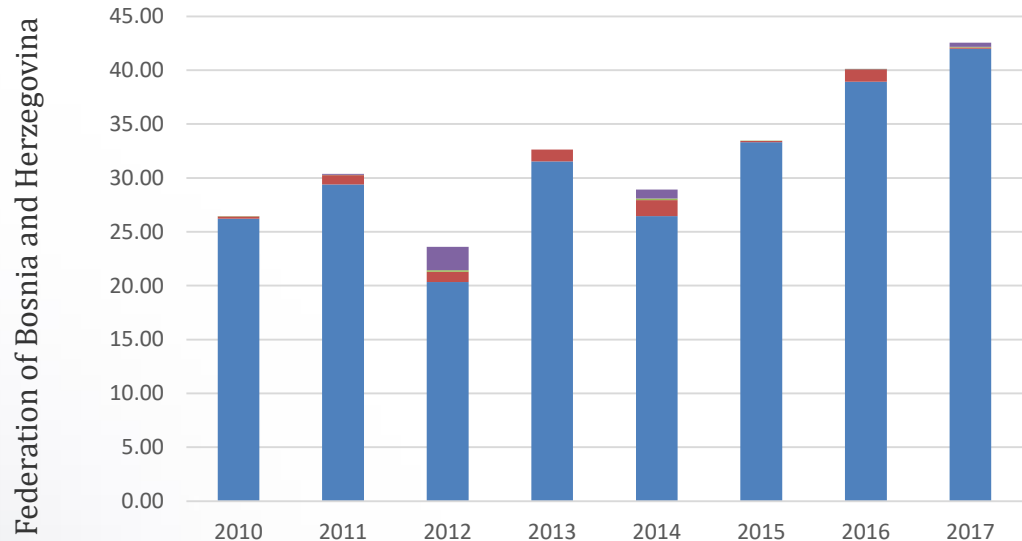
Development of budgetary support for agricultural

Figure 6 – Overview of budgetary support in agriculture in B&H (million euros), 2010-2017



Direct payment schemes

Figure 7 - Overview of direct producer support in Bosnia and Herzegovina (million euros), 2010-2017



Direct payment schemes

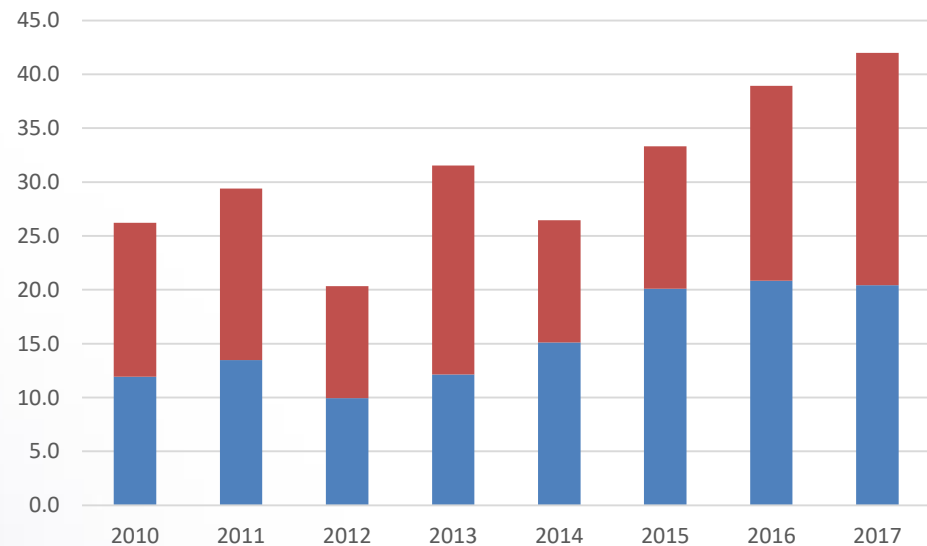
Table 2 - Number of implemented direct farm support schemes by type of payment

Type of payment	Federation of BiH		The Republika Srpska		Brcko District	
	2010	2017	2010	2017	2010	2017
Output payments	9	2	7	9	0	0
Area payments	3	10	1	1	6	10
Payments per animal	8	9	9	10	10	13
Input subsidies	0	0	0	1	0	0
Direct payments (total)	21	21	17	21	16	23

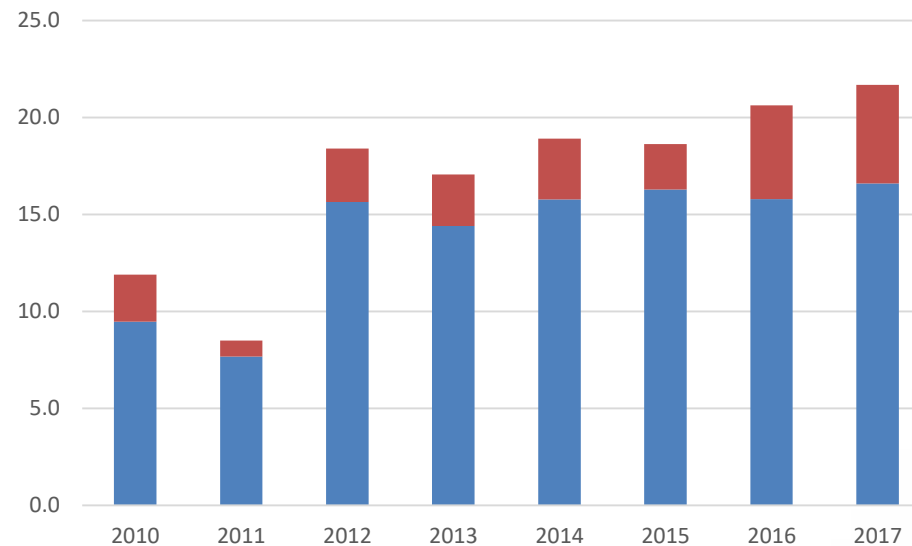
Direct payment schemes

Figure 8 - Overview of direct payments for producers in Bosnia and Herzegovina (million euros), 2010-2017

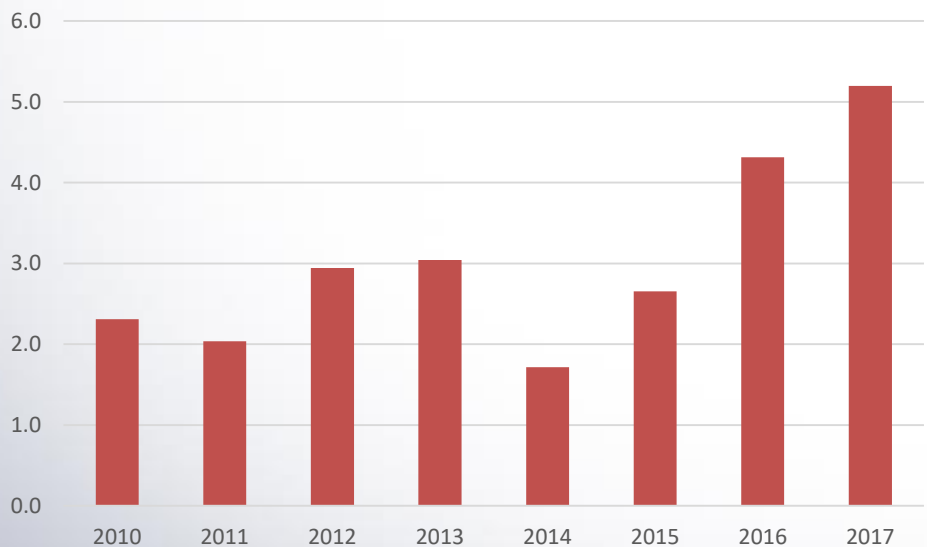
Federation of Bosnia and Herzegovina



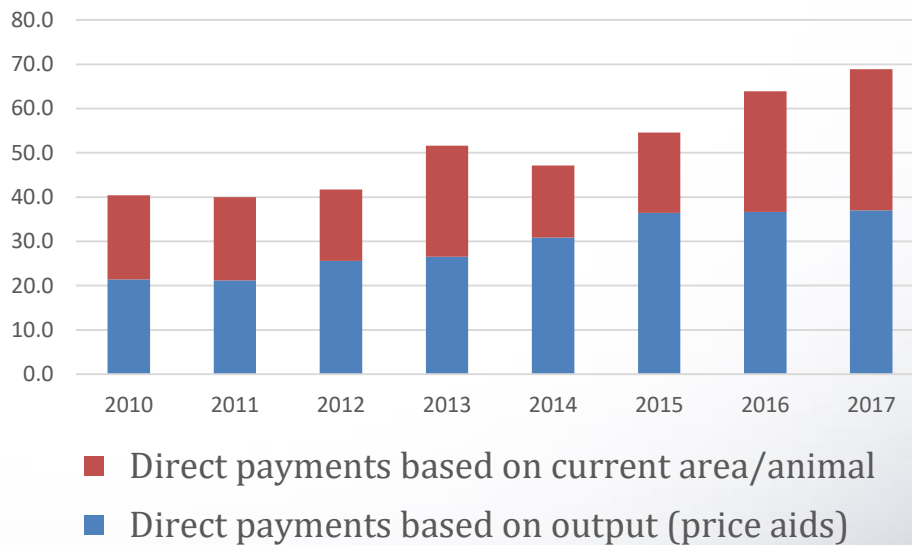
Republika Srpska



District Brčko



Total Bosnia and Herzegovina



- Direct payments based on current area/animal
- Direct payments based on output (price aids)

Conclusion

- Agricultural policy in Bosnia and Herzegovina show high level of instability and lack of consistency with mid-term strategic goals;
- Different agricultural policies for each of administrative units, as each of the units has right to create and implement policies;
- Measures that they develop are different, where majority of support (in a range of 80-90%) represents direct producer support;
- Direct producer support as a priority measure consist different schemes, where some of them (output support) are against CAP philosophy;
- Even strategic documents are developed and based on a principles of modern policy creation, their implementation is still missing;
- Government is reluctant to perform some (radical) reforms to improve situation;

Conclusion

- B&H authorities clearly expressed desire to unblock stalled EU integration process and to make serious steps forward, to work on reforms.
- Necessary institutions of IPARD structures still missing;
- Distortion policies should be reduced and replaced by new one;
- Institutional and legal framework needs to be radically restructured, to be the basis for modern, flexible and sector-oriented agricultural administration at all levels;
- Priority should be given to creation of precise operational plan for taking over the *Acquis* and to the adoption of missing laws and working out a plan to establish missing institutions and mechanisms necessary for the efficient management of the sector.

The ***gradual introduction of CAP elements*** will facilitate the modernization of agriculture and public administration as well as the adoption of EU legislation, and consequently speed up the EU integration process





Thank you for your attention!

Q & A

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