

# Agricultural Policy Developments in SEE

17 – 18 October 2018

Jahorina, Bosnia and Herzegovina



## Importance of agriculture

- has decreased slightly, but remains high

	AL		BA		XK		MK		ME		RS	
	2013	2017	2013	2017	2013	2017	2013	2017	2013	2017	2013	2017
GVA for agriculture (% of total GVA)	22.4	22.7	8.3	7.1	14.4	11.9	11.4	10.9	9.8	9.6	9.4	7.3
Employment in agriculture (% of total employment)	52.5	38.2	18.9	18.9	n/a	n/a	18.7	16.2	n/a	n/a	21.3	17.2

## Agri-food trade

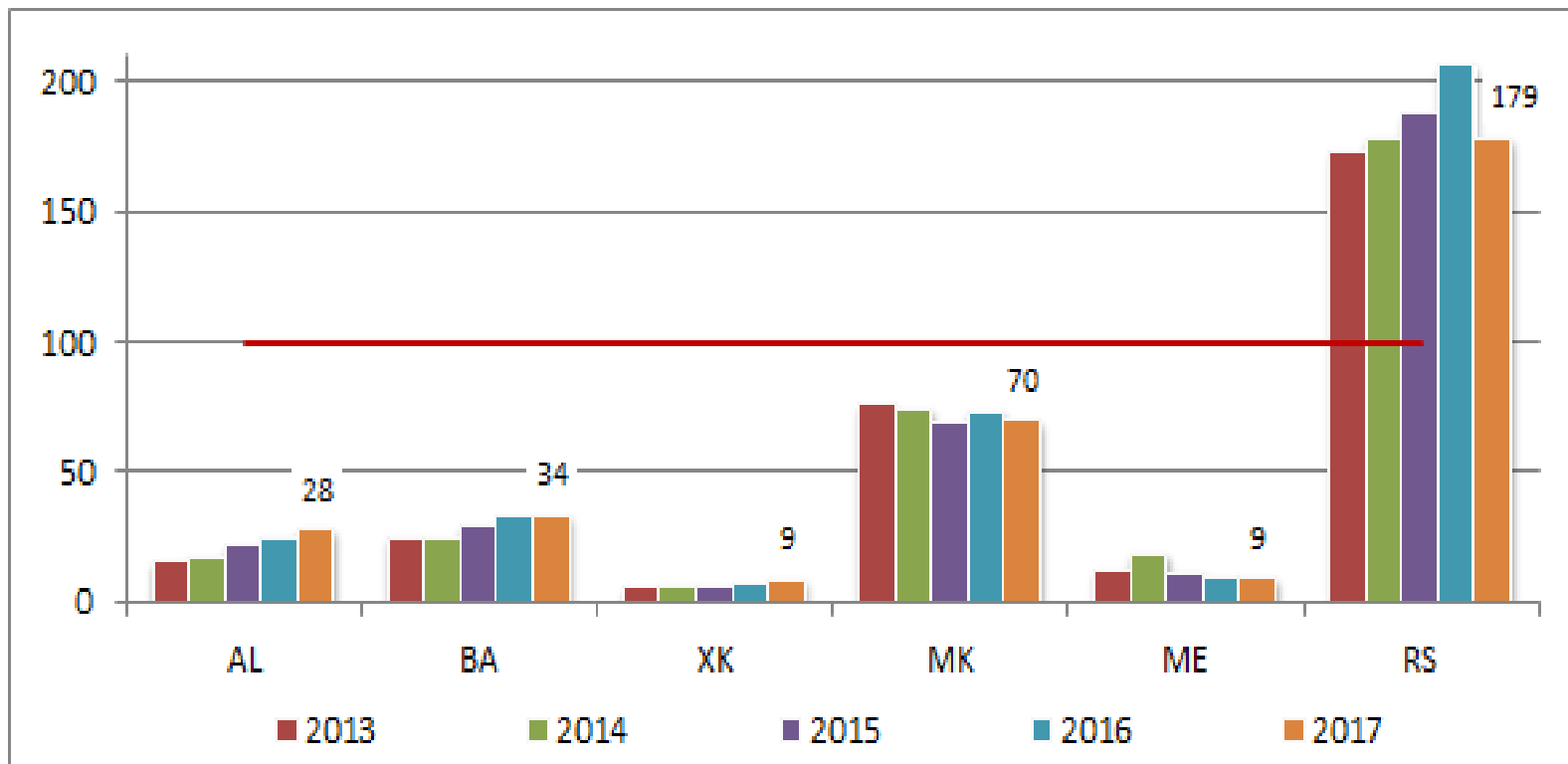
- has shown an increasing trend in all six WB countries, with higher growth rates generally being recorded for exports than for imports

	AL		BA		XK		MK		ME		RS	
	2013	2017	2013	2017	2013	2017	2013	2017	2013	2017	2013	2017
Agri-food exports (% of total exports)	5.9	11.0	8.2	9.6	11.9	16.2	15.3	10.6	14.2	12.9	18.9	18.7
Agri-food imports (% of total imports)	18.7	17.0	18.0	17.4	23.8	22.8	13.0	11.1	26.3	22.0	7.7	8.1

Source: WBs Agricultural Statistics Database 2018

# Agri-food trade 2013-17 (mio. EUR)

*(exports as proportion of imports)*



Serbia had a positive agri-food trade balance and its surplus generally shows an increasing trend.  
All the other WB countries are net importers of agri-food goods.

## ➤ Programming structure exists, but what about implementation?

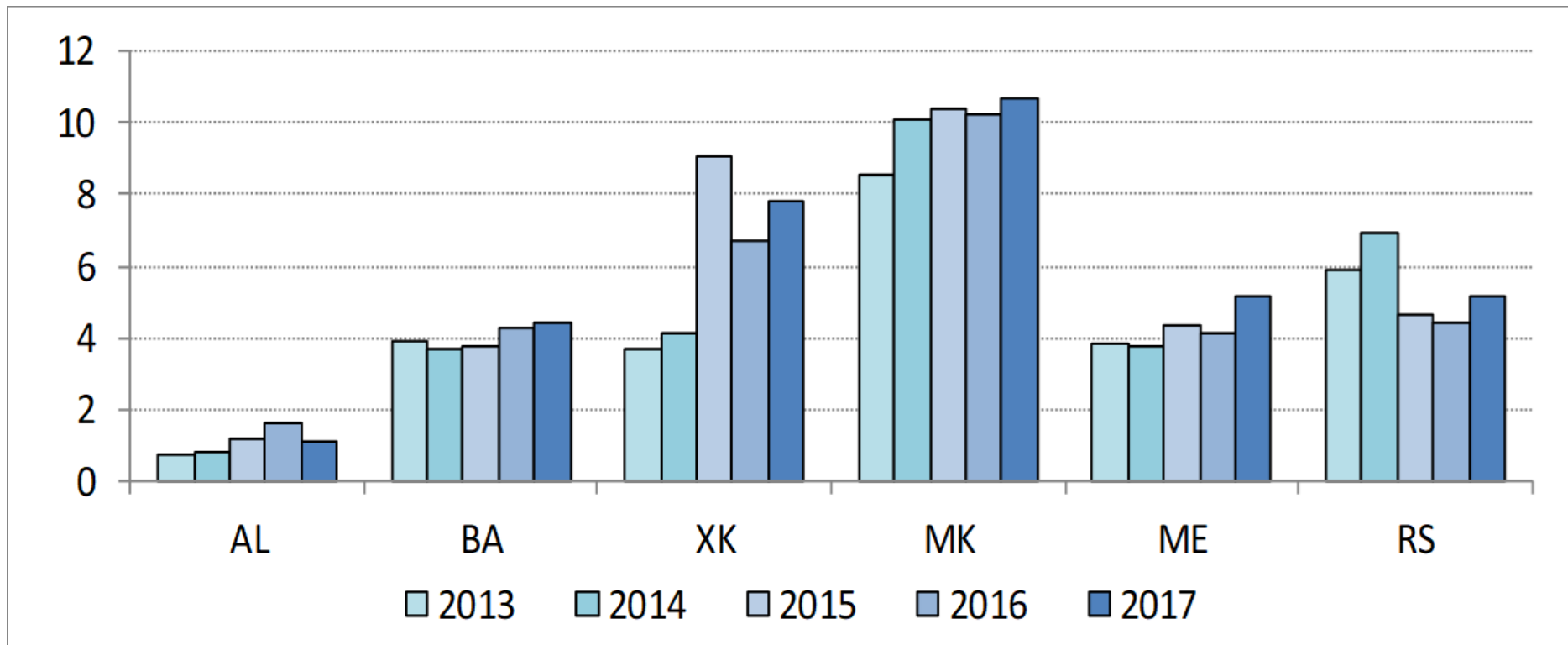
	Agriculture and rural development strategy	National programmes / Action plans	IPARD II
AL	National Agriculture and Rural Development Strategy (ISARD) 2014-2020 (2014)	Action Plan for ISARD implementation 2014-2020 (2014)  Action Plan for ISARD implementation 2016-2018 (2016)	Prepared and approved by EC (2015)
BA	Mid-term development strategy for agricultural sector in the Federation of Bosnia and Herzegovina 2015-2019 (2014)  Strategic plan for the development of agriculture and rural areas in the Republic of Srpska 2016-2020 (2015)  Strategic plan for the Rural Development of Bosnia and Herzegovina 2018-2021 (2018)	Program for Rural development of the Federation of Bosnia and Herzegovina 2015-2020 (2014)	In preparation (since 2014)
XK	Agriculture and Rural Development Program 2014-2020 (2013)	Mid-term expenditure framework 2016-2018 (2015)  Economic reform programme 2016-2018 (2016)	Prepared
MK	National Agriculture and Rural Development Strategy 2014-2020 (2014)	National program for agriculture and rural development 2018-2022 (2018)	Prepared and approved by EC (2015)
ME	Strategy for the Development of Agriculture and Rural Areas 2015-2020 (2015)	Action Plan for <i>acquis</i> alignment, Chapter 11 – Agriculture and Rural Development 2015-2020 (2015)	Prepared and approved by EC (2015)
RS	Strategy of Agriculture and Rural development 2014-2024 (2014)	National Program for agriculture 2018-2020 (2017)  National rural development program 2018-2020 (in adoption)	Prepared and approved by EC (2016)

## Different candidate status and status with regard to the use of IPARD funds

	EU accession status	IPARD
Albania	Candidate since 2014 Waiting to open accession negotiation	+
Bosnia and Herzegovina	Potential candidate	-
Kosovo*	Potential candidate	-
Macedonia	Candidate since 2005 Waiting to open accession negotiation	+
Montenegro	Candidate since 2010 In negotiation process	+
Serbia	Candidate since 2012 In negotiation process	+

\*This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

## Total budgetary support (relative, % of agricultural output)

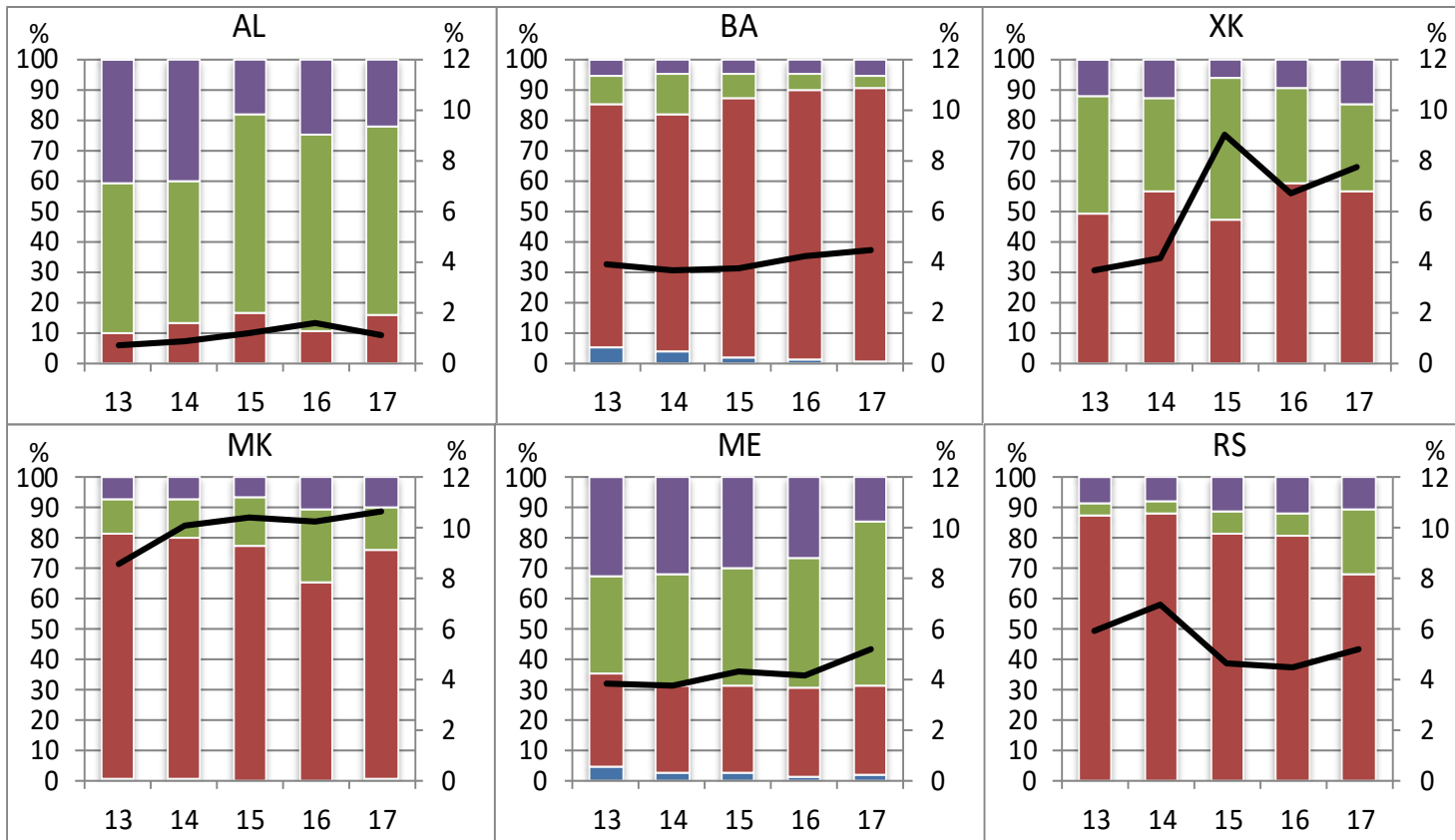


- Significant differences. High increase in Kosovo\*.
- Highest level in Macedonia and lowest in Albania.

# Budgetary support to agriculture

## Total budgetary support

Evolution and composition by groups of measures (%)

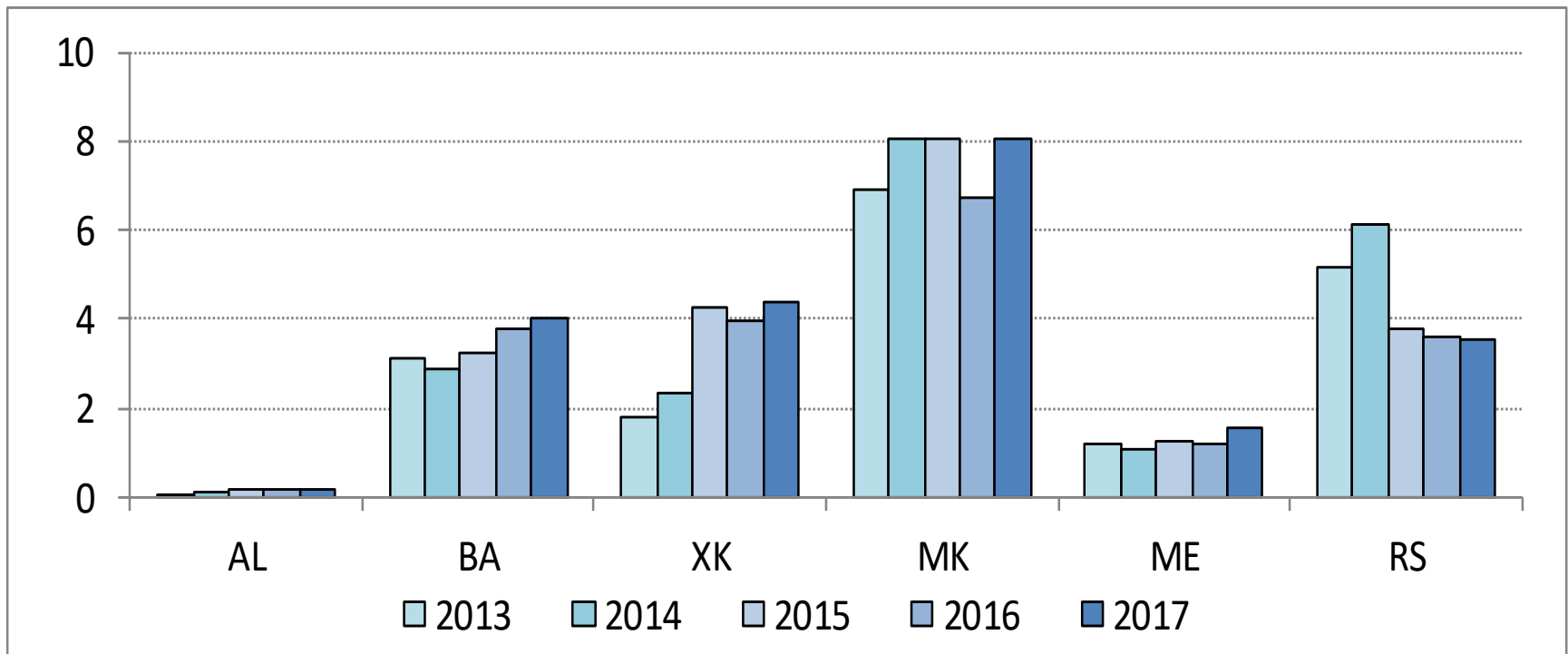


BA,RS and MK high level of **direct producer support**.

Tendency: higher support for agriculture: higher level of direct producer support!

- OTHER MEASURES RELATED TO AGRICULTURE
- STRUCTURAL AND RURAL DEVELOPMENT MEASURES
- Direct producer support measures
- Market support measures
- TOTAL % of output (right scale)

## Direct producer support (relative, % of agricultural output)

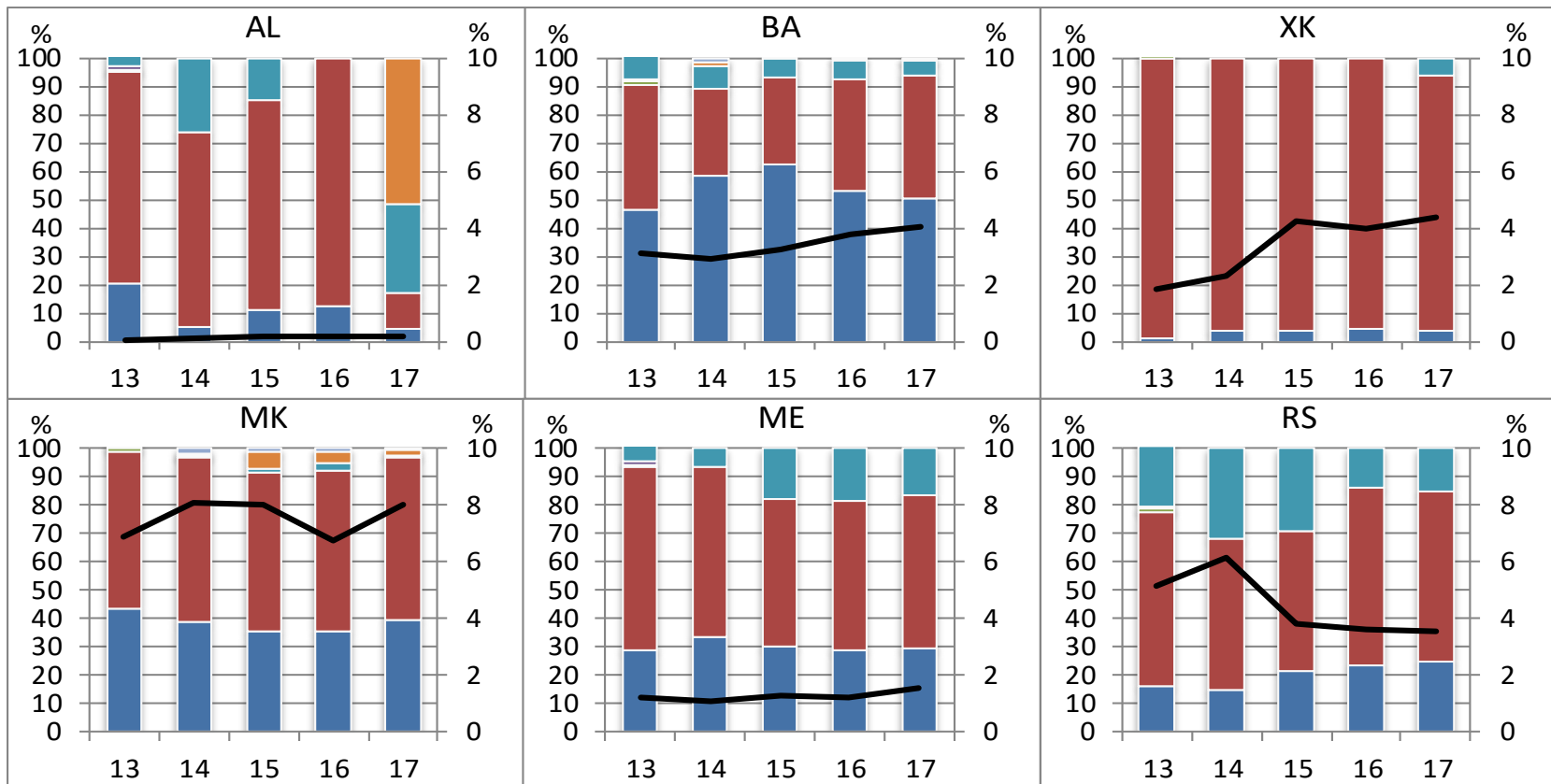


- Serbia: decreasing tendency; elsewhere increasing.
- Very low support in Albania, relatively high in Macedonia.



## Direct producer support

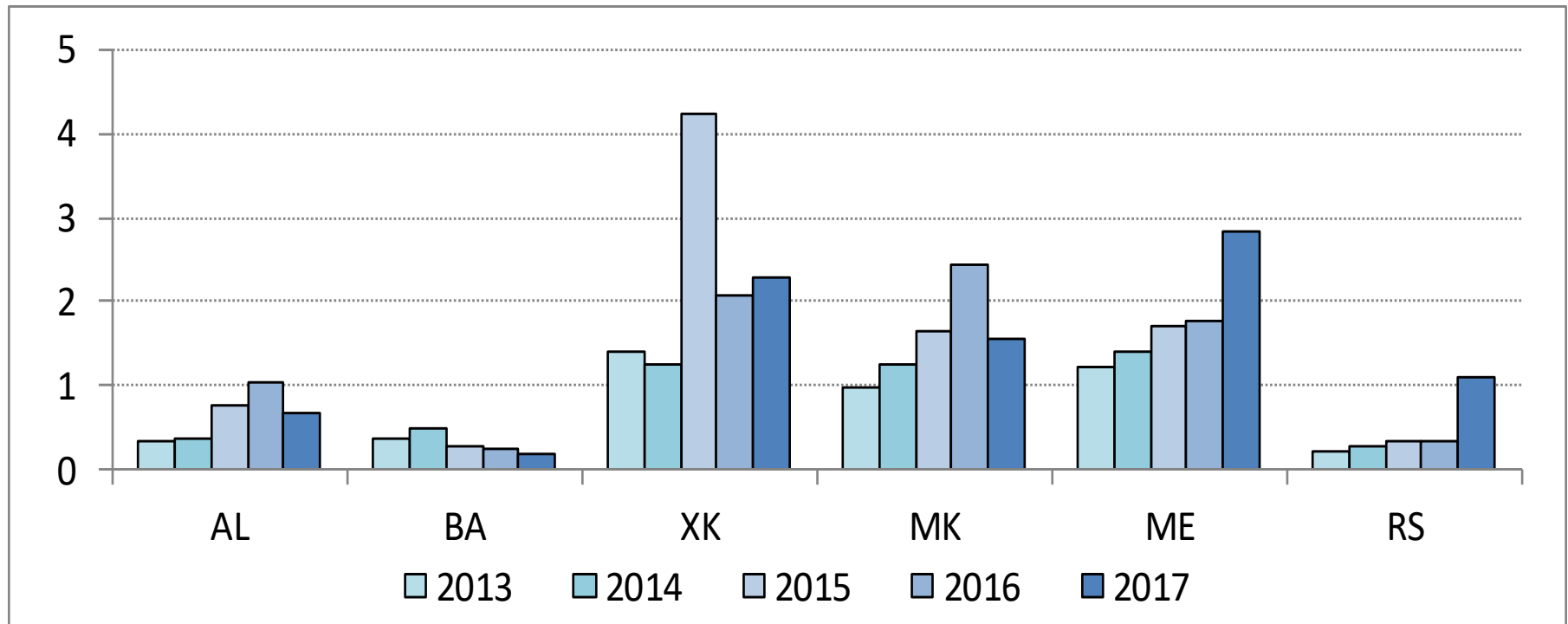
*Evolution and composition by groups of measures (index)*



- Miscellaneous direct producer support
- Disaster and other compensations to producers
- Variable input subsidies
- Direct payments based on current area/animal
- Direct payments based on output (price aids)
- TOTAL % of output (right scale)

## Structural and rural development measures

Relative level of structural and rural development support in WB countries,  
(% of output)



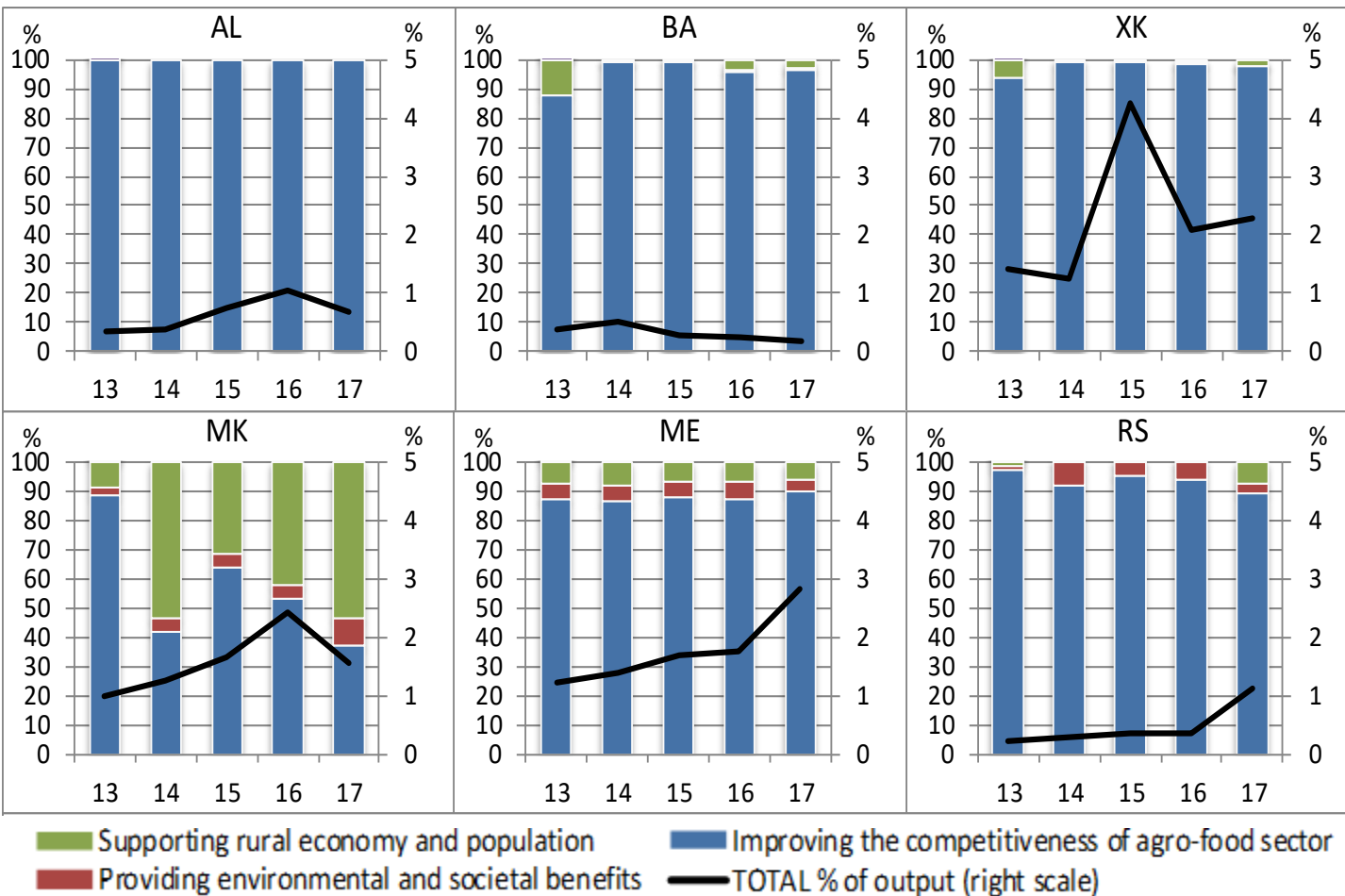
Agricultural budgets are **less development-oriented?**

- low absolute and relative amounts of funds
- impacts on development?

# Budgetary support to agriculture

## Structural and rural development measures

### Composition of structural and rural development support in WB countries



Funds **for improving the competitiveness** of agriculture prevail.

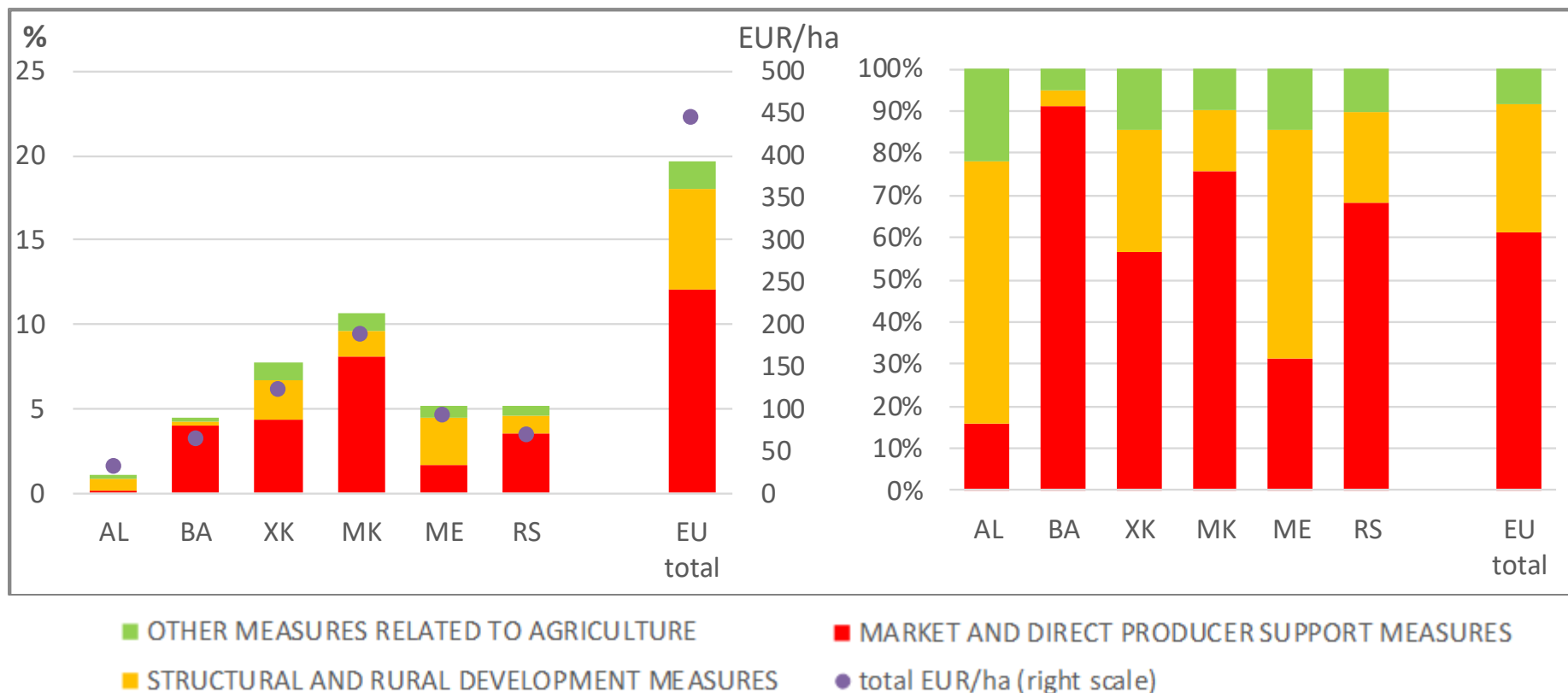
Mostly for capital investments in farm production assets and irrigation (MK).

Funds intended for **improving the environment** and **the countryside** are negligible in most WBs.

MK significant share of **rural economy** support measures.

## EU and WB: Relative level of total budgetary support

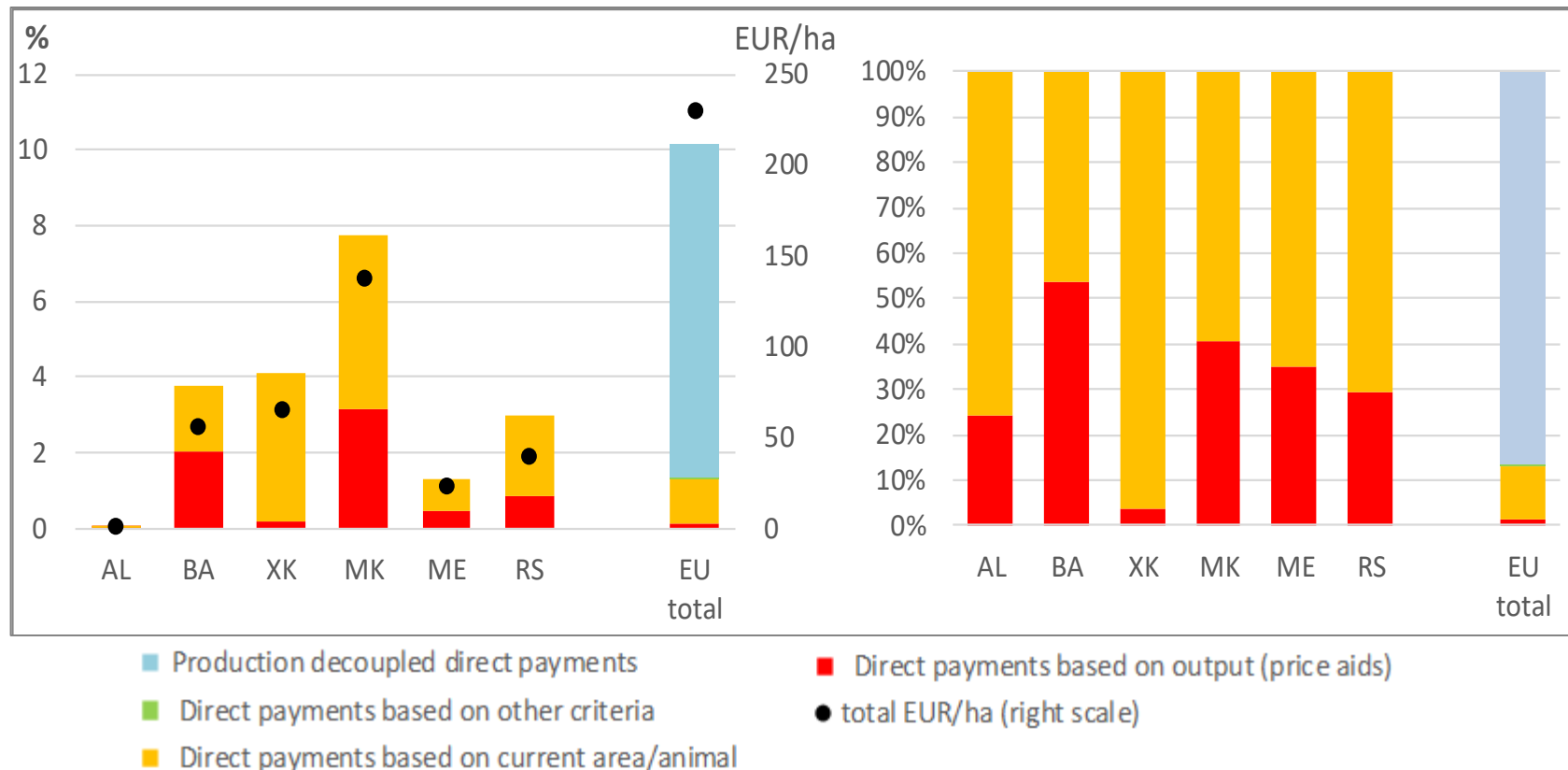
(by APM Pillars, % of agricultural output; EUR/ha), 2017



- Composition of support is different within the WB and compared to the EU.
- However, Member states in the EU have very different structures of support.

## EU and WB: Relative level of direct payments to producers

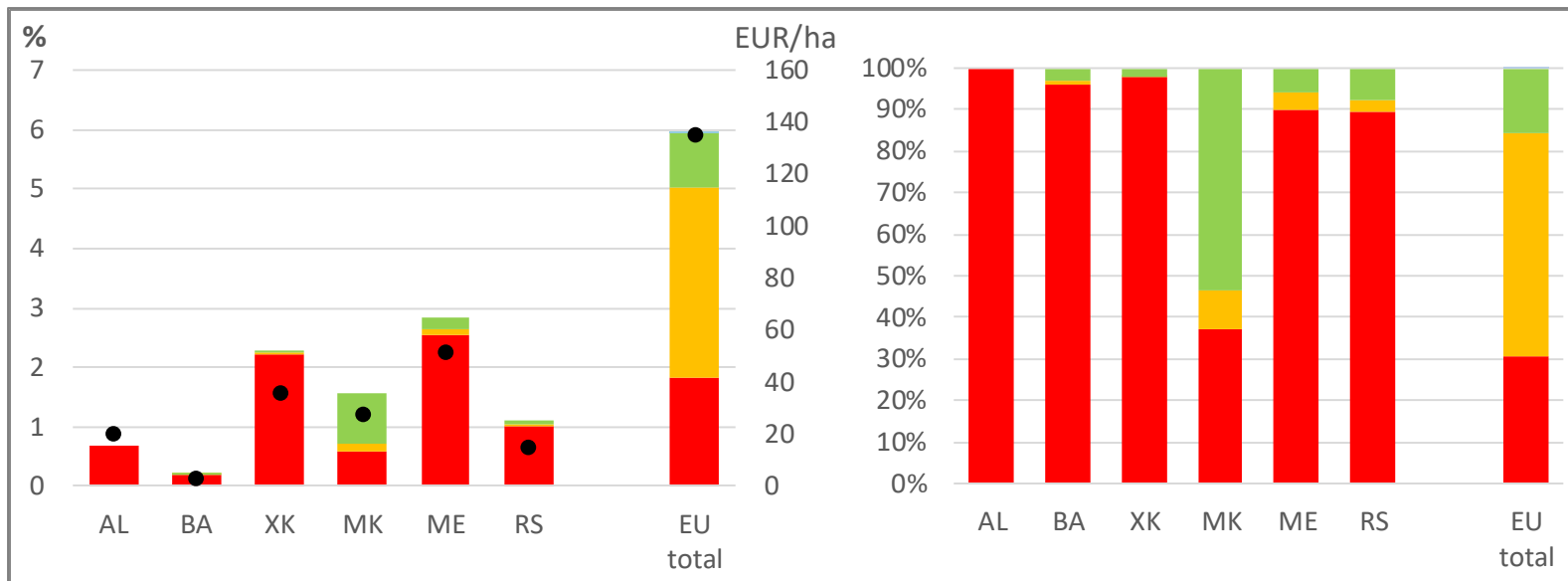
(% of agricultural output; EUR/ha), 2017



- No decoupled support in WB. Area and headage payments prevail.
- Output payments are a challenge for policy reforms!

## EU and WB: Relative level of structural and rural development measures

(% of agricultural output; EUR/ha), 2017



- Miscellaneous rural development measures
- Improving the competitiveness of agro-food sector
- Supporting rural economy and population
- total EUR/ha (right scale)
- Providing environmental and societal benefits

- The EU is seeking to balance the main elements of sustainability.
- In the WB, only MN is following this path at the moment.

## 1. Sustainable policy concept

- Commitment to sustainability, however production orientation prevails in implementation, weak AKIS and role of knowledge and development

### ***Recommendation:***

*Increase role of democratic decision-making and transparent functioning; improve/introduce training and a good personnel policy in the **public administration**; foster rediscovery of the role of **knowledge**.*

## 2. Strategic policy framework

- Clearly set strategic framework for agricultural policy, but announced changes do not appear; political willingness for change?
- Quality of analytical support? Quality of planning?

### ***Recommendation:***

*Improve national planning and analytical structures and adopt the strategic logic thinking; modernisation of implementation and monitoring*



## 3. Size and allocation of financial resources

- The funding level in the WB is not critical for the start of the accession process,
- ... however there is significant room for improvement for the finalisation!
- Certain countries are neglecting their rural development policies and favouring direct support, diminishing their absorption capacity.

### **Recommendation**

*It is necessary **to invest** into agriculture and rural areas to prevent too great a shock due to increased competition and to increase absorption in the pre- and post-accession period.*

*This includes sufficient funding for **rural development** and a sufficiently broad array of measures.*

## 4. Direct producer support

- In the WB, area and headage payments prevail. These can be converted into decoupled payments. Serious problem: output payments and support for sectors for which the EU does not grant support.

### *Recommendation*

*Prepare a clear policy **action plan** for the period until accession and then implement it. Strong **political will** is necessary!*

## 5. Measures to improve competitiveness

- The impacts of existing policies is unknown. Most of the support is for mechanisation and equipment.
- Support for small farms, creation of efficient agri-food chain is mostly missing.

### ***Recommendation***

*Increase funding and broaden the **array of measures** (for small farms, cooperation, supply chain integration, quality schemes), increase the role of support systems and invest into public and private **advisory services**.*

## 6. Environmental measures and public goods

- Exist only in traces. Challenges for funding and public awareness. Low absorption capacity after accession.

### *Recommendation*

*Action plans should be prepared and pilot measures should be implemented. Shifts are demanding and time-consuming. A matter of **modernizing the policy**; the shift should be made regardless of the accession process.*

## 7. Quality of life and employment

- Some good cases. Not prioritized and insignificant in budgetary terms (except MK).

### ***Recommendation***

*Strengthen the LEADER approach, support the creation and functioning of **local action groups**. More should be done to **diversify activities**, especially on **farms** (e.g. supplemental activities).*