ALIGNMENT OF AGRICULTURAL AND RURAL DEVELOPMENT POLICY IN THE WESTERN BALKANS WITH EUROPEAN ACQUIS: CASES OF BOSNIA, MONTENEGRO AND SERBIA

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Suchedniow, June 2013
Agriculture share in GDP was 8.1% in 2011.
According to the Labour Force Survey for 2012, the agricultural sector employs 167,000 persons.
Introduction

Distribution of Urban and Rural Areas

19% of the total area can be classified as urban

39% of the population can be classified as urban
Montenegro is situated in south-eastern Europe and has a surface area of 13.812 km\(^2\). According to 2004 census, population is 620,533 with an average density of 45 inhabitants per km\(^2\).

Montenegro is divided into 21 municipalities.
OECD definition of rural areas - rural areas in Serbia cover 85% of the territory where live 43% of the population.

About 47% of rural labour force is still engaged in agriculture.
Introduction

- Ultimate objective of the Western Balkan countries - EU.

Montenegro and Serbia official candidates
Bosnia potential candidate

- Since 2007 PHARE, ISPA and SAPARD replaced with IPA.

IPA components:
- Transition assistance and institution building;
- Cross-border cooperation;
- Regional development;
- Human resource development;
- Rural development.
Bosnia and Herzegovina

In order to access IPARD funds the Framework Agreement was signed, but no implementation.

Financing Agreement for the Instrument for Pre-accession Assistance (IPA) in July 2008

June 2008 the EU and BiH signed the (SAA).

Thessaloniki European Council of June 2003
Montenegro

The EU provides financial assistance to Montenegro under the IPA.

Montenegro submitted an application for EU membership on 15 December 2008.

Montenegro signed an SAA with the EU in October 2007.

December 2010 the Council granted candidate status to Montenegro.

Introduction
In December 2009 Serbia applied for membership of the EU and in March 2012 Serbia was granted EU candidate status.

Serbia signed an SAA and the Interim Trade Agreement with the EU on 29 April 2008.

Thessaloniki European Council of June 2003

Serbia received about €596 million in the period 2009-2011 under IPA.
The paper aims at analysing the alignment of the legal and political framework in the field of agricultural and rural development (ARD) with the acquis communautaire in the Western Balkans with a particular focus on Bosnia, Montenegro and Serbia.
Material and methods

Secondary data

Available reports, research papers and statistical databases consulted.

Literature review

Agency of Statistics of Bosnia and Herzegovina, Agricultural Policy Forum for South-Eastern European Countries; Austrian Development Agency; European Integration Office-Serbia; SIDA; USAID; WB.

Ministry of Agriculture-Montenegro; Ministry of Finance-Serbia; MOFTER-BiH; etc.

European Commission
Main ARD policies in Bosnia and Herzegovina

Agricultural and rural development policy-making in the Western Balkan region has often been dictated by ad-hoc considerations

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<td>• RS Agricultural Development Strategy (2006)</td>
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<td>• Strategic Plan for Rural Development of the RS (2009)</td>
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In accordance with the Law on AFRD: MoFTER established the Committee for the Coordination of Information in Agriculture (March 2009), the Working Group for Coordination of Extension Services in BiH (June 2009), the Advisory Council for AFRD (July 2009), and the Agricultural Market Information Service of BiH (August 2009).

- Measures to support agricultural market (improving products quality, direct support to agricultural farms and foreign trade)
- and measures related to rural development (increasing competitiveness, protecting rural environment, diversifying activities and improving life quality in rural areas).

RD measures are in line with EU RD policy objectives.
The key objective of the Strategic Plan is to provide a framework for the gradual harmonisation of policies, programmes, institutions, laws, regulations, systems and services both within B&H and with the EU.

Operational Program defines six priority areas; three for rural development:

- improving agro-food sector competitiveness;
- protecting the rural environment; and
- diversifying rural activities and improving quality of life in rural areas.

These priorities are similar to the EU RD policy 2007-13 objectives.
Both entities have developed agricultural strategies that are compatible but not yet harmonized with the Strategic Plan for the Harmonization of BiH AFRD 2008-2011 (MoFT, 2010):

- The Strategic Plan for Rural Development 2009-2015 was adopted in the RS (November 2009).
- In 2010 the Medium Term Entities’ Strategies for providing advisory services were prepared.
Although BiH made some important steps towards EU integration, it is still at an early stage of approximation with the EU acquis in agriculture and rural development, food safety, veterinary and phytosanitary policy.

Bosnia and Herzegovina has not yet adopted a country-wide rural development strategy.

BiH agricultural policy actually does not exist; it is an aggregate of policies at the entity and cantonal levels, which practically have no coordination whatsoever.
Results and discussion

Little progress was made with the preparations for the Instrument for Pre-Accession Assistance for Rural Development (IPARD). A sectoral analysis was prepared for five sectors.

Subsidies to farmers are mainly product-based and not aligned with the *acquis*.

Agricultural statistics and the agricultural information system have yet to be improved.

It is clear that BiH needs to adopt the agriculture and food standards on its path towards the EU. If BiH companies and agricultural producers wish to trade on the global market, they need to build their knowledge and capabilities to increase supply capacity, quality, competitiveness and compliance with standards.
Results and discussion

**Montenegro**

Rural development policy plays a very important role in the new Montenegrin agricultural policy

The National Programme for European Integration + National Strategy for Sustainable Development are the key documents for the overall country development.

Agricultural and rural development policy framework in Montenegro is defined by the strategic document “Montenegró’s Agriculture and the European Union - Agriculture and Rural Development Strategy

**Objectives:**

- (a) sustainable resource management;
- (b) stable and acceptable supply of safe food;
- (c) ensuring an adequate standard of living for the rural population;
- (d) increasing in competitiveness of food producers.
The NPFPRD comprises five groups of measures:

- market policy measures,
- rural development policy measures,
- support to general services in agriculture,
- social transfer to rural population
- and technical assistance for programme implementation.
Results and discussion

National schemes to support agriculture i.e. agro-budget includes:

- measures for market price policy;
- RD policy (strengthening competitiveness; sustainable resource management; improving the quality of life in rural areas);
- general services; social transfers;
- and fishery

For a better harmonization of Montenegrin legislation with the Acquis communautaire many laws were adopted or are in the parliamentary procedure.

Progress was positively assessed from abroad.

Two main challenges remain: to build up the implementation structure; and to provide appropriate budgetary allocation to support the agricultural sector.
The first draft of IPARD Programme has been submitted to the Commission for comments in 2011.

IPARD Programme in Montenegro will support the alignment with the Community standards, and restructuring and modernisation of the agriculture and food processing industry as well as diversification.

According to EC [2012], some progress has been made in the area of agriculture and rural development in Montenegro.

Support for rural development measures is increasing due mainly to grant support under a World Bank project.
In 2005, the government adopted the Agriculture Development Strategy. From 2007, the implementation of agricultural policy has been permanently changing. Programs and regulations were changed and/or abolished several times during the year, and payments to the users were delayed.

The Law on Agriculture and Rural Development (LARD) (Official Gazette of the RS No. 41/09) was adopted in May 2009.

The LARD regulates the objectives and implementation of agricultural policies, forms of incentives in agriculture and rural areas, the conditions for eligibility for incentives, and incentive beneficiaries. It established the Department of Agricultural Payments as a body within the ministry responsible for agriculture.
The EU has funded a technical assistance project titled Support to Rural Development Programming and Payments System (2006-2008), managed by the European Agency for Reconstruction. This project introduced the Ministry of Agriculture staff to the preparation, implementation, monitoring and evaluation of rural development programs, as well as planned procedures and tools to support these actions. Some of these skills have been developed, and National Rural Development Strategy Plan 2008-2013 and National Rural Development Program for 2008-2013 were prepared.
Other key national strategies affecting the agricultural and rural development sector include:

- Energy Development Strategy of the Republic of Serbia;
- The National Sustainable Development Strategy (2008);
- The Strategy for Regional Development (2007-2012);
- The National Employment Strategy 2005-2010;
- The Strategy for the Development of Tourism of Serbia (2005 - 2010);
- The National Programme for Environmental Protection (2010);
Implementation of agricultural policy is done through the following types of subsidies:

- **direct subsidies** (bonuses, subsidies for production, recourse and support to non-commercial farms),
- **market incentives** (export subsidies, storage costs and credit support)
- **and structural incentives** (measures of rural development, improvement and protection of agricultural land quality and institutional support).

The biggest challenge for Serbia will be the institutional changes and the capacity building. Serbia needs to pay extra attention to establishing the administrative structures required for the CAP.
Direct payments in Serbia gradually need to be brought into line with EU rules, decoupling direct aid payments from production.

Generally speaking, in the last decade, there have been quite substantial changes to agricultural policy in most Western Balkans (WBs) countries. A wide range of support instruments and measures are applied across the WBs.
Conclusions

The agricultural situation has improved in Bosnia, Montenegro and Serbia

- Policy in the ARD sector is undergoing a rigorous process of adaptation towards being in line with the CAP
- Introduction and implementation of the instruments and establishment and/or strengthening of the competent institutions
- Not fully developed legal frameworks and do not have adequate action plans and strategies for enforcement
- The lack of stability in policy planning and implementation is another problem
- Slowly at all levels - from establishing the institutional and legislative framework, implementing agricultural policy, to inspection controls.
- Current capacity of the ministries of agriculture needs to be strengthened
- Rural development policy is still subordinate to production support
- Modernization of agricultural policy administration and the implementation of...
Conclusion

Modernization of public services regarding agriculture.

The ARD policy frameworks need further adjustments to be aligned with the EU acquis, including moving towards decoupled support measures.

FUTURE WILL BE SUCH AS WE CREATE IT...

The three Balkan countries have to speed up the harmonisation process for adopting the objectives and instruments of CAP.

More attention should be given to alignment regarding horizontal issues as well as in common market organisation, rural development, quality policy, organic farming areas.

A clear long-term strategy for ARD policy reform, incorporating the expected EU accession agreements and impacts, is a precondition for the efficient adjustment of agriculture and rural economy.