

AGRICULTURE AND FORESTRY

Sector definition	<p>Based on DAC definitions, the Agriculture and Forestry sector comprises the following elements:</p> <ul style="list-style-type: none"> • Agricultural policy and administrative management; • Agricultural development and agrarian reform; • Agricultural water and land resources; • Agricultural inputs (supply of seeds, fertilizers, machinery and equipment); • Food crop production; • Agro-industries and forest industries; • Industrial crops and export crops; • Agricultural services; • Agricultural financial services; • Agricultural cooperatives; • Agriculture education and training; • Forestry policy and administrative management; • Forestry research, education, and training; • Forestry development. <p>DAC codes: 311-312, 32161, 32162.</p>
Key DCF donors	Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, the EC, and the World Bank.
Key government partners	The BiH Ministry of Foreign Trade and Economic Relations (MoFTER), the FBiH Ministry of Agriculture, Water and Forestry, and the RS Ministry of Agriculture, Forestry and Water.
Other key international organizations	The Food and Agriculture Organization (FAO).
Total donor allocation to the sector in 2007	€ 10.9 million.
Sector strategies	No state-level strategy for the Agriculture sector, only entity-level strategies exist. The Forestry sector and wood-processing industry have neither state- nor entity-level guiding documents.
Donor coordination	<ul style="list-style-type: none"> • There are regular coordination meetings in the Agriculture sector previously organized by the EC and currently chaired by MoFTER. Additional information sharing takes place within the context of projects. • No formal mechanism for coordination of forestry issues, except an annual conference and the working group on the prevention of illegal logging and corruption. • Land registration issues are coordinated through regular meetings organized by the World Bank.

Overview

The Agriculture and Forestry sector has traditionally been of great importance to Bosnia and Herzegovina (BiH) given the country's geographical position and abundance of natural resources. Domestic authorities and international donors alike recognize the potential that agriculture offers for economic development in terms of job creation, poverty reduction, and trade opportunities. For this reason, the sector received a significant € 10.9 million Official Development Assistance (ODA) in 2007 and this figure is expected to rise to € 11.9 million in 2008.

Currently, the Agriculture sector employs ca. 10% of BiH's registered work force and accounts for approximately the same percentage of its GDP.¹⁰⁵ Given its wealth of natural resources, BiH has the potential for assuming a leading position in agriculture in the region. This perspective is slowly being realized and steps have already been taken to improve productivity, enable export, and promote better competitiveness. BiH has several advantages in the region, especially in terms of organic farming, dairy goods, forestry, and berry production, which could lead to significant employment opportunities and income for the rural population.

The Forestry sector¹⁰⁶ and the wood-processing industry, as a sub-sector of Agriculture, are also identified by donors as promising areas, warranting additional investment. However, the

¹⁰⁵ Medium-Term Development Strategy (MTDS) 2004-2007 Revised Document (Sarajevo: EPPU, 2006).

¹⁰⁶ Forest land covers 53.4% of BiH territory.

potential value added of this industry to the economy is profoundly hampered by war damage and the lack of legal regulations and market plans. Nevertheless, BiH has taken the first steps towards improving international competitiveness and establishing access to traditional markets.

Many donor agencies are active in the Agriculture and Forestry sector. Their main areas of focus are enabling access to the global market and strengthening domestic institutions' capacities, including strategic and policy planning. There are also several initiatives aimed at developing BiH's land administration and registration system. A number of activities in this sector are connected to ethnic reconciliation. Agriculture and forestry also have obvious links to environmental protection, local governance and rural development, as well as health, mine action, and return and reintegration, but these issues are dealt with in respective chapters of this report.

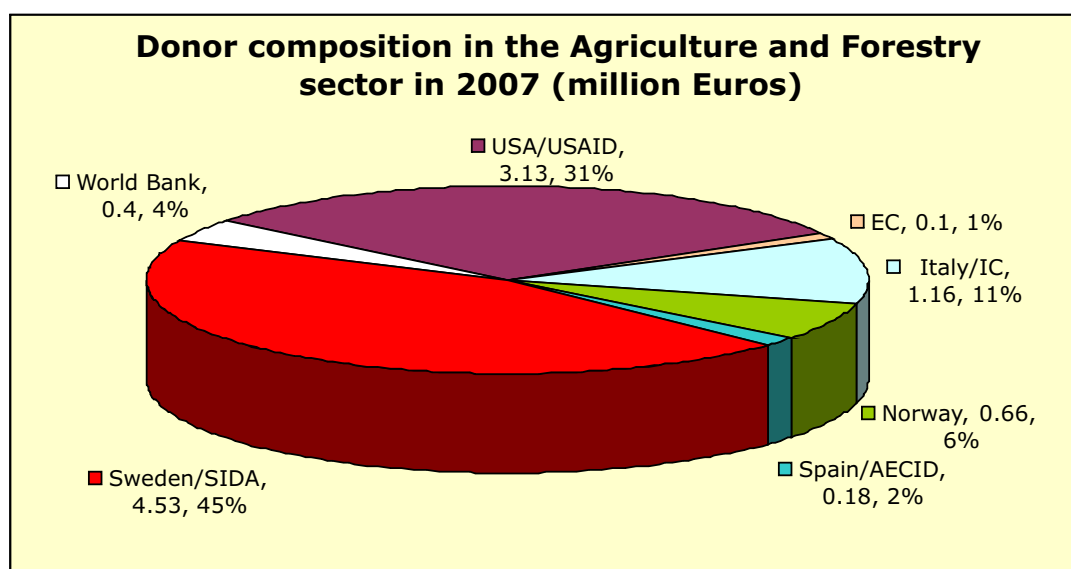
According to the constitution, the Agriculture and Forestry sector falls under entity jurisdiction and thus is the responsibility of the Federation of BiH (FBiH) Ministry of Agriculture, Water and Forestry and the Republika Srpska (RS) Ministry of Agriculture, Forestry and Water. The Agriculture, Forestry, Food and Rural Development Department within the BiH Ministry of Foreign Trade and Economic Relations (MoFTER), was established for the coordination of these Ministries' policies at the central level.

While donors note that the progress in the sector seems promising and stakeholders are making a continuous effort to improve coordination, there is room for establishing a more synergetic approach. To this end, there is a need for the clear identification of priorities from the domestic authorities, which will underline donors' support to the development of entity- and state-level strategies within the sector.

Donor activities in 2007

The donors in the Agriculture and Forestry sector are Italy/IC, Japan/JICA, the Netherlands, Norway, Spain/AECID, Sweden/SIDA, Switzerland/SDC/SECO, USA/USAID, the EC and the World Bank. Altogether, these donors contributed € 10.9 million, which is 2% of ODA. There is no apparent overlap in their activities. However, donors note that their efforts could be further harmonized.

Sweden/SIDA is linking investments in agriculture with rural poverty reduction measures and employment creation. To achieve these goals, Sweden/SIDA has supported several agricultural development projects, which aim to assist farmers in the production and marketing of their goods. As an additional element of this work, Sweden/SIDA has assisted local institutions in obtaining all necessary approvals for licensed organic food certification for the international market.



In 2007, Sweden/SIDA also continued its support for agriculture (with funding of approximately € 5 million) through five NGOs: Bosper, Caritas Goražde, Cow How, Econ, and Terra Sana.¹⁰⁷ Production advice is the core service provided by the NGOs. The target clients for the assistance are small fruit and vegetable growers, livestock producers, cooperatives and associations in each NGO's geographic service regions. In anticipation of these NGOs becoming financially viable, 2008 will be the last year of Sweden/SIDA's funding for them.

Sweden/SIDA is also co-financing the **World Bank's** *Agriculture and Rural Development* project. This initiative, launched in October 2007, aims to strengthen the capacity of BiH's state- and entity-level institutions to deliver more efficient and effective agricultural services and support programmes. The project is also expected to contribute to the acceleration of BiH's eligibility to access support under the European Union Instrument for Pre-Accession Assistance for Rural Development (IPARD).

In addition, the World Bank also helps small and commercial farmers in the southeastern part of the country, by providing them with technical assistance, improvement of commercial and management skills, and better access to the market. Within the framework of this activity, the World Bank aims to support measures and investments to strengthen the physical and institutional infrastructure of rural communities.

In the Forestry sector, the World Bank, with financial assistance from **Italy/IC**, is currently carrying out the *Forest Development and Conservation* project. In this initiative emphasis is put on the implementation of legislated reforms in forest organization and management, and the enhancement of biodiversity conservation through participatory approaches in forest land use planning. It is expected, that through this project, a National Forest Inventory will be developed. Furthermore, the World Bank is helping to increase the percentage of forest land set aside for special protection.¹⁰⁸ The ecosystems eligible for protection are valuable in terms of ensuring the biodiversity and preservation of ecosystem cycles as well as for linkage to other goals, such as preserving cultural heritage and enriching touristic offers.

Like Sweden/SIDA and the World Bank, the **EC's** activities are mainly focused on strengthening the institutional capabilities of the sector for absorbing rural development funds under the Instrument for Pre-Accession Assistance (IPA), thus guiding BiH closer to *acquis* standards. The EC also supports the implementation of veterinary, food safety and phyto-sanitary criteria. At the same time, it facilitates the accurate collection of agricultural data, by strengthening and harmonizing information systems within the sector.

Agriculture is Italy/IC's priority area of involvement, with one third of Italian ODA to BiH going towards this sector (including projects on the environment). Italian initiatives are focused on rebuilding and modernizing the production system and improving access to the market. Italy/IC combines these aims with other rather sensitive issues, such as overcoming ethnic and religious barriers and maintaining traditional cultural practices. Italy/IC is active in the promotion of sustainable agriculture systems, integrated rural development based on traditional agriculture, forest conservation and the inventory of post war situation of land resources.

Norway, on the other hand, has been dedicating most of its resources to the increase of productivity using microloans, donations for machinery, and technical assistance. Norway's *E-Biz* project aims to establish a complete food-tracking system, tracing goods from producers to consumers, and ensuring quality control. Its objective is to increase competitiveness and therefore enhance export potential.

USA/USAID donations to the Agriculture and Forestry sectors are focused on fostering economic growth through expanded production and sales of value-added agricultural products, and branding. USA/USAID's *Linking Agricultural Markets to Products* project aims to boost the competitiveness and recognition of domestic food products in the region, and strengthen market linkages among producers, processors, wholesale and retail enterprises in the Agriculture sector. Additionally, USA/USAID's goal is to advance economic growth and job creation in BiH. This donor intends to achieve this aim by encouraging competitiveness in the wood-processing and tourism industries, and by providing technical assistance to promote the development of industry clusters. These are namely: the private sector firms, financial providers, and governmental and non-governmental agencies that assist the operation of an industry.

¹⁰⁷ One NGO specializes in the organic sector. Additional services include farm inputs (seedlings, fertilizers, crop protection material, heifers, semen, equipment), micro credit, sales and marketing (including supply contracts), capacity building of farmer organizations and rural diversification groups, production and development support services to government (entity, canton and municipality levels). Three NGOs have production and demonstration farms, which also generate income. Three NGOs have subsidiary limited liability companies for trading, and a fourth plans to set one up in 2008. The fifth NGO plans to transform its advice and other services into an integral part of a regional farmers association, and proposes setting up a national farmers association to coordinate extension services to regional associations and their members.

¹⁰⁸ Currently only 0.5% of BiH is under this kind of management.

Spain/AECID works towards establishing a Centre for Agricultural and Rural Development for Herzegovina. This Centre is envisioned as a focal point for farmers, retailers, processing companies and all other stakeholders involved in the Agriculture sector. The project is implemented by the Regional Development Agency for Herzegovina (REDAH). **Switzerland/SDC/SECO's** agricultural and horticultural activity is focused on the Mostar region. Despite the area's competitive advantage, it has so far received little international support. Nonetheless, agriculture in the region shows considerable potential for income generation and labor absorption. Another agricultural project implemented in the region of Gradačac and Laktaši has been supported since 2000 and it supports farmer associations, cooperative, and the build-up of adequate advisory services and basic instruments for successful marketing.

Japan/JICA has also been involved in this sector although it has not allocated additional funding during 2007. Japan/JICA fosters the development of the Srebrenica region by linking peace-building and agricultural production. A Japanese agricultural expert has been in place since March 2006, giving advice to both Bosniak and Serb residents in the area. The project is targeted at vulnerable populations, such as returnees, one-parent families, and war victims.

Several donors have joined efforts to clarify BiH land resources in the postwar period. Although the financial allocation of these projects is classified under different sectors,¹⁰⁹ their impact on the Agriculture and Forestry sector merits attention. With financial support from Sweden/SIDA and **Austria/ADA, Germany/GTZ** is currently implementing the second phase of the *Land Administration Project* (LAP), which attempts to introduce a fully operational and modern land administration system in BiH, including both land registration and cadastre. LAP complements the World Bank's *Land Registration Project*, which seeks to facilitate the orderly development of transparent land markets, through the registration of real estate rights, and complementary policies that enable transactions to be made securely and efficiently. The Food and Agriculture Organization (FAO), with support from **the Netherlands** and Italy/IC, has been developing an inventory of the postwar situation of land resources, and strengthening the institutional capacity of BiH to independently monitor the country's land resources.¹¹⁰

Sector strategies

There is currently no state-level agriculture strategy covering the entire sector. However, the EC has been assisting in the development of a draft strategy, which was well-received during the consultations organized by MoFTER. The strategy is now waiting to be adopted by the Council of Ministers (CoM).

Each Entity has its own agriculture strategy. The legal frameworks of the Entities are not harmonized.

The Forestry sector and wood-processing industry have neither state- nor entity-level guiding documents. The World Bank is planning to provide support for the development of the entity strategies. However, these are long-term plans, as the draft is expected to be prepared by June 2009. To date no actions have been undertaken to develop a state-level forestry strategy.

Positive developments and challenges in the sector in 2007

Donors' opinions about the achievements in the Agriculture and Forestry sector during 2007 differ. While some believe that 2007 saw solid progress, others indicated that the sector has been moving backwards due to political obstruction. The following segment reviews the positive developments and challenges in the sector during the year.

According to donors, the performance of the certification institutions has improved, which is significant because their active role in the sector is a precondition for the entrance of agricultural products into the global market. Currently, only some organic products (berries, herbs and honey) completely comply with EU regulations and can therefore be exported. Since linkages to the international market were identified as the most important aims of sectoral reforms, the World Bank and Sweden/SIDA have supported the Agencies of Food Safety, Veterinary, Sanitation and Accreditation.

¹⁰⁹ These sub-sectors are namely Support to SMEs and Improvement of the Business Climate, Legal and Judicial Development, and Public Administration Reform.

¹¹⁰ All three of these projects are not necessary classifiable under Agriculture and Forestry Sector, though they all have a direct influence on it.

Animal-related products are among the most productive branches of agriculture in BiH. Presently, however, these goods cannot be traded with the EU because they do not meet all the requirements for entrance onto the common market, and are therefore seen by donors as under-utilized potential. Aware of the importance of export, the relevant ministries began working on the harmonization of the legal frameworks, especially focusing on veterinary and phyto-sanitary policies. In May 2007, the CoM adopted a BiH Law on Wine and the BiH Parliament considered the adoption of a BiH Law on Agriculture, Food and Rural Development. These laws still lack some amendments that would facilitate their implementation at the entity level.

Donors share the general impression that communication between stakeholders in the sector has improved. The coordination between the State Veterinary Office and the Entities' administration was highlighted in particular. International agencies consider the level of strengthening of domestic institutions as positive. The Entities' willingness for and commitment to reforms is also evident in their respective budgets, where agriculture enjoys a higher status on their priority lists than before. The fact that the first state-level draft strategy for the sector has been developed also gives reason for optimism.

Donors also addressed practical issues of concern in the sector. The registration of state-level farms was prepared during 2007, and will be launched in 2008. This process will bring much needed accuracy to the register on unified standards. Furthermore, the synchronization of payments of subsidies for capital investments and funds provided by ministries has started. Entities expressed the intention to continue in this direction. The World Bank is aiding the establishment of supporting systems for rural development payments by building a harmonized, efficient, transparent, and, by project-end, EU IPARD-compliant rural development support programme. It will be achieved by strengthening entity-level ministry departments responsible for rural development grant administration and the establishment of a rural development payment database within the MoFTER Coordination Unit.

The main achievement in the Forestry sector in 2007 was the improvement of the general management of forests. A fragile operating environment (due to a weak legal structure), an unstable economy and low living standards have been known to promote corruption and illegal logging. A working group was established to address these issues. Its activities will be explained below in the coordination and ownership sub-section.

Furthermore, a World Bank project to inventory forest land has started and to date covered 25% of the forests in BiH. Institutional capacities have been strengthened through various trainings, the introduction or improvement of IT technologies, and the implementation of new management skills. Some of these resulted in various studies and new approaches, such as timber auctions. Additionally, inspections and communications have improved, resulting in greater transparency of the whole wood-processing industry.

Coordination and ownership

The Agriculture sector is coordinated through regular meetings, previously organized by the EC and currently chaired by MoFTER. The present coordination group comprises major stakeholders in the area of Agriculture, including the World Bank, Sweden/SIDA, Switzerland/SDC/SECO, and FAO. Donors note that, in general, bilateral relations in the sector are very good and stakeholders make efforts to coordinate, cooperate and share information. For example, in the context of the *Inventory of the Post-War Situation of Land Resources* project, FAO has started an information exchange between international and domestic institutions, organizations, and municipalities. By doing so FAO aims at playing the role of facilitator and providing useful information on funding opportunities for project proposals. Donors are in favor of coordination led by BiH authorities, but there is some concern that MoFTER's absorption capacity needs to be improved in order to effectively manage the large amounts of funds coming into this part of the economy.

Despite international stakeholders' positive assessment of coordination efforts, they have also noted the inconsistency of some policies in supporting projects and programmes, especially regarding the lack of long-term and sustainable planning, and fund disbursements without well-defined objectives. Donors noted that through even more intensive efforts to coordinate, a more harmonized and focused approach could be established. They also suggested that attention should be paid to establishing a clearer linkage between policy measures and the efficiency of policy implementation.

There is no formal mechanism for coordination on forestry issues. However, USA/USAID, in cooperation with the World Bank, organizes the semi-annual Joint Forestry Conference, inviting international and domestic institutions alike. Additionally, donors' meetings are held approximately twice a year and have, up to now, proven a sufficient mechanism for facilitating information sharing and avoiding overlaps.

Coordination over land registration issues is also ongoing. Meetings are organized by the World Bank, inviting major donors, such as Austria/ADA, Germany/GTZ, Sweden/SIDA, and the EC, as well as the Land Registration Board. The Board represents the BiH Ministry of Justice, the High Judicial and Prosecutorial Council, and the Ministries of Finance and Treasury. These meetings serve to give an overview of project implementation and opportunities for better coordination.

The working group on the prevention of illegal logging and corruption should also be highlighted as an example of cooperation on the policy level. This group brought together the European Union Police Mission, EUFOR, domestic institutions, and prosecutors. A tangible outcome of their work was the development of action plans for both Entities. These action plans were successfully implemented, and it is estimated that illegal logging has significantly decreased as a result of their work.

Future activities

Future developments in the Agriculture sector are expected to be significantly influenced by stronger donor coordination efforts, initiated by the EC and carried on by MoFTER. It is expected that this improved cooperation will provide the link between priorities identified in the draft state-level harmonization strategy and donors' assistance, ensuring that donor funding in this sector will not only become more sustainable but will also be clearly aligned with national priorities.

Supporting the harmonization of entity and state policies, strengthening the Agriculture, Forestry, Food and Rural Development Department within MoFTER, and building the monitoring capabilities of the inspection institutions all remain priority areas for donor support in the Agriculture and Forestry sector.

International stakeholders agreed that the absence of a state-level ministry makes programme implementation in practical terms much more complicated, as there is no single reference point. Additionally, BiH's membership in some international organizations, like the World Trade Organization, is predicated upon the existence of state-level policies and institutions. The same precondition exists for EU membership.¹¹¹ While the Department in MoFTER serves as the focal point, it is understaffed and lacks the power for policy prioritization and implementation.

Some donors have also remarked that BiH should develop some level of protectionism in this sector, especially given its high dependency on imports.¹¹² Moreover, knowledge about farming techniques, management skills, and the usage of IT are currently not satisfactory. Investment in these areas is necessary before BiH's agricultural products will be able to compete on European or world markets.

International agencies note the need to address gaps in quality verifications, which are crucial export and health preconditions. This is closely linked to consumer protection. In this vein, donors suggest that the Food Safety Agency and State Veterinary Office require stronger support, and that additional emphasis should be placed on the establishment of a State Plant Health Administration. The operability of these three institutions depends largely on information from individual factories, farms and fields. Therefore, better collecting and processing of agricultural data in line with the EU standards is needed.

Donors have also commented that organic farming, which could bring significant benefits, is currently not receiving sufficient attention. International agencies agree that opportunities in this area have already been identified, but that lack of access to a wider market is preventing organic farming from being more profitable. The wide-spread mine contamination is also preventing the usage of quality arable land.

Special attention should be paid to rural women as they generally play a major role in agriculture production, food security and rural development. Despite women's important contribution to rural development, gender biases persist at all levels. Often policies, programmes and services

¹¹¹ M. Ivanković and S. Bojnc, "Entry of the Food and Agriculture Sector in BiH into WTO" (*Journal of Central European Agriculture*, Vol.7, 2006), 452.

¹¹² *Ibid.*, 453.

are targeted at male farmers and perceive women as assistants to their husbands. Thus, rural women are often the last to benefit or are even negatively affected by economic growth and development. Stakeholders in this sector therefore suggest that both donors and domestic stakeholders should factor in the role and potential of rural women into all agricultural policies and programmes.

Lastly, private and foreign investments in research and development in the Agriculture and Forestry sectors should be promoted. Rapidly growing investments in developed countries are widening the gap between them and the countries that are lagging behind in this respect. BiH has a great opportunity to take a decisive step forward and join the most advanced agriculture systems in the region.¹¹³

¹¹³ World Development Report 2008: Agriculture for Development, (Washington D.C.: IBRD/World Bank, 2007), 14.

Conclusion

Progress achieved in the agriculture and forestry industry in 2007 indicates that the foundations for boosting this sector have been laid. Positive developments especially in the field of certification institutions and improved market access for some goods herald the sectors' forward movement. Improved management and clear identification of priorities would greatly contribute to the recognition of the importance of the sector. There is more work to be done in order to harmonize policies, formulate strategies, and later keep the pace during the implementation phase. Moreover, due to the absence of an overarching policy document, there has been little done to align donor and government priorities. International agencies also tend to agree that, despite efforts to share information and coordinate activities, there is room for establishing clearer synergies that would prevent possible overlaps and eliminate competition. Nevertheless, both donor and government efforts in the sector are producing encouraging results as well as building confidence and a solid foundation for further stakeholder coordination and cooperation.

