

15 Agriculture policy

Agricultural development remains a priority for all economies, not only in response to the essential resource needs of a growing population but also due to its substantial contributions to total employment and GDP. The chapter analyses the performance and trends of agriculture policies across three sub-dimensions. The first sub-dimension, rural development and infrastructure, assesses strategies and programs related to rural infrastructure, livelihood support, and irrigation systems. The second sub-dimension, agricultural support systems, covers the agricultural sector's policy, governance and instruments. The third sub-dimension, food safety and quality, focuses on the policy framework regulating food safety and the food quality legislation and agencies, which are key tools in an economy's path towards productive and sustainable agriculture.

Key findings

Bosnia and Herzegovina has increased its overall agriculture policy score since the previous CO cycle while being far below the regional average (Table 15.1). Some progress was made in enhancing rural development and infrastructure policy frameworks, although this remains the economy's weakest area of performance. Conversely, Bosnia and Herzegovina's limited alignment with EU regulations has restricted further advances in bolstering its agriculture support system and food safety and quality policies.

Table 15.1. Bosnia and Herzegovina's scores for agriculture policy

Dimension	Sub-dimension	2018 score	2021 score	2024 score	2024 WB6 average
Agriculture	14.1: Rural development and infrastructure			2.3	3.2
	14.2: Agriculture support system			2.7	3.3
	14.3: Food safety and quality			2.6	3.4
Bosnia and Herzegovina's overall score		2.5	2.0	2.5	3.3

The **key findings** are:

- Although the new Strategic Plan for Rural Development of Bosnia and Herzegovina (2023-27) awaits parliamentary approval, the continued absence of an up-to-date policy framework at the state level has hindered improvements to rural and irrigation infrastructure. Moreover, while both the Federation of Bosnia and Herzegovina (FBiH) and Republika Srpska (RS) prioritise rural development in their respective strategies, it will be important to focus on harmonisation of support measures across the entire sector in line with available budgetary funds.
- No notable advances were made towards establishing key agricultural information platforms, such as the Farm Sustainability Data Network (FSDN, previously known as FADN) or a Land Parcel Identification System (LPIS), since the last assessment cycle. Yet implementation of such systems would catalyse progress in key areas, including aligning with the EU *acquis*, promoting informed decision making, modernising land management, and addressing land fragmentation, among others.
- Despite the advantages and support conferred by implementing the Instrument for Pre-accession Assistance for Rural Development (IPARD) programme to the sector, Bosnia and Herzegovina has made no progress in establishing the prerequisite institutional structures and frameworks. Participating in the programme's newest cycle, IPARD III would allow the economy to benefit from concrete financial and technical assistance to strengthen the sustainability and competitiveness of the agricultural sector.
- Concerning agricultural research, innovation, technology transfer, and digitalisation (RITTD), Bosnia and Herzegovina has not taken any steps to develop a policy framework at either the state or entity level nor does the economy have a dedicated budget for RITTD partially due to fragmentation across governance levels. However, the ongoing EU4Agri project, which is set to conclude at the end of 2024, represents an opportunity to foster better innovation and knowledge transfer for farmers and agricultural producers.
- Despite commitments to improving compliance with animal health and safety, demonstrated by initiatives like the new CEFTA SEED+ project (Central European Free Trade Agreement – Systematic Exchange of Electronic Data+), the economy has made minimal progress in aligning with EU regulations on food safety and animal and plant health. This harmonisation is further

constrained by insufficient human and financial resources allocated to official laboratories responsible for food safety.

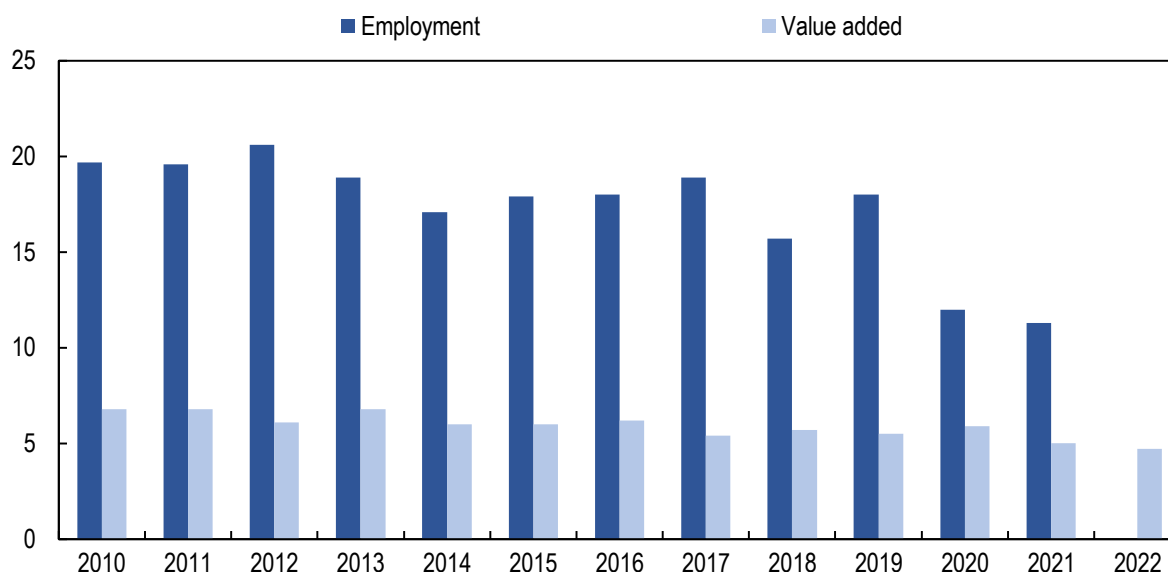
State of play and key developments

Despite physical and topographical challenges like mountainous terrain and a low proportion of suitable land for intensive farming, agriculture remains a crucial sector of Bosnia and Herzegovina's economy. However, its relative importance for the economy has been on a declining trend over the past few years. Particularly noteworthy is the sector's diminishing contribution to GDP, which experienced a drop from 5.5% in 2019 to 4.7% in 2022, again placing it below the regional average of 8.4%. Furthermore, agriculture's share in total employment rates has declined over the past decade, falling from 20.6% in 2012 to 11.3% in 2021.

Agriculture accounts for more than half of all informal employment within the economy, with an estimated 90% of those employed in the sector working informally (EBRD, 2022^[1]). As evidenced in Figure 15.1, the gap between agriculture's contribution to employment and GDP illustrates relatively low productivity levels, as most farms in Bosnia and Herzegovina are small and subsistence-oriented.

Figure 15.1. Agriculture's contribution to value added and total employment in Bosnia and Herzegovina (2010-22)

In percentage of employment and value added



Source: World Bank (2024^[2]).

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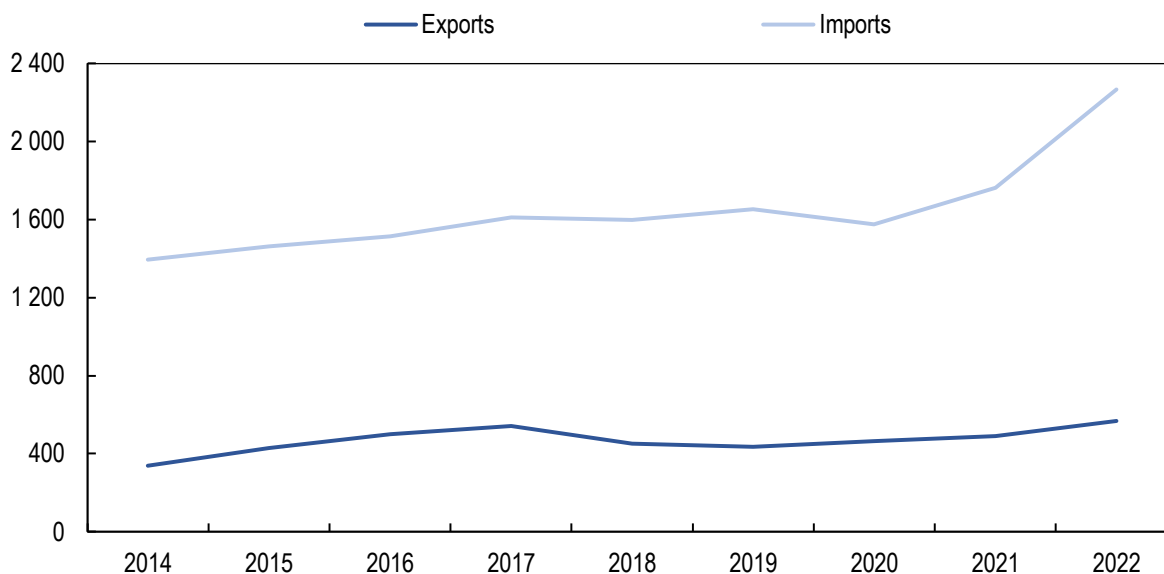
In terms of international trade, Bosnia and Herzegovina's agrifood sector has undergone significant shifts over the past decade. Agrifood product exports have shown a notable increase of 23%, indicating a growing presence in international markets. On the other hand, the surge in agrifood imports by 47% suggests a heightened demand for foreign goods within the economy. This juxtaposition highlights the

evolving dynamics of Bosnia and Herzegovina's agrifood trade, with implications for both domestic production and international trade relationships. This widening gap has deepened the trade deficit, positioning Bosnia and Herzegovina as a net food importer like many other Western Balkan economies.

It is worth mentioning that while the European Union remains Bosnia and Herzegovina's largest trading partner, agrifood trade with the EU makes up a relatively modest proportion, comprising 13.1% of exports and 3.8% of imports in the EU's total trade with the economy (European Commission, 2023^[31]). Nonetheless, agrifood trade with the EU holds notable significance: in 2022, Bosnia and Herzegovina exported EUR 260 million and imported EUR 1 142 million in agrifood products from the EU – comprising approximately half of the total levels (Figure 15.2).

Figure 15.2. Bosnia and Herzegovina's international trade of agrifood products (2014-22)

In millions of EUR



Source: SWG (2023^[41]).

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Sub-dimension 14.1: Rural development and infrastructure

Rural infrastructure (including roads, electricity, and information and communication technology) in Bosnia and Herzegovina continues to be underdeveloped due to obstacles stemming from outdated policies, inadequate financial resources, and a lack of available data. At the state level, the most recent rural infrastructure policy framework, the Strategic Plan for Rural Development of Bosnia and Herzegovina (2018-21), expired at the end of 2022. As the government body responsible for the co-ordination of agricultural policy at the state level, the Ministry of Foreign Trade and Economic Relations (MoFTER) has spearheaded efforts to prepare the successor document for 2023-27. However, while this new strategy awaits parliamentary approval, the economy is operating without an up-to-date policy framework on rural infrastructure.

To address deficiencies in the poorly developed road networks and inadequate Internet coverage in rural areas, both entities in Bosnia and Herzegovina have initiated efforts through their respective rural development strategies and support measures. However, there is a noticeable lack of harmonisation

across these measures, with implementation often misaligned with EU standards. In RS, its Ministry of Agriculture, Forestry and Water Management (MAFWM) outlines its priorities in the Strategic Plan for the Development of Agriculture and Rural Areas 2021-27. One key objective was to increase the length of asphalted rural roads by 10% by the end of 2027. Of note, this shift in policy focus addresses the previous lack of priority allotted during the 2016-20 programming cycle, when budget constraints prevented the allocation of funds to develop rural infrastructure further. In the FBiH, the government has drafted and endorsed a new Agriculture and Rural Development Strategy. While its adoption is still pending, this draft policy outlines measures to enhance road, electricity, and Internet infrastructure. Additionally, FBiH operates an Annual Subsidy Programme supporting the development of renewable energy capacities on farms and processing facilities to enhance their access to the power supply.

Nevertheless, the inadequate availability of funds remains a major impediment to the continuous enhancement of rural infrastructure in both entities, hindering the prompt implementation of necessary reforms. Significant funds are also allocated from local, cantonal, and entity budgets for road infrastructure maintenance nationwide, with particular emphasis on reconstructing local roads and enhancing access to rural areas. Consequently, many municipalities prioritise budget investments in this domain. However, the effectiveness and quality of these endeavours remain subject to debate.

Another challenge is the lack of well-developed platforms offering up-to-date market information for farmers and agricultural producers, as no such system exists at the state or entity level. However, in RS, the Department for providing advisory services within the MAFWM collects information on the price of agricultural products weekly.

Concerning **rural livelihoods**, entities operate autonomously in formulating policies and programmes, resulting in progress that varies in maturity. In Bosnia and Herzegovina, rural livelihoods hold significant importance, as 50% of the economy's population is considered to be rural, marking the highest rate among the Western Balkan economies (World Bank, 2024^[2]). Yet, despite the widespread prevalence, neither the FBiH nor the state endorses an official definition of "rural areas". Conversely, RS has adopted the OECD's criteria of rural areas, referring to an area with a population density of less than 150 inhabitants per km².

During the development of the Strategic Plan for Rural Development 2023-27, state-level oversight of entity-level actions supporting rural livelihoods is somewhat diminished. Still, it will be resumed and adjusted upon the conclusion of the process. RS's Strategic Plan for the Development of Agriculture and Rural Areas 2021-27 includes several measures on rural livelihoods, mainly related to rural diversification. Specific focus areas include supporting self-employed agricultural and food technology engineers, aiding women's associations and agricultural co-operatives, and co-financing rural development projects. Conversely, FBiH currently lacks a policy framework on rural livelihoods, as its recent strategy has expired, and the new one is still in the drafting stage. However, the expired strategy included programmes related to economic development, social security, rural diversification, and education that the entity's government and the International Fund for Agricultural Development (IFAD) co-funded.

These efforts by RS and FBiH are bolstered by several ongoing projects financed by international organisations. IFAD is providing EUR 13.4 million in funding to Bosnia and Herzegovina for the Rural Enterprises and Agricultural Development Project 2018-26, which aims to improve rural economic development by improving livelihoods, income generation, and living standards. The initiative is estimated to have approximately 8 650 direct beneficiaries and 5 000 indirect beneficiaries (IFAD, 2023^[5]). Furthermore, the EU4AGRI-Recovery initiative,¹ spanning 2.5 years from 2021 to 2023, was developed to aid BiH in alleviating the economic impact of the COVID-19 pandemic on agrifood businesses and rural tourism operators while ensuring their ongoing operations. Valued at EUR 5 million, this project, funded by the European Union in partnership with the United Nations Development Programme (UNDP) and the Czech Development Agency (CzDA), complemented the ongoing EU4AGRI project (2020-24).

Support for establishing Local Action Groups (LAGs), particularly regarding diversification in rural areas, has been featured in the Strategic Plan for Rural Development coordinated at the state level. However, no legislation currently governs the establishment of LAGs within Bosnia and Herzegovina. LAGs are typically initiated by foreign donors through specific projects, even though FBiH's Law on Payments in Agriculture and Rural Development stipulates that the entity's Ministry of Agriculture, Water Management and Forestry (MAWMF) can introduce measures aligned with the EU LAG approach. Moreover, LAGs have operated in FBiH in the past, but insufficient funding has led all but one of these groups to cease their activities.

Irrigation infrastructure in Bosnia and Herzegovina remains limited, with only 15 000 hectares (ha) of the potential 285 000 ha irrigated (World Bank, 2020^[61]). Of note, this low level of irrigation follows the completion of the eight-year World Bank project, the Irrigation Development Project (2012-20), which provided new and improved irrigation and drainage services to 10 055 ha. As such, there is still significant scope to enhance the implementation of irrigation infrastructure policy, fostering augmented use and accessibility of these systems.

Similar to rural infrastructure, the irrigation policy framework at the state level is currently absent due to the ongoing preparation of the Strategic Plan for Rural Development 2023-27. However, both entities again have their own guiding policies. In RS, the key document, the Strategic Plan for the Development of Agriculture and Rural Areas 2021-27, delineates irrigation as a priority area, underscoring the need to construct and modernise systems to support increased agricultural production. The MAFWM of RS is also working to establish a secondary irrigation network by constructing canals, pipelines, and pumping stations. Irrigation policy in FBiH is slightly more intricate and challenging to navigate, consisting of several (rather than one) overlapping policies that collectively form the overall framework. The recently drafted Agriculture and Rural Development strategy incorporates measures related to irrigation infrastructure, while the Water Law outlines mechanisms governing access to irrigation resources. Additionally, the MAWMF of FBiH has drafted the Water Management Strategy (pending adoption), which offers measures for using irrigation resources and leverages the interconnection between the water sector and other sectors, including agriculture.

Beyond the governments, water use associations can serve as powerful actors that can shape irrigation policies, programmes and governance. These groups have been established and operate in both entities. In RS, the government established the two existing water use associations – the Union of Associations of Agricultural Producers of RS and the Association of Farmers of the Bijeljina Region –. Conversely, in FBiH, these organisations, which exist at the cantonal and municipal levels, were created as part of the Irrigation Development Project.

Sub-dimension 14.2: Agriculture support system

While comparatively robust, the agriculture policy framework of Bosnia and Herzegovina encounters limitations stemming from the absence of essential information systems and a complex institutional structure. The lack of harmonisation and consolidation across administrative levels within the realms of policy and legal frameworks, institutional and financial arrangements, and methodologies for data collection accentuates this challenge. Concerning the latter, the organisation of the economy leads to the formulation and implementation of policies and objectives at multiple administrative levels, including the state, two entities, the Brčko District, and ten cantons.

At the state level, the draft Strategic Plan for Rural Development 2023-27 outlines five tentative objectives:

- increasing productivity and sustainability
- promoting competitiveness and innovation
- sustainably managing natural resources
- renewing and strengthening rural areas

- developing a system for managing rural development.

Notably, these objectives closely align with the strategies of both RS (Strategic Programme of the Development of Agriculture and Rural Areas; Law on Agriculture) and FBiH (Mid-term Agriculture Sector Development Strategy; draft Strategic Plan for Rural Development). Indeed, both entities prioritise competitiveness, increased production, rural development, and the sustainability of natural resources. Yet, there are some key differences; for example, FBiH focuses uniquely on food quality and organic production in its policy frameworks.

Concerning the EU Common Agricultural Policy (CAP) and its provisions on agriculture and rural development, Bosnia and Herzegovina is still in the early stages of preparation with minimal progress towards alignment with the EU *acquis* (European Commission, 2022^[7]). Furthermore, the Strategic Plan for Rural Development should be harmonised with the second pillar of the EU CAP. Yet, it is currently aligned with a three-year programme framework extending until 2027 rather than the desired seven-year alignment.

MoFTER is the key state institution tasked with creating agricultural policy for the economy, including the harmonisation of plans of the two entities' authorities and institutions. Within MoFTER, the Office for Harmonisation and Coordination of Payment Systems in Agriculture, Food and Rural Development is responsible for harmonising agricultural policies with EU CAP and coordinating the payment of agricultural subsidies. At the entity level, both RS and FBiH have a dedicated ministry that oversees their respective design and implementation of agricultural policies.

Regarding funding, agricultural policies and programmes are financed through at least thirteen distinct budgets across various administrative units, reflecting a decentralised approach to budget planning and execution. Notably, the state does not maintain its budget for this purpose. Moreover, Bosnia and Herzegovina does not benefit from funds through the IPARD programme, as it lacks the institutional framework required to implement its newest cycle, IPARD III.

Bosnia and Herzegovina's agricultural information systems are less developed than those of other Western Balkan economies, highlighting a significant opportunity for improvement. Currently, there is no unified farm register; separate registries exist without interoperability or harmonised methodologies for data collection. These registries contain data on planned sowing and planting of crops, the type and number of livestock, land ownership and agricultural land use. Registration is mandatory for all farmers seeking government support; however, Bosnia and Herzegovina lacks essential systems like a functional Farm Accountancy Data Network (FADN) (now replaced by the Farm Sustainability Data Network [FSDN]), Land Parcel Identification System (LPIS), Agricultural Management Information Systems (AMIS), Geographic Information Systems (GIS), and other integral components necessary for implementing the CAP. The stagnant development and absence of progress in these platforms hinder the systematic monitoring of policy support implementation and assessment of policies.

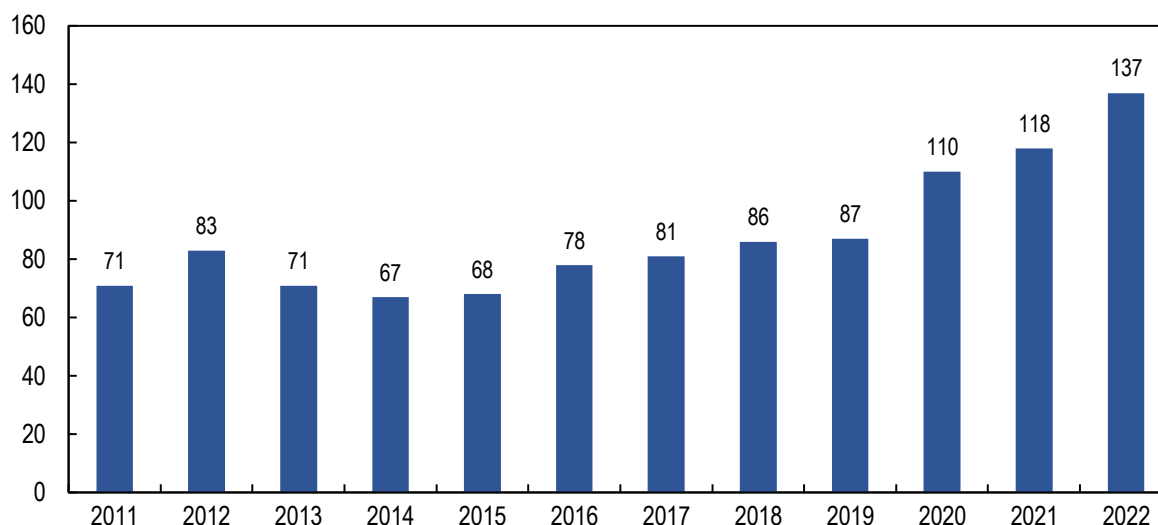
Producer support instruments are widely available in both RS and FBiH and have undergone substantial updates since the last assessment cycle. This support includes direct payments (either per hectare or per head of livestock), payments or premiums based on the level of output production serving as incentives, market support measures, and reimbursements for inputs. Direct payments constitute most of the support offered by both entities, capturing nearly two-thirds of aggregate budgetary support. However, the structure of these payments differs by entity. While FBiH most frequently offers payments based on land area or livestock heads (as outlined in its Annual Support Payment Programme), incentives offered in RS are primarily based on output.

The indicative financial framework for implementing the Strategic Plan for rural development of Bosnia and Herzegovina from 2023 to 2027 encompasses funds from agricultural development strategies of FBiH, RS, and Brcko District of BiH, along with allocations from the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (MoFTER BiH) and state-level agencies, totalling BAM 1.78 billion (EUR 0.91 billion), with an additional BAM 533 million (EUR 273 million) expected from other sources, making a total of BAM 2.24 billion (EUR 1.15 billion) over five years. Budget allocations for agriculture and rural areas are also planned to increase by an average of 4.6% per year, with modest contributions from the state level (1.0%) and the largest portion from entities like the FBiH (42.7%), RS (18.1%), and other sources including EU grants and loans.

Budgetary support for the agricultural sector in Bosnia and Herzegovina has been increasing since 2019 (Figure 15.3). However, both RS and FBiH identify insufficient financial resources as a primary factor limiting the ability of agricultural support policies to adequately meet the sector's needs, which hinders the provision of greater support for farmers. This is particularly evident in RS, as the amount of support instruments varies annually based on the size of the agricultural budget.

Figure 15.3. Budgetary support for the agriculture sector in Bosnia and Herzegovina (2011-22)

In millions of EUR



Source: Information provided by national authorities for the CO 2024 assessment.

Many instruments have changed since January 2021. In FBiH, several reforms were introduced in response to the adverse consequences of the Russian war of aggression against Ukraine. For example, numerous direct payments were increased due to inflation, particularly surrounding energy (and consequently agricultural input and fertiliser) prices, due to the conflict. In RS, the MAFWM recently increased direct payments supporting wheat and sunflower cultivation. The entity also introduced a new eligibility parameter that offers additional assistance to several target groups, including young farmers, women, and those living above 600 metres.

Another prominent type of instrument involves supporting risk management in the agriculture sector. In FBiH, there is an arrangement with the Development Bank of FBiH that guarantees farmers that commercial banks will provide loans to support activities in the agriculture and food industry. In RS, the MAFWM pays insurance premiums to subsidise this protection for farmers. Additionally, the government of RS pays for damages caused to fruit by frost.

Regarding alignment with the EU CAP, direct payments in Bosnia and Herzegovina are not decoupled, indicating a continued link between payment receipt and the production of specific products (European Commission, 2022^[8]), in contrast to the decoupled schemes promoted under the EU CAP. If not properly managed, this lack of decoupling creates an environment prone to market distortions and undermines farmers' ability to effectively respond to challenges such as climate change and market fluctuations. Additionally, the monitoring and evaluation of these payment schemes are largely underdeveloped and underutilised, although both entities conduct annual monitoring of the implementation activities and outputs of these support programmes. Furthermore, both RS and FBiH generally do not incorporate conditionality into the eligibility parameters for these instruments. In FBiH, only the direct payments based on livestock heads are subject to compliance with animal health requirements; no available instrument is tied to environmental standards. In RS, no producer support instruments are subject to environmental or animal and plant health requirements.

Concerning **agricultural trade policies**, the economy is a signatory to both the Central European Free Trade Agreement (CEFTA) and the Stabilisation and Association Agreement (SAA) with the EU. The SAA aims to create a free trade zone between Bosnia and Herzegovina and the EU by facilitating the elimination of customs tariffs and quantity restrictions in the exchange of goods. According to this agreement, all agricultural products originating in Bosnia and Herzegovina can enter duty free, except beef, sugar and wine,² for which import quotes exist.

Both entities lack a dedicated **agricultural tax regime**. In FBiH, farmers applying for public support must fulfil obligations for both value added tax and income tax. Additionally, under the Law on Agricultural Land, landowners who do not cultivate their land face a tax of EUR 100/ha for arable land and EUR 150/ha for perennial crop plantations. In RS, while there is no specific fiscal policy, farmers still benefit from lower obligations for health insurance and pension contributions and no taxes on arable agricultural land. Neither entity defines small farms or implements specific tax provisions for them. Moreover, neither conducts impact assessments on these tax policies' environmental or natural resource implications, despite the significance that their respective agricultural policies assign to these areas.

There is substantial scope to improve the **research, innovation, technology transfer and digitalisation** (RITTD) of Bosnia and Herzegovina, given the absence of a well-developed policy framework and dedicated government programmes. Notably, there is no agricultural RITTD policy at either the state or entity level; instead, the most relevant document is the Science Development Strategy 2017-22, which contains a section delineating priorities in the field of agricultural sciences.³ Moreover, there is no dedicated budget for agricultural RITTD; instead, these activities are funded from the broader research and development budget.

The absence of a dedicated policy framework has resulted in a lack of government programmes that directly contribute to RITTD (besides providing advisory and extension services). More specifically, no programmes seek to promote farms' adoption of innovations and knowledge transfer. However, while RS and FBiH may not directly offer such initiatives, the EU has undertaken an active role in addressing this gap, particularly to encourage innovations related to climate change adaptation and mitigation. For instance, under the four-year EU4Agri project, the EU has allocated funding to enhance climate change resilience in Bosnia and Herzegovina's agricultural sector (Box 15.1).

Additionally, some progress has been achieved through initial steps to establish a formalised Agriculture Knowledge and Innovation System (AKIS). Over the past few years, the Regional Rural Development Standing Working Group (SWG RRD) has undertaken a project requiring each Western Balkan economy to formulate an action plan for implementing such a system (Kasimis et al., 2022^[9]). Separate roadmaps and action plans have been developed for RS and FBiH, aiming to serve as foundational documents for the future design and implementation of the AKIS. Notably, the newly drafted Agriculture and Rural Development Strategy and Law on Agriculture in FBiH incorporate more concrete measures for the future establishment of an AKIS.

Box 15.1. Fostering climate change resilience: EU4Agri in Bosnia and Herzegovina

The EU launched the EU4Agri project in Bosnia and Herzegovina to modernise the economy's agrifood sector and foster the rural economy. This project aims to enhance competitiveness in agricultural production, rural jobs, and services. The initiative was launched in 2020 and is expected to conclude at the end of 2024. Its total value is approximately EUR 20 million, with most of this funding coming from the EU under the Instrument for Pre-Accession Assistance.

In June 2023, a new Public Call was published for potential beneficiaries (including small and medium-sized enterprises engaged in agricultural production, agricultural co-operatives, and independent entrepreneurs). BAM 1 million (EUR 512 000) were allocated to invest in tools and technologies that improve climate change adjustment and bolster businesses' resilience in this sector. Applicants can receive between BAM 30 000 (EUR 15 350) and BAM 300 000 (BAM 153 500).

Source: European Union (2023^[10]).

Extension and advisory services play a significant role in defining the economy's RITTD landscape, as they are widely utilised in the two entities and the Brčko District. The public sector directly provides these services in both FBiH (through the Agricultural Extension Service Division) and RS (via the Department for Agriculture Extension Services). However, private agricultural advisory services maintain a limited presence. In FBiH, the Law on Agricultural Advisory Services outlines the process for registering private extension services, but none have been registered as of January 2024. In RS, there are some private services, although they are few and operate only on a commercial basis.

Sub-dimension 14.3: Food safety and quality

Progress in strengthening policies related to **food safety, animal and plant health** has stagnated since the last assessment cycle, resulting in a relatively low level of alignment with EU legal bases. At the state level, laws about food safety, plant health, and animal health and welfare⁴ do not fully align with the EU *acquis*, particularly considering recent changes to EU laws. However, there have been efforts to update the legal framework on plant health to better align with the newest EU standards, as evidenced by the new draft law on plant health protection.

The institutional framework overseeing food safety, animal and plant health is relatively complex. State-level institutions, including the Food Safety Agency, MoFTER's Veterinary Office, and the Administration of Bosnia and Herzegovina for Plant Health Protection Administration (PHPA),⁵ are primarily responsible for co-ordinating policies in this sector. At the entity level, FBiH largely complies with the state-level legislation, while RS has developed its own parallel framework. Specifically, RS has established regulations such as the Law on Food and the Rulebook on microbiological criteria for food, which serve as the basis for the entity's food safety framework. The entities are responsible for inspection and overseeing the implementation of state and entity laws and other regulations.

Risk-based inspection in Bosnia and Herzegovina is largely guided by the Guidelines for risk classification in the food business and frequency of inspections,⁶ which aim to provide a consistent approach to inspection planning and resource allocation. The guidelines outline five levels of risk, ranging from "very high" to "very low", with the greatest degree of attention directed towards higher risk facilities. Ongoing efforts, supported by the German development agency GIZ, seek to develop risk assessment and management procedures in line with the World Trade Organisation's sanitary and phytosanitary (SPS) rules using international methodologies.⁷

Information systems – including those for notifying animal diseases or the central systems for the identification of certain livestock – are still not fully aligned with the EU (European Commission, 2023^[11]). However, one recent advance has been the ongoing development of the CEFTA SEED+ project (Systems for Electronic Data Exchange). The project aims to enhance trade facilitation and regional integration, partly through cross-border data and information exchange. In September 2023, a training session was conducted to instruct participants on using the SEED+ platform to ease the trade of animal products while ensuring compliance with veterinary health and safety standards (CEFTA, 2023^[12]). The training focused on the use of the new software, CEFTA TRACES NT (Trade Control and Expert System New Technology), covering aspects such as registering shipments, managing certificate templates, entering data and, more broadly, accurately assessing the health status of animals and animal products to enhance food safety.

Bosnia and Herzegovina houses several laboratories dedicated to food safety, animal and plant health.⁸ These include the Agricultural Institute of RS (Banja Luka), the Faculty of Agriculture at the University of Banja Luka, the Federal Institute for Agriculture (Sarajevo), and the Federal Agro-Mediterranean Institute (Mostar). All laboratories are accredited and authorised to perform tests, with their results recognised by CEFTA parties. Despite this, there is as yet no national system of reference or official laboratories for analysing food and feed, hygiene, veterinary, and phytosanitary checks in BiH, and progress remains slow due to a lack of alignment with the EU *acquis*.

There has been minimal progress in improving the economy's **food quality** policy framework, primarily due to the limited efforts to align legislation with the EU legal base. At the state level, the Law on Food and the Law on Genetically Modified Organisms form the foundation for food quality policy. However, food marketing standards are only partially harmonised with EU regulations. As with food safety, RS has its own food quality policy, which the Rulebook defines as providing information to consumers about food.⁹ This Rulebook is also only partially aligned with the relevant EU legislation. There is no existing or planned legislation on common market organisations (CMOs) which aim to create a single market for agricultural products at the state or entity level (Box 15.2).

Box 15.2. Adoption of the Law on the organisation of the wine market in BiH

In 2023, Bosnia and Herzegovina passed a law (designated as "EI") to align its wine market organisation with EU and international standards. This law outlines principles for the organisation and details regulations on grape and wine production, addressing concerns raised by winemakers regarding global competitiveness. With around 18 million litres of wine produced annually by approximately 70 registered producers, this awaited legislation systematically regulates designations of origin, geographical origin, labelling, presentation, advertising, market placement, supervision, and control of wine products, including provisions for organic, aromatised and fruit wines. Implementation regulations, including finalising necessary bylaws (rulebooks), must be completed within 12 months of the law's enactment. This timeline is crucial to ensure that domestic producers can continue exporting after the European Commission's deadline in November 2024 for harmonising Bosnia and Herzegovina's legislation with EU standards in wine and viticulture.

Source: Information provided by national authorities for the CO 2024 assessment.

Regarding geographical indicators (GIs), state-level legislation is again only partially aligned with EU standards. Policies on GIs include the Ordinance on quality systems for food products and the Ordinance on the appearance and manner of using the protected mark of origin, geographical origin and guaranteed traditional speciality of food products. As outlined in these documents, obtaining a GI requires a detailed description of the product's production method, specific characteristics or qualities (supported by data), and who wields the right to use the GI. However, the absence of comprehensive legislation on official

controls throughout the agrifood chain, a crucial aspect of EU alignment, negatively impacts various policy areas, including those related to the environment.

There is no state-level legislation guiding organic production, which remains within the entities' competencies. RS has the Law on Organic Production, while FBiH developed the Law on Agricultural Organic Production.¹⁰ Several local organic certification bodies operate in Bosnia and Herzegovina, such as the Organic Control System in Laktaši, Organska Kontrola in Sarajevo, and Ecocert SA in Mostar, playing a crucial role in this process. As of 2021, FBiH had 67 registered certified organic producers or processors, while RS reported an additional 64 (Matavulj, 2022^[13]).

Bosnia and Herzegovina has significant potential to advance its organic farming sector, which is currently in its early developmental stages. The estimated organic production area is less than 1 700 ha, constituting less than 0.1% of the economy's total agricultural land (Matavulj, 2022^[13]). Notably, both entities have made recent strides in promoting organic production. In FBiH, although public sector support remains relatively limited, an allocation of BAM 70 000 (EUR 35 800) was dedicated to supporting the certification of organic production. Similarly, in RS, the MAFWM provided certification support covering 50% of the certification cost, up to a maximum of BAM 10 000 (EUR 5 115) per user in 2022.

Overview of implementation of Competitiveness Outlook 2021 recommendations

Bosnia and Herzegovina has made limited progress in implementing the past CO Recommendations. Namely, challenges such as constrained financial resources and issues with harmonising legislation with the EU *acquis* have prevented further advances. Table 15.2 shows the economy's progress in implementing past recommendations for agriculture policy.

Table 15.2. Bosnia and Herzegovina's progress on past recommendations on agriculture policy

Competitiveness Outlook 2021 recommendations	Progress status	Level of progress
Increase investment and improve the implementation of rural infrastructure policy	Rural infrastructure remains underdeveloped due to limited resources at both the state and entity levels.	Limited
Harmonise rural development programmes across the economy	The fragmented institutional landscape has undermined the internal harmonisation of legislation, as well as with EU legislation and implementation.	Limited
Implement a common market organisation regulatory framework	No progress has been made in preparing and establishing the regulatory framework in accordance with the EU <i>acquis</i> regarding the Common Market Organisation (CMO). The parliament has adopted a state-level law on the organisation of the wine market, but the necessary bylaws have yet to be adopted before it can be implemented. The establishment of a register for grapes and wine producers, as well as a vineyard register, is still pending.	Limited
Set up the institutional framework for IPARD funding	Bosnia and Herzegovina did not utilise the IPARD funds during 2011-22 and currently lacks the institutional framework required to implement the IPARD III program. To access the benefits of IPARD, authorities must establish the necessary institutional structures, including a unified IPARD institutional framework, which is challenging due to the fragmented institutional landscape.	Limited
Speed up the process of the preparedness of domestic reference laboratories.	The inter-laboratory comparative testing system in Bosnia and Herzegovina has not yet been established, which means that not all laboratories can regularly participate in disease validation and verification. Additionally, the full national system of reference laboratories has yet to be implemented.	Limited.

The way forward for agriculture policy

Considering the level of the implementation of the previous recommendations, there are still areas in which Bosnia and Herzegovina could strengthen its rural development and infrastructure or its agriculture support system or further enhance its food safety and quality policies. As such, policy makers may wish to:

- Prioritise processes to support the implementation phase of the Strategic Plan for Rural Development of Bosnia and Herzegovina 2023-27. As the adoption by the BiH Parliament of the new strategy is imminent, it will be important to adjust current processes and allocate adequate resources to ensure a smooth implementation phase. As such, MoFTER should prioritise its prompt adoption and implementation by setting clear and measurable goals leading to more benefits for agrifood operators and rural communities in the economy because of a more coherent and strategic sector approach.
- Prioritise capacity building across the government to establish the necessary institutional capacity to benefit from IPARD funds. Going forward, it will be important to strengthen administrative capacity at all levels of government and enhance related functionalities to fully benefit from this EU instrument. Concretely, developing a national payment agency to manage and disburse financial assistance to eligible beneficiaries, such as farmers and rural enterprises, will be central and requires achieving agreement and harmonisation among authorities in BiH. These efforts are beneficial in helping the economy to qualify for and effectively utilise funding from the IPARD II programme to further develop the agricultural sector.
- Further develop agricultural information systems, such as the LPIS and the FADN (recently renamed FSDN). Given the lack of planned efforts to develop such systems, MoFTER should prioritise taking preliminary steps towards designing initiatives to launch their adoption. Creating an LPIS and FSDN would support evidence-based decision making and help strengthen property rights, thereby contributing to the overall efficiency and competitiveness of the agricultural sector.
- Continue to align national food safety and quality legislation with EU standards. Currently, state-level regulations for food safety, animal and plant health, and food quality are not fully aligned with the EU *acquis*. These reforms aim to enhance harmonisation with the EU, ensuring consumer protection and greater alignment across administrative bodies. Moving forward, aligning state legislation concerning food safety, veterinary and phytosanitary measures, and agriculture with EU standards, including quality policies will be crucial. National laws should align with EU regulations, and complementary legislation should be synchronised accordingly.
- Improve the capacities of official laboratories for food safety and disease detection. As evidenced by the limited progress made since the last CO assessment, further efforts are needed to secure adequate human and financial resources to ensure that these laboratories can achieve accreditation and subsequently carry out testing in an accurate and timely manner. Establishing a national system of reference and official laboratories for food and feed analysis, veterinary checks, and phytosanitary inspections, alongside investments in technology and personnel training, is crucial for advancing food safety and animal and plant health policies.

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Notes

¹ Information on the EU4Agri recovery Initiative can be found here: <https://eu4agri.ba/en/about-eu4agri-recovery-project>.

² Information on agrifood trade with EU enlargement economies: https://agriculture.ec.europa.eu/international/agricultural-trade/bilateral-agreements/enlargement-countries_en.

³ These specific priorities include raising productivity, creating new high-yielding and high-quality hybrids to expand food quantity and improve food quality, develop new agricultural technologies, improve sustainable management knowledge, and strengthen research supporting rural development.

⁴ Laws guiding food safety, animal and plant health in Bosnia and Herzegovina at the state level include: Rulebook on food hygiene (*Official Gazette of BiH*, no. 4/13), Rulebook on hygiene for food of animal origin (*Official Gazette of BiH*, no. 103/12), Rulebook on official controls performed to ensure the verification of compliance with feed and food law, animal health and animal welfare rules (*Official Gazette of BiH*, no. 5/13 and 62/17), and the Law on plant health protection (*Official Gazette of BiH*, no. 23/03).

⁵ The Plant Health Protection Administration (PHPA) is central authority responsible for developing policy in the area of plant health protection, preparing legislation, and as well as information exchange and co-operation with international organisations (including the EU, the Food and Agriculture Organisation, the World Trade Organisation, and the European and Mediterranean Plant Protection Organisation) on phytosanitary matters.

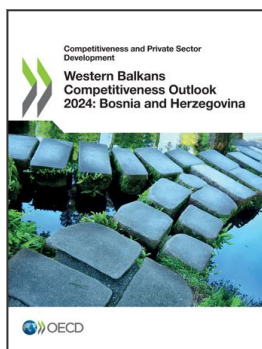
⁶ <https://fsa.gov.ba/bs/smjernice-za-klasifikaciju-rizika-kod-poslovanja-s-hranom-i-ucestalost-inspekcija>.

⁷ These international methodologies include those developed by the European Food Safety Authority, the Food and Agriculture Organisation, and the World Health Organisation.

⁸ Laboratories accredited by the Institute of Metrology of BiH (IMBiH), including laboratories for food safety, and animal and plant health: http://www.bata.gov.ba/Akreditirana_tijela/Spisak-akreditiranih-tijela.pdf.

⁹ Rulebook on providing information to consumers about food, *Official Gazette of Bosnia and Herzegovina*, no. 68/13.

¹⁰ To read the Law on organic production (RS), see: www.fao.org/faolex/results/details/en/c/LEX-FAOC134796. To read the Law on agricultural organic production (FBiH), see: www.fao.org/faolex/results/details/en/c/LEX-FAOC197413.



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