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MULTIFUNCTIONAL AGRICULTURE OF RURAL AREAS IN FEDERATION OF BOSNIA AND HERZEGOVINA IN PROCES OF TRANSITION

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Abstract

In agriculture transition conditions in Federation of Bosnia and Herzegovina, conceptualization of modern agricultural household is developing slowly and it is not on the satisfying level. Main feature of agriculture in Federation of Bosnia and Herzegovina in the future will be based on small and mid-sized agricultural households. Elements of production diversity, and certain extensively will be kept for a while and that will keep relatively higher number of people in rural areas. Number of people, lower level of production specialization and preserved elements of traditional solidarity, participation and identification of people from rural area with their community are preconditions for preserving and development of rural community. Also there is possibility to develop new content of rurality, based on natural, technical and other type of new agrarity and rurality, which presumes partial agricultural activities, in other words partial life in the village, but based on new socio-cultural standards. In that context, more people could be connected to the village, either by working there without living, or living there permanently and not working in agriculture, which is becoming frequent case in developed world. Those are modern forms of ruralization or neo-ruralization which can be used as possible theoretical redefinition of current rural paradigms, especially in connection to the modernization theories. In the profiling process of rural areas in new conditions, institution of village could be of great use, and have to be developed and adapted, with forming the new ones. This applies to the traditional village institutions (country family, school, religious facilities, agricultural community, etc), but also to the new ones - such as modern agencies for rural development on national, regional and local level which exists in many countries in the world.

Key words: *multifunctional agriculture, rural development, transition*

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Introduction

Transition is a process of building new economy and society types, which means a transitioning to market economy and aiming toward integrated market model. Opposite to reform, transition presumes that there is no part of economy outside the transition process, its goal is to build efficient and competitive market model and to abandon non-market system. Agricultural transition is long-term and very important strategic task which consists of understanding how and why situation is changing in particular branch and economy in general and of forming a vision for revitalization of the subject in question. Therefore, agricultural transition is complex process which comprise of several phases and refers to privatization, restructuring, competition, demopolization, rural area concentration and motivation of employees to achieve better market position.

Since the beginning of the European unification idea, common agricultural policy represented not only the way of achieving, but the strongest instrument of integration. As the result of necessity to develop effective ways of self-sufficiency in food production, common agricultural policy outgrow in economic philosophy, which leaves deep impact on European and global economic development and at the same time represent important factor of influence on numerous countries gravitating towards European union. Physiognomy and instruments of common agricultural policy from Treaty of Rome in 1957 went through significant changes, in other words basic standing in common market premises, financial solidarity and European Union establishment have changed. Common agricultural policy overgrow into precise mechanism, not just of common agricultural policy, but as integral approach to rural development, whose main pillars assume economic, social and ecological policies. This way, parallel with common agricultural policy development, transition countries were oriented towards accepting standards of common agricultural policy and as the way to ease integration with European Union.

Agricultural transition process in Federation of Bosnia and Herzegovina did not resolve main agricultural problems so far, it even worsens them. Rural areas are economically pauperized, with undeveloped communal and social infrastructure. Small and un-rationally divided rural households are not profitable and do not give possibility to develop commercial agriculture. Instead, agricultural households oriented toward quality and have necessary preconditions are facing huge market competition. Development and entrance of new non-agricultural businesses in rural area are not always a part of planed process, but consequence of inability to do business in primer sector. It is important to develop new agricultural structure, introduce new market models, apply system of financing and crediting, introduce exchange market, draft new model of agricultural cooperative, build concept of rural development, harmonize agricultural legislation with rules and standards of European Union, in other words, create European agricultural model.

Multifunctional Agriculture, Agriculture Politics and Rural Development in Federation of Bosnia And Herzegovina

During second half of 20th century, rural area of Federation of Bosnia and Herzegovina was shaped on paradigm of city - village confrontation, industrialization and de-agrarisation, public and private ownership, big agricultural households and small agricultural households. That paradigm excluded, in other words, anticipated integrated and multi-sector complementary development with the city. That created pauperized rural potentials which are hardening implementation of new economically sustainable model of rural development. But, seeing rural area as one specific form of social and economic community embedded in one particular space, it is possible to identify its resources and advantages which have to be integrally valued and improved to reach economic sustainable development. Rural development policies should not be considered as the part of agricultural policy, in other words agricultural policy is just one of the elements of integral rural development policy. Therefore, support to agricultural production will not assure quality of rural development, while quality multi-sector rural development can assure survival and raise of quality agricultural sector. International experience shows that successful local communities are the ones who manage to preserve its ambience and at the same time to achieve creative adaptation to extreme changes (Zmaic, 2009).

Rural development policy therefore, has to lead towards several basic criteria's: territorial approach instead of sector approach, stirring networking and forming cooperative relationships, concentrating on collective efficiency instead on individual, multi-sector approach to integral development, stirring development "down" on endogenous resources, preserving local identity and social capital, stirring innovation and promoting completion with quality instead with quantity.

Concept of multifunctional presumes model to achieve growing sustainability by assuring non marketable public goods in agriculture and rural area. Concept of multifunctional in agriculture is connected to the market production by diversification of activity of multifunctional agricultural household, and in rural area it is connected to doing multifunctional activities of agricultural producers and other participants in rural economy independently from agricultural production. Until the end of year 1990 multifunctional agriculture marked European trend of agriculture nature and rural area preservation, which contributed to the vitality of rural population and corresponded to the demands of consumers in term of quality and health safety of food, environmental protection and welfare of animals (EC, 1997:102). Multifunctional in agriculture contributes to expansion and development of rural multifunction concept. New rural development policy of European Union is based on four fundamentals: expansion of agricultural competition, managing land in ecologically acceptable and sustainable way, improvement of quality of life in rural areas and realization of activities through entrepreneurial initiative in rural area based on principle of bottom-up and top-down.

Federation of Bosnia and Herzegovina in most of its rural areas has all preconditions to promote and to successfully implement concept of multifunctional agriculture and integral rural development, because of its rural area diversity, natural resources, preserved rural ambience, tradition and unused potential for development of non agricultural activities in rural area. On

the other hand, there are some limitations and weaknesses such as unfavorable production and ownership structure, unused human resources and mechanization, undeveloped infrastructure, lack of entrepreneurial initiative, cooperation and motivation in economy of local community. Agriculture restructuring, which is necessary, can not be directed in creating smaller number of larger commercial type agricultural households oriented towards specialized market production. It is important to respect the role of both small and mid-sized agricultural households in development of rural economy and rural area preservation. Survival of above mentioned agricultural households is conditioned by diversification of economic activities, where it is important to take into the consideration interaction of agricultural and non-agricultural activities, which enhance total employment and revenue in rural area.

Dynamic processes happening in rural economy have to contribute to standardization and stability of total income of agricultural households in rural areas, where non commercial and small commercial agricultural households have to diversify their activity towards non-agricultural business and to add revenue from agricultural activities to total revenue outside agricultural household on the level of parity income. That way diversification trend of economic activities in rural areas is being more expressed and present and it is becoming almost universal process.

In practice the proposed model is rarely being realized, taking into the consideration that there are obstacles for entering into non-agricultural businesses at the level of agricultural households and because of the risks at level of revenue and at the level of region which deform basic relation and deepen revenue differences instead of shrinking them. To remove these obstacles it is necessary to do on time identification of forms of non-agricultural and total revenues of household's independence, which can be spotted through relations in the structure of revenue sources of agricultural households. That way, greater portion of revenue from non-agricultural activities in total revenue have small agricultural households in dynamic economic- agriculture activities with developed infrastructure, with higher population density, with higher number of non-agriculture labor force and lower tolerance to enter labor- intensive non – agriculture businesses which represents conventional ratio. On the other hand, non-agriculture businesses have higher entrance tolerance which demands higher capital investment and economically and strong agriculture households in rarely populated areas with weak infrastructure basis and undeveloped agriculture, who with their traditional technologies are blocking labor force in agriculture households. (Zmaic, 2009)

In total, small and mid-sized agricultural households would have to play the key role in rehabilitation, preservation and integral, multifunctional development of rural areas, and by that to mitigate the whole process of transition. Reformed agricultural policy into policy of rural development is giving the vitality to mixed resources limited agricultural households, which can take part in other business of rural economy. In some countries (France) it is considered that mixed agricultural households in current phase of development can represent the prevailing model of development inside new European concept of multifunctional agriculture. Despite of numerous research of rural area in Federation of Bosnia and Herzegovina and warning on its current limitation and advantages, so far agricultural policy did not include elements necessary for its developments into its goals.

To stir these measures in the right direction, it is necessary to use strategically and legally affirmative goals in practice:

- Introduce unique system of criteria's for defining rural areas comparable with European union system;
- Promote entrance of young people in agriculture by measures of structural policy, to train farmers and to stimulate business connecting.
- Promote investments in agricultural households for adaptation to the market needs, better work and life conditions for farmers, environment and biological diversity protection.
- Implementation of cash stimulants in agriculture have to be simplified and rationalized, invest in market infrastructure, regulate market functioning, speed up privatization of state owned agricultural land and agro-food companies.

On the local level stimulate programs which can be integrated into state plans of sustainable development and at the same time to be useful to local community which needs to participate in its creation. Assure development of governmental structures and to train agro-political decision makers in order to make them more aware of the connections between macroeconomic, regional and sector policies, in other words agricultural and rural environment.

Research Results

Rural development is set of policies, measures and activities whose goal is to have comprehensive economic, social and cultural progress of the people in rural areas. All of them are being planed and implemented with respect to the principles of sustainable development with preserving and enhancing the quality of environment.

In this research we conducted analysis of certain strategic documents and the level of their implementation.

Strategic plan for harmonizing agriculture, food and rural development (2009-2011) in Bosnia and Herzegovina, which led to Operational program for agriculture, food and rural development and to Operational program of FB&H for agriculture, food and rural development includes six priority areas where three of them are related to the measures for rural development:

1) Increase competition of agro-food sector in Federation of B&H by indirect (not connected to production) measures for production, refinement and trade support. Federal ministry of agriculture, water supply and forestry is through the program "Stimulus for agriculture" in 2008 started the process of transition from direct support for product to indirect support in the form of cash support for capital investment and investments in to agriculture households - rural development.

Increase of competitiveness of agricultural households is being realized through

introduction of measures “Support of young farmers”

Operational program of FB&H for agriculture, food and rural development presumes introduction of seven pilot measures:

- for investments in agriculture households producing milk,
- for investments in agriculture households producing meat,
- for investments in agriculture households producing fruit and vegetables,
- for investments in agriculture households producing corn,
- for investments for refinement
- for investments for support of producers associations,
- for investments for support of land consolidation.

Above mention pilot measures are not introduced as individual measures in Program “Stimulus for agriculture“ in 2008, but are included in the measures “Investing in agricultural households” and that way these measures give the opportunity to applicants to obtain cash supports.

Measures for investment support of producers associations and measures for support of land consolidation are also introduced within the scope of program “Stimulus for agriculture” in 2008, independently from measures of rural development.

2) Protecting rural environment of Federation of Bosnia and Herzegovina by supporting programs for agricultural environment.

Operational program of FB&H for agriculture, food and rural development address to the following measures:

- pilot measure of investing for support for introduction of ecologically acceptable organic food,
- support to authentic and traditional plant and animal species, and number of measures related to forests and forest industry, and also water sector.

As priority areas in the program “Stimulus for agriculture” of 2008, Federal ministry of agriculture, water supply and forestry lay down two supporting measures:

- support for areas with harder condition for agriculture and
- support for organic agriculture.

Measures of support to authentic and traditional plant and animal species are included through measures of additional activities.

Measures for forests and forest industry and water sector are not created as the part of supports for rural development.

3) Diversify rural economy activities and enhance quality of life in rural areas of Federation of Bosnia and Herzegovina. Operational program of FB&H for agriculture, food and rural development in this priority area address the following measures:

- for rural diversification and employment generation,
- for investment in local infrastructure
- for investment for support of rural tourism,
- for promoting access and availability for consultant and advisory services.

Federal ministry of agriculture, water supply and forestry, as the part of above mentioned priority areas, addressed two measures in the program “Stimulus for agriculture” of 2008:

- additinal activites,
- rural infrastructure.

Through these two measures applicants were able to offer project for all for measures planed in Operational program of FB&H for agriculture, food and rural development.

When talking about the degree of implementation of above mentioned strategic documents, as the example we took the measures from 2008. We analyzed some financial indicators and which were analyzed as the total amounts and percentage of rural development budget in total budget for agriculture, as the total amounts and percentage of financial resources by the measures and other financial indicators that we were able to obtain such as average investments, amounts by regions-cantons of Federation of Bosnia and Herzegovina (table 1). Total budget in FB&H for agriculture in 2008 was 52.650.000KM, where rural development budget was 6.512.000 KM or 12,40% of total budget for agruclture in FB&H.

Table 1. Review of all cash support for measures of rural development by cantons and the types of projects in in 2008.

COUNTY/ CANTONS		D/1-1	D/1-2	Increase in agricultural areas in 2007	D/2-1	D/2-2	D/3-1	D/3-2	D/4-1	D/4-2	TOTAL
USC	KM	80.545	82.714	155.910	11.577	32.681	20.851	80.724	30.859	0	495.860
	%	8.1	16.5	14.2	1.2	10.9	6.7	6.7	2.9	0.0	7.6
PC	KM	136.006	16.770	343.690	0	0	6.016	61.875	14.353	0	578.709
	%	13.6	3.4	31.2	0.00	0.0	1.9	5.2	1.3	0.0	8.9
TC	KM	122.041	32.261	374.820	4.175	9.840	14.023	120.450	168.102	0	845.712
	%	12.2	6.5	34.1	0.4	3.3	4.5	10.0	15.8	0.0	13.0
ZDC	KM	137.442	50.403	98.080	86.777	21.924	49.223	104.735	23.317	0	571.901
	%	13.7	10.1	8.9	8.7	7.3	15.8	8.7	2.2	0.0	8.8
BPC	KM	112.651	28.033	19.600	25.383	0	4.959	41.250	23.622	0	255.498
	%	11.3	5.6	1.8	2.5	0.0	1.6	3.4	2.2	0.0	3.9
SBC	KM	162.153	75.146	37.880	286.189	25.054	19.673	241.072	278.347	0	1.125.514
	%	16.2	15.0	3.4	28.6	8.4	6.3	20.1	26.1	0.0	17.3
HNC	KM	89.323	73.476	21.880	140.485	35.489	58.043	55.160	222.460	13.717	710.032
	%	8.9	14.7	2.0	14.0	11.8	18.6	4.6	20.9	38.7	10.9
ZHC	KM	25.962	33.754	0	35.014	20.443	50.564	388.774	130.761	8.636	693.908
	%	2.6	6.8	0.00	3.5	6.8	16.2	32.4	12.3	24.4	10.7
KS	KM	47.375	38.301	9.480	109.029	154.569	59.791	28.790	157.937	13.056	618.327
	%	4.7	7.7	0.9	10.9	51.5	19.2	2.4	14.8	36.9	9.5
K10	KM	86.503	69.141	38.660	301.371	0	28.859	77.171	14.834	0	616.539
	%	8.7	13.8	3.5	30.1	0.0	9.2	6.4	1.4	0.0	9.5
TOTAL	KM	1.000.000	500.000	1.000.000	1.000.000	300.000	312.000	1.200.00	1.064.592	35.408	6.512.000
	%	100	100	100	100	100	100	100	100	100	100

Source: Federal Ministry of Agriculture, Water and Forestry

It is indubitable that above mentioned measures had great impact on particular areas of intervention through increase of agricultural production, employment, diversification and economic activities. It is important say that huge unused resources exist in this area, because there were numerous project proposals by the applicants. That shows strong interest for changing the current position and resolving numerous questions of abandoned villages, which was the legacy from previous times. Table 2 shows measure of rural development by the groups of project in 2008.

Table 2. Review of rural development measures in 2008. by the number of approved projects and funds

Mark	Name of the measures for rural development	Number of projects	Support the (BAM)	Participation In %
D/1-1	Investments in agricultural farms	637	1.000.000	15.4
D/1-2	Support for young farmers	202	500.000	7.7
D/1-3	Increase in agricultural areas in 2007	314	1.100.000	16-8
D/2-1	Support areas with difficult conditions for life	275	1.000.000	15.4
D/2-2	Organic farming	71	300.000	4.6
D/3-1	Complementary activities	112	312.000	4.8
D/3-2	Investments in rural infrastructure	168	1.200.000	18.5
D/4-1 and D/4-2	Management and protection of farmland	226	1.100.00	16.8
Total	-	2005	6.512.000	100

Source: Federal Ministry of Agriculture, Water and Forestry

Measures of rural development were realized in several directions despite of lack of financial resources. Most of the resources were invested in landscaping and increasing of agricultural land, and areas with harder condition for agriculture, rural infrastructure, and also support for young farmers.

Conclusion

During second half of 20th century, rural area of Federation of Bosnia and Herzegovina was shaped on paradigm of city- village confrontation, industrialization and de-agrarization, public and private ownership, big agricultural households and small agricultural households.

Rural development policy therefore, has to lead towards several basic criteria's: territorial approach instead of sector approach, stirring networking and forming cooperative relationships, concentrating on collective efficiency instead on individual, multi-sector approach to integral development, stirring development "down" on endogenous resources, preserving local identity and social capital, stirring innovation and promoting completion with quality instead with quantity.

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