

AGRICULTURE POLICY REFORMS IN WESTER BALKANS IN RELATION TO THE EU

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Abstract

Western Balkan countries are undergoing trough the reform process of agriculture and rural development sector in line with EU policies and legislation. On the other hand the EU is going through the reform process towards designing new Common Agricultural Policy for the period 2007-2013 years. This paper aims to link these reforms through a comparative analysis of general indicators of agricultural development of EU and Western Balkan countries, and through analysis of the main objectives and measures of support that are being identified in the CAP and IPARD regulations, the two main regulations for support of countries to implement agricultural policies and reforms.

Key words: *Agriculture and rural development, EU, Western Balkan, CAP, IPARD*

Introduction

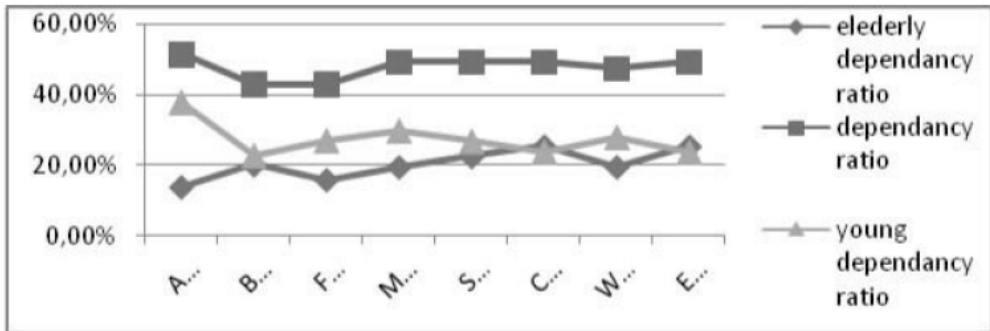
Agriculture and rural development in the Western Balkans are facing with a dual challenge. The first is in providing food security and providing the main source of income for the majority of rural population in these countries. The second is to get closer to the EU standards in order to increase the competitiveness of their production on the open market and to fulfil requirements for agriculture payments within Instruments for pre accession -IPA. Although these two challenges should be complementary and serve the same purpose, it is not always the case, and the reason why lays in different natural, economic and social conditions that characterize the sector of agriculture and rural development in these countries in comparison to the situation in the European Union. On the other hand member states of the European Union are trying to reform the Common Agricultural Policy-CAP, to respond to new challenges such as: food security (the same as in the Western Balkans), conservation of natural resources and production of public goods and adaptation to climate change. In this paper, we try to investigate whether these reform processes are diametrically different or similar and oriented around common strategic goals and priorities.

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Results and discussion

All countries in WB, except Croatia, have a lower elderly dependency rate in relation to the EU, and it can be concluded that the population of the WB states is younger than the population of the EU. Among WB Countries, Albania can be pointed as a country with the highest youth participation in the overall population structure (25%) and also the lowest share of population older than 65 years.

Figure 1: Age structure of population in WB and EU countries

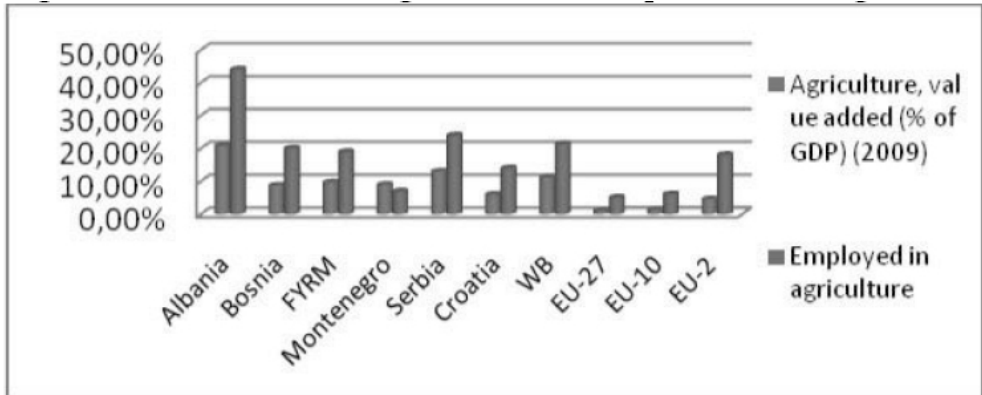


Source: author's elaboration based on official statistical data for each country

The average population density of WB countries is 74.2 inhabitants per square kilometre, and except in the case of Albania is located below the average population density of the European Union (116 people per km²).

Gross domestic product of WB countries is far below the EU-27 average and range from € 2,530 in Albania to the highest € 10,226 in Croatia. Compared to an average of € 23,000 in the Member States of the European Union, we can conclude that the WB countries are reaching only 19% of average EU GDP per capita. The lowest employment rate in the total working age population is in Bosnia and Herzegovina and the highest in Albania. On average, WB countries have 40% employment rate and at the EU level it is 60%. The highest rate of unemployment is in the Former Yugoslav Republic of Macedonia, and the lowest in Croatia. On average, WB countries have an unemployment rate of 18%, while the one at the EU level ranges between 8 and 9%. In case of WB accession to the EU higher unemployment may influence significant migration of workers from WB countries in more developed EU countries as in the case of accession of the last EU members. Share of agriculture in total employment is significantly higher in the WB in relation to the EU. The largest share of 44% is in Albania, while the lowest is in Montenegro (7%). On average, WB countries have 20% employed in agriculture in comparison with the EU where the participation is around 5%.

Figure 2: GVA in agriculture compared to agriculture employment

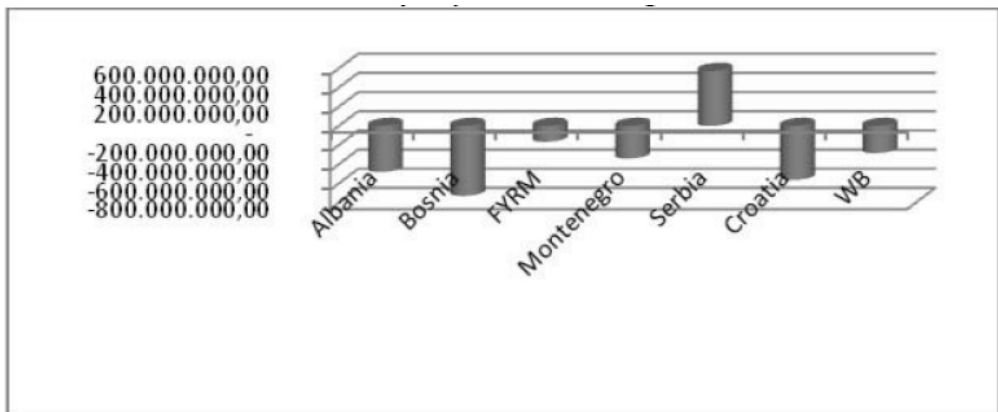


Source: author's elaboration based on official statistical data for each country

Contribution of agriculture to gross domestic product of WB countries is also significantly higher in comparison with EU countries and amounts to an average of 10% as opposed to the EU, where this contribution is only about 1%. The highest GVA in agriculture is achieved in Albania (20%), and the lowest in Croatia (5%).

In the external trade in food and beverage sector, it is also evident that for all WB countries this sector is far more important and more involved in the total exports and imports in relation to the EU countries. Thus, the participation of this sector in total exports is around 12.75% in the WB countries while in the EU is about 5%. The share of food and beverage sector in total imports amounts an average of 13.73% for the WB countries in relation to 5% in the EU. The greatest dependence on food imports is shown in Montenegro and lowest in Serbia among all WB countries, while the greatest export potential is realized once again in Serbia, and lowest in Albania and Bosnia and Herzegovina.

Figure 3: External trade balance for food, beverages and tobacco



Source: author's elaboration based on official statistical data for each country

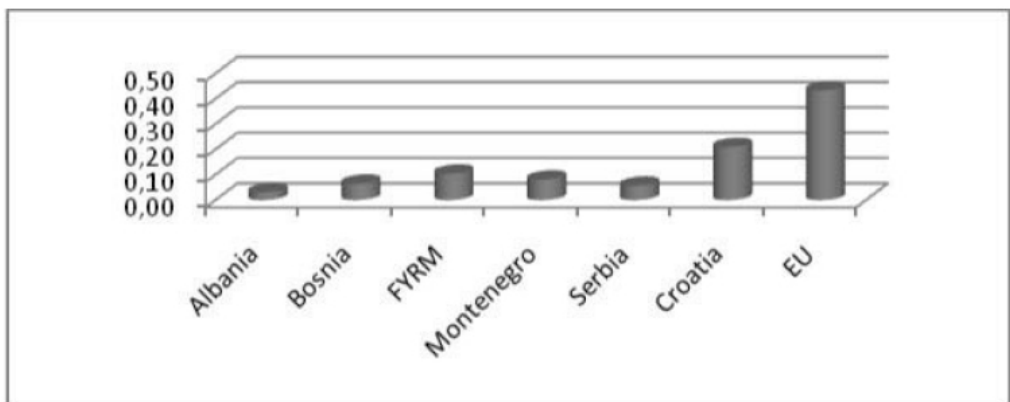
If we examine the trade balance, then the picture is somewhat different; all countries except Serbia had a negative trade balance when it comes to food and beverage sector. The largest negative balance is achieved in Macedonia, followed by Croatia and Bosnia-Herzegovina.

In terms of potential for engaging in agricultural production, comparison is made with respect to the average size of agricultural holdings where we got a drastic difference in average data for WB and the EU countries. Namely, the average farm-size in WB countries is 2.35 ha while the average for EU countries is 12.6 ha if we include all households and one that are less than 1 ha. WB countries does not show large differences when it comes to farm size and figures range from 1.8 in Albania, to 3.08 in Bosnia and Herzegovina.

When analyzing the objectives and priorities of agricultural policies we found that nearly all WB countries have aligned their priorities with the currently applicable priorities at EU level, such as improving competitiveness, preservation of natural resources that are in function of agriculture, and improving quality of life in rural areas through improvement of infrastructure, availability of services and diversification of income sources. In terms of analysis of the level of support that is available in national budgets of WB and EU countries, situation differs among countries.

If we put agriculture spending as part of GDP in relation with the contribution of agriculture in total GDP we get a relationship that is an indication of the level of protection and support for agriculture of WB countries and the EU. Based on data presented in the chart No.12, that level is lowest in Albania and largest in Croatia. Generally all WB countries have a far lower spending on agriculture compared to the EU countries especially in relation to the importance of agriculture in the economic structure of the WB countries.

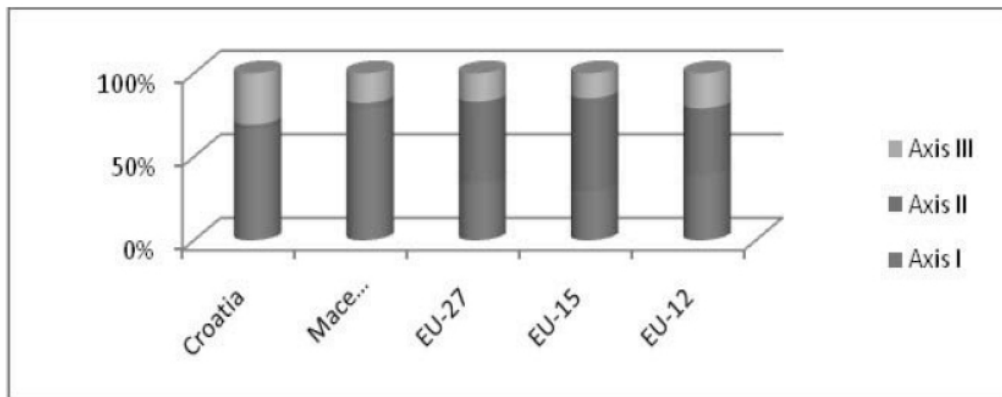
Figure 4: Ratio=agriculture spending in total GDP/ agriculture as share in GDP



Source: author's elaboration based on official data published by Ministries of Agriculture of relevant counties

In the pre-accession process, candidates and potential candidates countries are supported through the IPA instrument (Instruments for Pre-accession Assistance) which includes funds to support development of rural areas - IPARD. Funds from this component can be used for measures selected by the candidate countries which are offered under three strategic objectives: improvement of market efficiency (Axis I), preparatory activities for agro-environmental measures and support to local development initiatives (Axis II), and promotion and development of rural economy (Axis III).

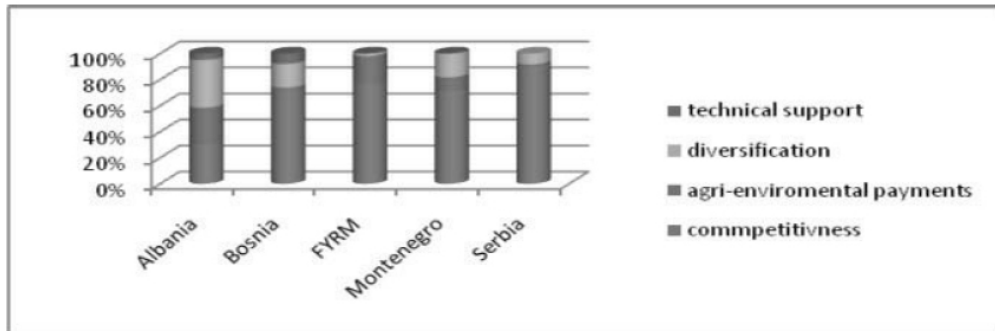
Figure 5: Financial Plan per Priority axes 2007- 2011 for Croatia and Macedonia and IPARD 2007-20013 for EU Member States



Source: author's elaboration based on IPARD and RDP for each country

As presented in the top graph the major difference in the structure of the financial plan for the implementation of the funds for rural development is the share of axis II measures in the total budget. Old EU member states allocate most of the funds for this axis (average EU-15) while the new Member States allocate equal funds for axis I and axis II. Unlike them, preparatory activities for the implementation of agro-environmental measures for the candidate countries are clearly the last on the priority list, although this component of the IPARD program includes also the preparatory activities for the use of the LEADER program.

A similar structure of rural development measures can be found by potential candidates who are not eligible for EU funding (Figure 14). These countries give greater emphasis on competitiveness and investment on the farm, which is reasonable in relation to the structural challenges that these countries are facing in agriculture sector. The importance of the second axis (sustainable management of natural resources) is far smaller and support measures are related mostly to support of organic production and protection of genetic resources. An exception is Albania, which allocates more funds for the implementation of food safety standards and sustainable management of agricultural land.

Figure 6: Support measures for rural development

Source: author's elaboration based on official documents published by Ministries of Agriculture of relevant counties

Conclusion

General conditions for the development of agriculture and rural areas of the Western Balkan countries are lagging behind the EU average. Nevertheless, agriculture in the WB provides a significant contribution to gross domestic product, a significant source of employment and an important part of foreign trade. The total agricultural production in WB countries is low and can't significantly threaten EU market. The structure and objectives of support at the national level and within the framework of rural development programs of WB countries, corresponds to the priorities defined in the CAP. However, the means for achieving these objectives vary considerably. Funds available at WB countries are far below the level of support the EU member states get. For WB countries, to be able to effectively adjust the agricultural and rural development sector to the EU standards it is necessary to: increase the level of spending for agriculture and rural development at the level of the national budget; to accelerate the process of making available the IPA funds for rural development for all countries of WB; improve land management policy and stimulate enlargement of land holdings; improve rural development programs of WB countries towards giving greater importance to sustainable management of natural resources.

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