



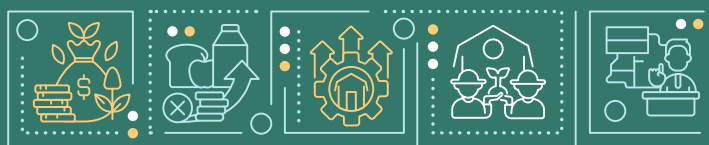
POLICY BRIEF -



AGRICULTURAL POLICY DEVELOPMENTS TOWARDS EU INTEGRATION



Bosnia and Herzegovina



1. INTRODUCTION

Although still an important sector for the economy of Bosnia and Herzegovina (BiH), **agriculture continued to decrease its contribution to employment in 2024**, while at EUR 1.24 billion, **it maintained the same level of participation in GDP** (5.2% of the total GVA) as in the previous year. The number of people employed or self-employed in agriculture is 95 thousand and makes up 7.7% of the total employment in BiH.

The negative trend of foreign trade in agri-food products continued, and in 2024, the deficit exceeded EUR 2 billion (2.003) for the first time. The total BiH export of agri-food products in 2024 was 609 million EUR (7.2%) of total BiH export, while the total import of agri-food products was EUR 2.612 billion (17.5%) of total BiH import.

Some statistical data for the agricultural sector are still missing, which makes it more difficult to compare with

other WB countries and the EU. **The Agricultural Census, which waited 60 years**, was not conducted in 2024, although all necessary preparations were made.

A practically fully liberalized market without instruments to protect domestic production remains one of the greatest challenges for insufficiently competitive domestic agricultural production.

Due to the **lack of political will** and consensus, **new legislation is still awaited** (new laws on agriculture and rural development, as well as new laws on agricultural incentives). Delays in new regulations postpone the inclusion of budgetary transfer incentives related to AKIS, LEADER, LAGs, and some measures in the field of market regulation.

Monitoring and evaluation of the effectiveness of **implemented agricultural policies are weak**, especially in impact assessments of different and numerous types of financial incentives.

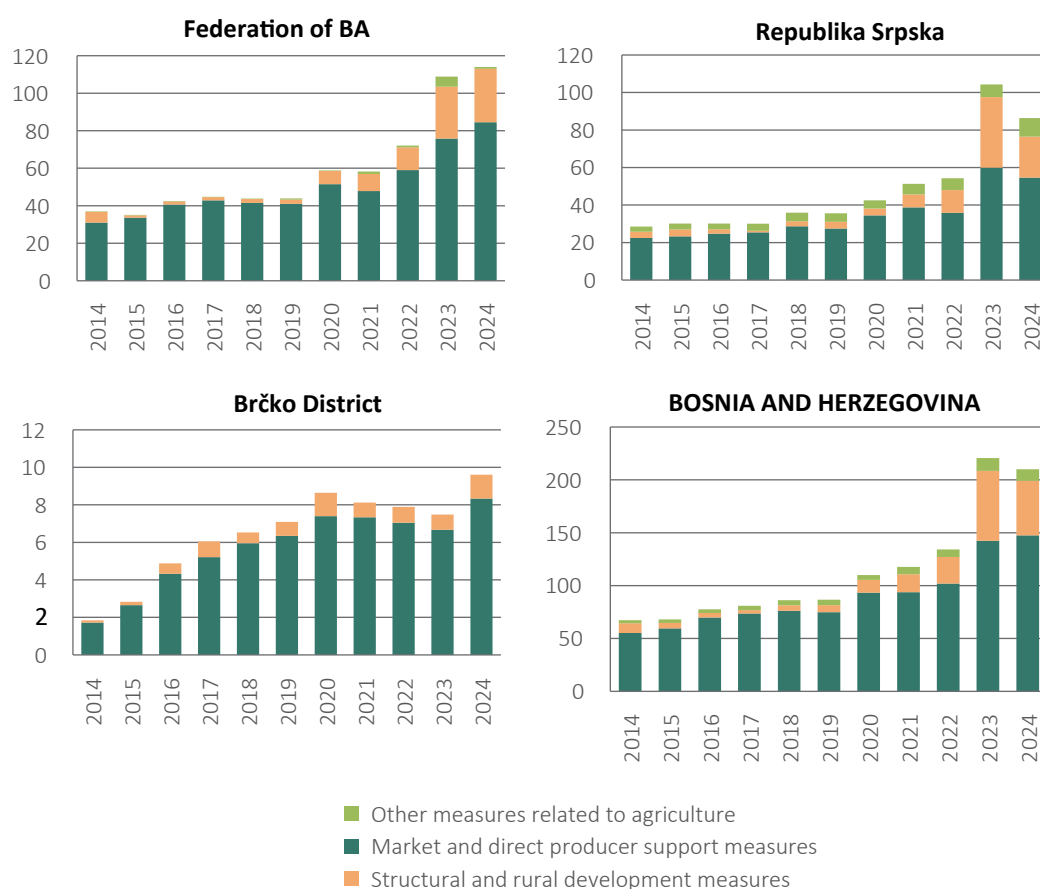
2. AGRICULTURAL POLICY TRENDS

Strategies for the development of agriculture and/or rural areas have been adopted at all administrative levels in BiH (state, two entities, and BD BiH), and they are all valid until the end of 2027. **Agricultural policies in BiH are implemented based on adopted strategic documents** and defined strategic goals. The Federation of Bosnia and Herzegovina (FBiH) has four strategic objectives for the period 2021-2027: (i) supporting the smart, resilient, and diversified agricultural sector with increased food security; (ii) strengthening the application of environmental practices that adapt to and mitigate the impact of climate change; (iii) strengthening the socio-economic structure – sustainable development of rural areas; and (iv) modernizing the agricultural sector by encouraging and exchanging knowledge, innovation, and digitalization in agriculture and rural areas. Republika Srpska (RoS) set five main objectives for the development of agriculture and rural areas: (i) increase the volume and productivity of agricultural production; (ii) increase competitiveness and develop value chains in the agri-food sector; (iii) protect the environment and sustainably use natural resources; (iv) revitalize rural areas; and (v) improve the institutional and legislative environment for agricultural development. The rural development objectives at the state (BiH) level represent a compilation of objectives previously set in the two entities.

A common characteristic of the **agricultural policies of both entities is the gradual harmonization with the EU CAP direction and objectives**. Despite advocating for that intention, the types of measures and the volume and structure of budget transfers in 2024 indicate that progress has been slow, and there is still no full alignment. This primarily refers to the switch from coupled to decoupled direct payments and the more serious inclusion of agri-environmental conditions and measures.

According to the CAP objectives, **the largest allocations of the total budgetary support to agriculture** at the country level in 2024 fall **under two objectives: Fair Income** (EUR 147.54 million or 70.27%) **and Competitiveness** (EUR 47.26 million or 22.50%). The rest of the budgetary transfers, amounting to EUR 15.18 million (7.23%), refers to the remaining eight objectives. Of these, Knowledge and innovation (EUR 4.82 million), Food and health (EUR 3.25 million), and Climate change (EUR 3.19 million) stand out, while transfers for objectives such as Environmental care, Biodiversity, Generational renewal, and Food value chains are very modest and have a minor contribution. In 2024, in both BiH entities, the implementation of the reforms foreseen in the strategic documents continued with adjustments of direct payments (in RS, milk producers are supported simultaneously per head and per liter, unlike the previous support entirely per liter) and in the part of rural development policy (greater preference and top-up payments to young farmers in both entities). However, measures from the domain of sustainable farming practices are still lacking in terms of quality (types of measures) and quantity (number of measures).

The total budgetary payments for the agrifood sector and rural areas in 2024 in BiH amounted to EUR 210 million, which **was slightly less than that in the previous year** (EUR 220.7 million). The division of support by pillars was retained almost the same, so the largest part (70.23%) was related to market and direct producer support measures (EUR 147.5 million), one-quarter (24.57%) to structural and rural development measures (EUR 51.6 million), while 5.2% was attributed to general measures in agriculture (EUR 10.9 million).



Source: BA APMC database

Figure 1: Breakdown of budgetary expenditure for agri-food sector and rural areas, 2014-2024, Bosnia and Herzegovina, in million EUR

In the FBiH, the trend of increasing total budget allocations for the agriculture sector was maintained in 2024, reaching EUR 114 million. Support for rural development (EUR 28.5 million) was maintained at a level similar to 2023, approximately one-quarter of the total support.

Market and direct producer support measures prevail with EUR 84.5 million, making up almost three-quarters of the total support. Although a lot of support for plant and livestock production is applied per hectare or head, **payments for milk production per output/liter still dominate, with EUR 34.8 million (41%).** In 2024, **there were changes in the schemes of direct payments for plant production.** In addition to the basic payment, additional subsidies have been introduced (except for fruit, grapes, and seed material) for fuel (diesel) and organic production.

Rural development measures, similar to those in the previous period, come down to measures that **improve competitiveness** and mostly refer to grants for co-financing the purchase of mechanization and other equipment, livestock, and the construction of facilities for livestock. Allocations for agri-environmental measures, biodiversity, and climate change adaptation are very modest (only EUR 0.5 million). In the FBiH, there is no larger allocation for general measures in agriculture (less than EUR 1 million).

In 2024, **the growth trend of total budgetary transfers for the agricultural sector was stopped in RoS,** which was mainly reflected in the second pillar and structural and rural development measures, which were significantly lower (EUR 21.9 million) than in 2023 (EUR 37.6 million). Direct support to producers remained almost at the same level (EUR 54.6 million), while general measures in agriculture slightly increased and reached EUR 9.9 million. **The reforming of direct payments starting in the RoS and the most important direct support to milk producers shifted to a combination of two payments: per head/dairy cow (EUR 5.76 million) and per output/liter (EUR 17.76 million).**

Special attention was paid to young farmers by introducing a measure for them to purchase new tractors with a 60% subsidy (EUR 4 million).

In 2024, the Brcko District BiH (BD BiH) maintained the same structure of budget support for the first and second pillars of agricultural policy, in which direct payments to producers dominate (87%). The total budget for the agriculture sector was significantly higher than in previous years, reaching EUR 8.3 million.

3. EU INTEGRATION AND AGRICULTURAL POLICY ALIGNMENT

EU integration process and agriculture: Bosnia and Herzegovina applied for EU membership in February 2016 and obtained candidate status in December 2022. In March 2024, the European Council decided to open accession negotiations with BiH, which have not yet begun. The European Commission's 2024 opinion emphasizes that the EC recommendations from the previous year were only partially implemented. According to the EC opinion (EC, 2024), **BiH is between the early stage and some level of preparation**, having made progress in public administration reform. Currently, **joining the EU and fulfilling the accession criteria are not top priorities for policymakers in BiH**, including those in the agriculture cluster. This situation is partly a result of the government's focus on resolving internal political issues and partly due to a **loss of hope regarding EU membership**, given the slow and increasingly complex enlargement process. Approximately 25% of BiH residents believe that the country will never become a member of the EU, compared to 21% who think it will happen within the next five years (WeBalkans, 2025).

Challenges: The slow fulfilment of conditions and reforms in the process of BiH's accession to the EU is mainly a consequence of the **lack of political consensus** on meeting the requirements due to the complex constitutional structure of the state and the differing political priorities of its constituent administrative units. The difficulty in achieving consensus and mutually acceptable solutions is not only a challenge for EU integration but also for resolving internal issues within the country. In addition, **the agricultural sector ranks low among the priorities for future reforms in the country.** However, **the ongoing deagrarization and depopulation of rural areas highlight the need for urgent action.**

Key areas of alignment: Practically all areas related to agriculture require significant adjustments to align with the EU Acquis. In Cluster 5 (Resources, Agriculture, and Cohesion), the Commission's recommendations from previous years were mostly not implemented and therefore, remained valid. **In Chapter 11 (Agriculture and Rural Development), BiH is at an early stage of preparation**, with limited progress made (e.g., the adopted strategic plan for rural development at the state level) to align with the EU acquis. **In Chapter 13 (Fisheries and Aquaculture), BiH remains at an early stage of preparation**, with no progress being made over the reporting period. Regarding Chapter 18 (Statistics), one

of the key requirements is to conduct an agricultural census, which has been in preparation for years but has been continuously postponed. Most of the highlighted recommendations refer to the adoption of appropriate legislation and regulations binding at the state level, aligned with the EU acquis, as well as the establishment of administrative structures and the harmonization of methodologies required for the implementation of the Common Agricultural Policy and for improving efficiency. BiH still needs to establish the necessary institutional structures and procedures to benefit from the Instrument for Pre-accession Assistance for Rural Development (IPARD) programme.

API tool: The Agricultural Integration Policy (API) tool, as it is methodologically set up, is inapplicable to BiH in many ways due to the lack of data in the required format or scope. For example, the budgets of entity ministries cannot be aggregated because in the FBiH, the budget includes incentives for farmers, whereas in the RS, these data are reported separately. The RS has a payments agency, whereas the FBiH does not. There is a public agricultural advisory service in the RS, but it does not have a separate budget for it. In the FBiH, agricultural advisors are employed by different entities, and the number of advisors is determined based on the licenses issued. Data on the number of employees in public institutions are not easily accessible or up to date. Due to the aforementioned and other limitations, most indicators of the API tool could not be calculated for Bosnia and Herzegovina, or the calculated values did not reflect the real situation.

The IACS practically does not exist in the EU's integral context, but certain elements of that system exist in both or only one entity. RS has an ETFARM system that has some elements of LPIS, but in full format, the LPIS system does not exist in BiH. FADN/FSDN and AMIS do not exist. A livestock registry exists at the state level, but it is not accurate, and the RS simultaneously established a veterinary registry that also does not provide comprehensive and up-to-date data on livestock. The vineyard register was recently established with EU support but is not yet fully functional. Statistics on organic agricultural production are being established but are still without publicly available data.

4. POLICY RECOMMENDATIONS

Some policy recommendations for the development of Bosnia and Herzegovina's agricultural policy towards EU integration in the near future include:

- Updating the regulatory framework of the agricultural sector to ensure compliance with the EU Acquis
- Initiating the drafting, consultation, and adoption of new strategic documents for the period after 2027 in a timely manner
- Establishing the missing components of the IACS system and completing it both horizontally and vertically
- Gradually aligning agricultural incentives with the EU CAP schemes and directions, while considering the specific characteristics of farming in BiH and the impact of particular payments on different types of farms
- Increasing budgetary allocations and incentives for structural and rural development measures
- Continuing to provide targeted support to young farmers
- Taking agri-environmental measures more seriously through strategic planning, environmentally friendly payments, and appropriate monitoring and evaluation
- Conducting an agricultural census in BiH and publishing the results as soon as possible
- Introducing the missing components of agricultural statistics and methodologically harmonizing them with EUROSTAT
- Start preparations for EU accession negotiations under Chapters 11, 12 and 13.

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