

**BOSNIA AND HERZEGOVINA  
FEDERATION OF BOSNIA AND HERZEGOVINA  
Federal Ministry of Agriculture, Water Management and  
Forestry**



**RURAL DEVELOPMENT PROGRAMME OF THE  
FEDERATION OF BOSNIA AND HERZEGOVINA  
2018-2021**



Sarajevo, 2017

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## Glossary

AEC	Agricultural and Environmental (agri-environmental activities)
ANC	Areas with Natural Constraints
BD	Brčko District Bosnia and Herzegovina
BiH	Bosnia and Herzegovina
CAP	Common Agricultural Policy
CITES	Convention on International Trade in Endangered Species
CFE	Cantonal Forest Enterprise
CLC	Corine Land Cover (classification system)
DG-AGRI	Directorate-General for Agriculture and Rural Development of the European Commission
EC	European Commission
EU	European Union
EUROSTAT	European Office of Statistics
FAO	Food and Agriculture Organisation of United Nations
FBiH	Federation of Bosnia & Herzegovina
FMOIT	Federal Ministry of Environment and Tourism
FMPVŠ	Federal Ministry for Agriculture, Water Management and Forestry
FSC	Forest Stewardship Council
GDP	Gross Domestic Product
GVA	Gross Value Added
ISSC-MAP	International Standard for Sustainable Wild Collection of Medicinal and Aromatic Plants
IPA	Instrument for Pre-Accession Assistance
IPARD	Instrument for Pre-Accession Assistance in Rural Development
KŠPD	Cantonal Forest Enterprises
LAG	Local Action Group
LAU	Local administrative unit
LDS	Local development strategy
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale; Links between actions for the development of the rural economy
LPIS	Land Parcel Information System
MA	Managing Authority
MAP	Medicinal and Aromatic Plants
MOFTER BiH	Ministry of Foreign Trade and Economic Relations BiH
NEAP	National Environmental Action Plan BiH
NGO	Nongovernmental Organisation
NUTS	Nomenclature des unités territoriales statistiques
NGO	Non-governmental organisation
NTFP	Non-Timber Forest Products
OECD	Organisation for Economic Cooperation and Development
PA	Payment Agency
PCP	Payment Claim Package
PESC	Project Evaluation and Selection Commission
PESTLE	Political, Environmental, Social, Technological, Legal and Economic
PMC	Programme Monitoring Committee
PS BiH	Parliament BiH
RK	Client Register
RPG	Agricultural Farm Register

RS	Republika Srpska
SME	Small and Medium-sized Enterprises
SPPŠRR	Sector for agriculture, food, forestry and rural development
SRD	Sector for rural development
SSRPS	Mid-term Agriculture Strategy FBiH 2015-2019
SWOT	Strengths Weaknesses, Opportunities & Threats
ŠPD	Forest Enterprise
ŠPP	Forest Economic Area
TOWS	Secondary SWOT Analysis (see Section 4)
UN	United Nations
WB	World Bank

# 1 Introduction

The rural areas of the Federation of Bosnia and Herzegovina (FBiH) have significant potential in terms of their natural and human resources and this Programme has been developed to focus the best use of resources in order to achieve balanced development of rural areas by raising the competitiveness of the rural economy, increasing employment, promotion of environmental protection and to ensure rural areas are excellent places to live and work.

The programme has been developed to be compatible with IPARD principles. The structure of the Programme and the measures will be implemented as far as possible following IPARD principles. In this way the Federal Government has developed a programme that introduces IPARD principles into the management of rural development<sup>1</sup> funding in FBiH. In turn this shows that the Federal Government is serious about strengthening its capacity to meet its obligations in the process of adoption of EU standards and requirements.

The introduction of IPARD principles in the FBiH is a significant change compared to current practice and requires a planned approach to bring in the necessary changes in a systematic way. Some activities can be implemented straight away, however many others will require further work to be undertaken in order for the preconditions for implementation to be met. The pre-conditions are technical, legislative, procedural and structural. Underpinning the ability to meet the pre-conditions is the need to ensure resources and the Program outlines the resources required for this purpose. Further, the programme document indicates the requirements that are necessary for implementation, which have been met and those that have not yet been met.

**Meeting these pre-conditions is critical to the successful implementation of the Programme and using the EU funds for agricultural producers and rural communities.** If the pre-conditions are not met, then there is a risk that funds that are made available cannot be given to rural beneficiaries, simply due to the lack of appropriate mechanisms. It is not necessary to meet all of the pre-conditions in order to start implementation of the programme. The programme has been designed to start with a small number of measures and then to build the programme step by step, in order to fulfil an increasing number of EU requirements.

The methodology for the development of the Programme included a large number of stakeholders participating through working groups, focus groups and public consultation. The approach taken was an inter-sectoral and interdisciplinary, in order to reflect the complexity of the requirements of rural development. The starting point was a thorough sectoral analysis, so that the Programme's Objectives and Implementing Measures have been established on a firm evidence base.

Following official adoption of the programme, programme implementation should be supported by action plans that schedule all the necessary activities, including arrangements for the necessary regulations, e.g., Rule Books, and institutions, e.g., staffing for implementation of the Programme.

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<sup>1</sup> Rural Development includes a set of policies, measures and activities aimed at the overall economic, social and cultural progress of rural population, and planned and implemented following the principles of sustainable development, conservation and improvement of the quality of the environment – Law on Agriculture ("Official Gazette of the Federation of BiH", no. 88/07) and Law on Agriculture, Food and Rural Development of Bosnia and Herzegovina ("Official Journal of Bosnia and Herzegovina", no. 50/08).

The programme is separated into 3 parts:

Part A – Context and Strategy – Chapters 2 - 7

Part B – Programme Measures – Chapters 8 - 13

Part C – Management and Operational – Chapters 14 - 22

The duration of the Programme is for 4 years, and is scheduled to start in 2018.

The Programme is a document of the Federal Government of Bosnia and Herzegovina. Catalys Ltd., UK, have provided technical support to the Federal Government in the development of the programme, including the drafting of this document. Federal Ministry of Agriculture, Water Management and Forestry (hereinafter: FMPVŠ) and other federal ministries have been fully involved with its development.

## **Part A – Context and Strategy**

## **2 Territory covered by the FBiH Rural Development Programme**

The territory to be covered by the FBiH Rural Development Programme includes the entire territory of the Federation and applicants and beneficiaries can come from any part of the Federation.

The legal basis for the programme is Article 12 of The Law on Agriculture, Food and Rural Development of Bosnia and Herzegovina (Official Journal of Bosnia and Herzegovina no. 50/08). The programme is also developed in line with the Article 95 of The Stabilisation and Association Agreement (SAA) between European communities and their member states and Bosnia and Herzegovina (June 16, 2008), providing for the gradual compliance of Bosnia and Herzegovina with EU legislation and practices. Annex 5 includes the details about the legal basis.

Projects that cross entity boundaries will be considered, but only the part of the project within the Federation can be funded by the FBiH RD Programme.

### **3 Description of the current situation**

This chapter outlines a quantified description of the current situation showing disparities, shortcomings and potential for development.

This chapter contains the initial sectoral analysis of the socio-economic context, agriculture, forestry and food sectors, the environment and land management, rural economy and quality of life (with an analysis of institutional and administrative structures of the economy in rural areas), followed by an analysis of the LEADER approach to rural development.

#### **3.1 Socio-economic context**

This section provides initial sectoral analysis of social-economic issues in rural areas in FBiH, covering issues such as population, migration, poverty and inequality, employment, education and social protection. It also provides an overview of the current situation, trends and prospects.

There is not yet a clear and generally applied definition of rural areas in FBiH, so therefore, the whole FBiH will be considered as rural area. Based on the provisional results of the 2013<sup>2</sup> census, FBiH has total population of 2.219 million, while eight cantons (except the Sarajevo and Tuzla Cantons) have a population density below 150 inhabitants per km<sup>2</sup>.

##### **3.1.1 Population structure**

Population growth is negative; natural increase rate in 2011 was -0.8 per 1.000 inhabitants, with fertility rates of 1.2 compared to the world average of 2.5. This may be indicative of changing family patterns, with fewer marriages and more divorces, indicating a potential future population structure with more single adult households and overall a declining population. The age of motherhood has shifted from early 20s to late 20s within the last decade.

The proportion of young people in cantons ranges from below 13% in BPK to over 19% in USK, with the corresponding figures for those over 65 ranging from just over 11% in USK to almost 22% in Canton 10. In general, the population share of younger people in rural areas is among the lowest in the world, and that of older people among the highest.

International migration data are scarce, but an estimated 38% of population of BiH now live abroad. More people are leaving the country than moving into it, with an estimated 20,000 emigrating each year. In terms of internal migration, Sarajevo is the main destination for all cantons except Canton 10.

Some of these trends can be associated with the social consequences of aggression on BiH and the displacement of a large part of the population, plus the economic consequences of the transition process creating high unemployment, especially among the young, and high migration rates. The available data has shown these trends are consistent between urban and rural areas.

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<sup>2</sup> Source: Federal Statistics Office

### **3.1.2 Employment, Unemployment & Social Conditions**

General unemployment stood at over 29% in 2012<sup>3</sup>, but this has declined slightly in the last period, especially in private sector manufacturing, construction and retail. The percentage of those employed in agriculture in FBiH currently stands at over 13%, compared to almost 32% in neighbouring RS. Poverty is more prevalent in non-urban areas at nearly 24% compared to under 11% in urban areas. Average wages in Sarajevo tend to be much higher than in other cantons, although labour mobility within the country remains very low. Other indicators of rural deprivation include lower numbers of doctors, hospital beds and houses connected to sewerage systems. Additional factors include fewer opportunities for employment and further education, especially for younger people. There remain large inequalities between the wealthy and the poor.

Roughly 24% of GDP is spent on social protection programmes, including social insurance and social assistance programmes, but excluding unemployment benefits. These include health protection and pensions. In general, expenditure on pensions is among the highest levels compared to the EU and countries of the Western Balkan region. However, some 60% of people over the age of 65 are not covered by regular pension schemes or benefits, especially in rural areas, farmers being a particular case in point. Employment in agriculture is largely informal, with labour being provided mainly by unpaid household members. This results in a situation where only a handful of farmers have health and/or pensions insurance, which then leads to a lack of income and economic inactivity.

Specific problems in the agricultural sector related to poverty reduction include those of land ownership, land management, access to water and other resources, access to basic services such as sewerage and electricity, and access to finance and institutional assets such as legally protected rights.

### **3.1.3 Education**

Enrolment in pre-school education is just over 2% in rural areas, compared to over 14% in urban areas. The numbers of computers per pupil and percentage of computers having internet connection are generally higher in urban cantons. In primary education, average class size and student teacher ratios tend to be larger in urban areas, but this is reversed at secondary education level, indicating that secondary education is more available in urban than rural regions. Households in urban areas are generally more educated, but the difference between urban and rural areas in terms of households headed by a person with a university degree is not significant.

### **3.1.4 Summary of socio-economic context**

In summary, population trends in both rural and urban areas are relatively similar, both showing an ageing population, negative population growth, a reduction of household size and changes in the structure and composition of households. This suggests that incentives for having more children and for younger people moving to less advantaged regions should be considered.

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<sup>3</sup> According to Labour Force Survey and ILO methodology.



Although the entire country is faced with large unemployment, figures suggest that unemployment is more significant in rural areas, and that improving the quality of education may be a key to tackling the problem, through for example the strengthening of local advisory boards for schools curricula development and the greater involvement of private and social enterprises.

Rural poverty and deprivation can be a problem most acutely felt by elderly people, especially those unsupported by social protection services; this is a particularly acute issue for those who have been engaged in agriculture.

## **3.2 Performance of the agricultural, forestry and food sectors**

### **3.2.1 Agriculture**

#### **3.2.1.1 Land and soil characteristics**

Historically, agricultural output in FBiH has been limited by a failure to optimise existing production capacities, with large areas remaining abandoned or uncultivated. As a very important commercial activity, agriculture requires better and more effective land management, reclamation and land and soil improvement.

84% of FBiH territory has a slope of over 13%, with 40% of the land having soil that is shallower than 30 cm and 17% of the territory consisting of very shallow soils. The following table gives an indication of relative agricultural land uses over a ten-year period.

Plough land has decreased during the last 10 years, vineyards and natural hay meadows have grown slightly, pastures and wetlands have decreased. Total arable land and agricultural land per capita in general have remained the same.

Agricultural land in FBiH is classified into eight land capability classes, in which Class I consists of the best soils (best physical, chemical and biological properties), and Class VIII of extremely limited soils. Land production capability is the basis for grouping capability classes of agricultural land into entities called "agri-zones."

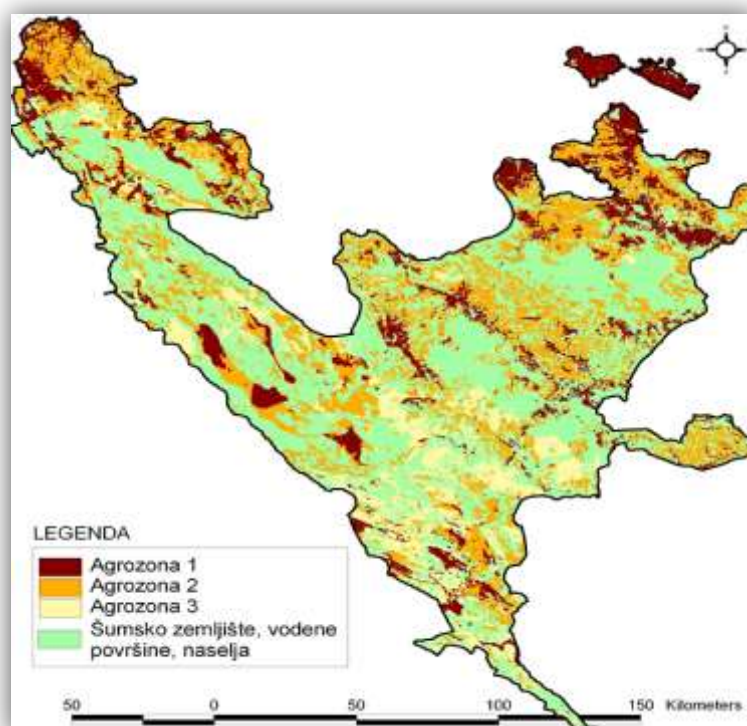
**Table 1: Agricultural land of the Federation of BiH by categories of use; Period 2003-2012**

Description	Unit	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Plough land</b>	000 ha	416	416	411	409	400	400	391	398	390	396
<b>Orchards</b>	000 ha	41	42	42	43	43	43	43	44	44	43
<b>Vineyards</b>	000 ha	3.0	4.0	4.0	4.0	4.0	5.0	50	5.0	5.0	5.0
<b>Natural meadows</b>	000 ha	257	264	262	263	257	264	254	254	257	275
<b>Arable land – in total</b>	<b>000 ha</b>	<b>717</b>	<b>726</b>	<b>719</b>	<b>719</b>	<b>703</b>	<b>712</b>	<b>692</b>	<b>701</b>	<b>696</b>	<b>719</b>
<b>Pastures</b>	000 ha	441	423	419	418	427	441	442	434	442	424
<b>Fish ponds</b>	000 ha	0	0	0	0	0	0	0	0	0	0
<b>Swamp and</b>	000 ha	3.0	2.0	2.0	2.0	2.0	2.0	2.0	3.0	3.0	2.0

pond											
Total agricultural land	000 ha	1.161	1.151	1.140	1.139	1.132	1.155	1.137	1.138	1.141	1.145
Arable land per capita	ha	0.31	0.31	0.31	0.31	0.30	0.31	0.30	0.30	0.30	0.31
Agricultural land per capita	ha	0.50	0.50	0.49	0.49	0.49	0.50	0.49	0.49	0.49	0.49

**Source:** Federal Institute for statistics, Statistical Yearbooks 2009 and 2013

According to the data from the Federation Institute for Agropedology, out of the total agricultural land in FBiH the largest share belongs to agri-zone 2 (agricultural land in capability classes V and VI) – 52.10%, then agri-zone 1 (arable agricultural land in capability classes I–IV) – 25.03%, and finally agri-zone 3 (land in capability classes VII and VIII) – 22.85%. With the exception of Posavina Canton, all other cantons have a noticeable problem of low share of quality agricultural land.



**Figure 1: Spatial distribution of agri-zones in FBiH**

*Source: The Strategy of Agricultural Land Management*

### **3.2.1.2 Land ownership and management**

One of the main problems in FBiH is a complex and disorganised situation with land registers and cadastres, which is one of the reasons for inefficient agricultural land transactions in the Federation. Land registers date back to the Austro-Hungarian period and they are technically still maintained on that basis, except for a smaller part of the territory for which a cadastre of real property is established on the basis of the new cadastre survey.

Disorganised legislation regarding ownership rights, and the lack of an agreed approach to registering real estate property are delaying progress towards modernisation, digitisation and the renewal of land registers and cadastres, thereby hampering the process of land transactions. This has led to a reduction in land values and the inability to secure collateral for further investment. Although there is a law on agricultural land, there is no organised data base or exchange of information among administrative levels of government about the change of use of agricultural land, leading to significant and permanent losses of this scarce resource (these losses are often of the best quality land).

It is estimated that about 0.1% of agricultural land loses or changes its purpose in FBiH annually. However, this is only an estimate, as there is no precise and verifiable land categorisation, census, map or register in FBiH; also, there is no record of all spatial changes or satellite images that would enable efficient identification of resulting changes. All of the above does not allow for the establishment of an integrated system of management and efficient use of land as an agricultural or economic resource.

According to information from the "Strategy of Agricultural Land Management" (2011), more than two-thirds of agricultural landowners in FBiH (67.35%) are in the private sector while one-third (32.65%) of the land is government-owned. According to the same source of information, the breakdown of ownership structure by cantons is as follows: most of the privately owned agricultural land is in Tuzla (93.17%), Central Bosnia (90.61%) and Posavina (88.80%) cantons, while most of the government-owned land is in Canton 10 (63.58%), Herzegovina-Neretva (39.83%) and Sarajevo (34.69%) cantons.

As for the structure of government-owned agricultural land in FBiH, extensive areas – pastures (72.91%) make up most of it. Government-owned arable land amounts to 26.74%, the structure of which is as follows: meadows 50.88%, ploughland 44.44%, orchards 3.76% and vineyards 1.65%. The majority of the highest quality intensive agricultural land (i.e., arable land, orchards and vineyards) in FBiH is owned privately, generally in family farms.

According to the Farm Register, a total of 55,904 farms were registered as of the end of 2014, 1,276 of which are legal persons and the rest are family farms. The average size of land in use is 1.97 ha per farm with average four parcels per farm in the case of family farms. The size of agricultural land in use in FBiH is estimated at 1.97 ha, which is considerably under the EU-27 average of 14.3 ha. There is still no comprehensive picture of farm structure in FBiH because an agricultural census has not recently been implemented, the last time being in 1960.

Most of the countries that joined the EU in 2004 and 2006 also have an unfavourable structure of farms, and they have been taking action to improve it. Most of those countries have established land stock managed by an expert institution for the

purpose of consolidating agricultural land and, in addition, they are applying a combination of other measures such as support to young farmers, early retirement of farmers and farm workers, improvement of infrastructure related to development and adjustment of agriculture, in support of land consolidation.

### **3.2.1.3      *Agricultural production***

Although there is relatively good natural potential for the development of cereal and vegetable production in FBiH, this production does not appear to have increased. In part this lack of productivity growth is due to relatively unfavourable weather conditions during the key stages of crop growth (high or low temperatures, late spring or early autumn frosts, too much or too little rain), thereby considerably reducing potential yields. A critical constraint to increasing yields is the very low level of investment in mechanisation and modernisation measures such as irrigation systems, mechanised field operations and greenhouse cultivation.

For numerous reasons, some 50% of potentially arable land has not been cultivated in FBiH in the past 10 years. In terms of cropland in FBiH in 2012, cereals dominated (86,000 ha, 44.1%), one-third (63,000 ha; 32.3%) was forage plants, and a little over one-fifth of the area (44,000 ha; 22.6%) was used to grow vegetables. The most important cereals are common wheat and maize. The tendency to reduce cropland under common wheat had been noticeable in the period 2003–2012, while maize production is consistent and accounts for about 50,000 ha.

The total production and average yields largely depend on weather conditions, which is why they vary year by year. The most important plants in forage plant production are maize silage, alfalfa and clover. While alfalfa and clover show slight reductions in their cropland, harvested areas of maize silage more than doubled in the past 10 years, with its total production in 2012 reaching 287,000 tonnes from 19,100 hectares. Land used for vegetable production has reduced slightly in the past decade. Potatoes are still the most important crop (about 60% of total cropland of vegetables), although cropland used to grow potatoes has slightly decreased.

Fruit production in FBiH has expanded considerably in the last decade, although orchards still only account for 6.0% and vineyards 0.7% of farmed land. Plum and apple orchards are most abundant, with pear, cherry and peach orchards less well represented. In the last five years there has been an intensive increase in areas planted with berry fruit, and the southern part of FBiH shows increasing interest for the growing of Mediterranean crops and the revival of forgotten crops such as olives.

The most important elements of the livestock industry in FBiH are milk and milk products, meat and meat products. Milk production in FBiH takes place on about 50,000 farms that keep dairy cows, but only 11,300 of these produce milk for the market. Milk production in FBiH had increased from 292 million litres in 2003 to 330 million litres in 2012. Since the number of dairy animals has decreased, expansion of milk production is explained by improvements in yields and breed composition. These positive trends demonstrate that the work done within the milk sector to organise the sector, improve cooperation and knowledge transfer is producing positive results and once laboratory and certification issues are addressed it has the potential to become an even stronger component of the FBiH economy.

Meat production in registered slaughterhouses in the period 2003–2012 increased from 26,400 to 67,898 tonnes, primarily owing to the increase in the production of poultry meat. While the share of beef was 51% and poultry meat 30% in 2003, beef

accounted for 26% and poultry meat 62% of total produced meat in 2012. Of the total amount of meat produced in 2012, pork was only 9% and lamb 3%. Average yield per head of all types of livestock except for poultry is increasing with slight variations.

There has been significant progress in beekeeping in FBiH in the past 10 years, with honey production increasing by 58% as a result of increased number of beehives (51%) and slight increase in average production of honey per beehive. Organic production of bee products in FBiH is still in its inception, and only five beekeepers have hitherto complied with the requirements laid down by the certification authority Organska Kontrola (OK)<sup>4</sup>.

Aquaculture has also seen considerable growth, with investment in establishing and equipping fish farms increasing by a factor of 2.7 in the past five years. The success of this subsector has largely resulted from strong cooperation and integration of the supply chain from the hatchery to semi-processing or full processing plants, and on the availability and quality of water resources.

### **3.2.1.4      *Agriculture summary***

The natural characteristics of land in FBiH mean that it requires particular attention and specific approaches to its management and use. Agricultural land is divided between 62.8% arable (**arable land and gardens, orchards, vineyards, meadows**) and 37.2% non-arable (**pastures, reed beds and ponds**)<sup>5</sup> land.

One of the major barriers to agricultural and rural development is the disorganised land register and cadastre, which leads to inefficient use or abandonment of agricultural land. The average farm size in FBiH is quite unfavourable and it is estimated at about 2 ha. However, this can only be an estimate in the absence of a competent cadastral register.

For average yields and competitiveness in general, primary agricultural production is still far from European standards. Plant production results have been changing year by year and they depend a lot on weather conditions. Cereal and vegetable production does not show tendencies for growth, but fruit production, particularly that of berry fruit, has expanded.

Overall numbers have varied across all types of livestock in FBiH in the last decade<sup>6</sup>. The number of cattle and goats has slightly decreased, but the decrease in the number of horses is dramatic. The number of pigs is relatively stable, while the number of poultry has increased.

### **3.2.2   *Forestry***

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<sup>4</sup> Organska kontrola "OK" is a BiH certification organization that developed certification program and organic production and processing standards for the implementation of certification program. As of 2007, OK has been accredited by the International Organic Accreditation Service IOAS in accordance with ISO/IEC guide 65. The standing committee for Organic Agriculture of the European Commission consisting of 30 bodies of the world has officially recognized OK as an authority on certification of organic products in the third countries, intended for sale on the markets of EU member states. This EC decision is based on Regulation EC no 834/2007 and EC 1235/2008. 73 bodies applied for the inclusion into the list and "OK" is the only certification authority from the Balkans that was granted this authorization. In 2012 "OK" expanded its certification activities by certifying producers from Serbia and Montenegro.

<sup>5</sup>Source: Federal Statistics Institute

<sup>6</sup>Federal Statistics Institute, Statistical Yearbooks

Forest and forest land in FBiH, both state and privately owned, covers an area of 1.692.700 ha. 51% of this is high forest, 35% coppice forest; the rest being bushes, bare land or non-productive surfaces. There is therefore scope for further development of high forest, but some 15% of total forest and forest land surface has a problem with land mines which may or may not be cleared.

The forest resources have been managed for decades by traditional and internationally recognised systems applicable to the natural conditions in the Balkan region. The main principle is to ensure continuous wood production and revenues from the forests. This principle complies with the general concept of sustainable development.

There are two main characteristics that make the forestry of BiH different from that of most other European countries:

a) A high share of state-owned forests (80.7%) that enables government organisations to determine the intensity and quality of forest management and use of forest resources, and

b) Due to the importance of the forest sector to the national economy, the state has a genuine interest in fostering the forestry business, preserve and enhance the forest resources and develop the resources for public service purposes.

### **3.2.2.1      *Forest management***

Operational forestry activities are managed by Cantonal Forest Enterprises (CFEs), each of which has several forest management units or Forest Districts. There are currently 8 cantonal forest enterprises managing 30 Forest Management Areas. All state owned commercial forests are divided into Forest Management Units (FMUs) under the control of CFEs. The karst areas are included in the FMUs as special management units. FMUs are responsible for drawing up forest management plans, whether these are state or privately owned forests. In addition to controlling silvicultural and wood production activities, management plans now include a strong element of the active maintenance and enhancement of biodiversity, as well as the utilisation of secondary products. Until a few years ago, the emphasis was almost entirely on wood production and commercial aspects.

The state owns 81% of the total forestry land in BiH, the remaining 19% being in private ownership. In terms of exploitable forests, the state owns even a higher share, totalling 92%. Private ownership is concentrated on low forests and unstocked lands, which may be subject to intensive felling and inadequate and unsustainable management practices. The private forests are split up into a significant number of holdings, the sizes of which tend to be small, typically from 2 – 10 hectares.

Forestry and the wood processing industry represent important parts of the national economy, especially for rural areas under post war rehabilitation. Up to now, the forestry sector has not been particularly market orientated and efficient business systems were significantly neglected. This situation is now changing, with forestry companies gradually aligning with the market environment. However, much remains to be done in terms of strategic and operational planning, database development and effective pricing. One of the key priorities for the improvement of the forestry sector in FBiH is improved business planning based on the principles of micro-economics, and the development and application of consistent forestry policy and strategy at national level.

### 3.2.2.2 *Economic value*

**Table 2: The contribution of the forestry and wood processing industry  
Gross National Product – selected years since 1985**

Year	Total GNP	GNP in forestry		GNP in wood processing industry	
<b>BiH</b>	'000 Din.	'000 Din.	%	'000 Din.	%
<b>1985</b>	395,035	4,793	1.21		
<b>1990</b>	235,315,529	2,933,359	1.25	16,207,453	6.89*
<b>FBiH</b>	'000 USD	'000 USD	%	'000 USD	%
<b>1995</b>	2,818,288	11,617	0.41		%
<b>FBiH</b>	'000 KM	'000 KM	%	'000 KM	%
<b>2000</b>	8,162,834	103 661	1.27		1.63
<b>2005</b>	10,964,423	114,030	1.04		1.34
<b>2008</b>	15,664,470	133,148	0.85		1.37
<b>2009</b>	15,275,970	102,349	0.67		1.23

\* Wood processing industry includes all forms of mechanical and chemical wood processing including the wood furniture. Before war its participation in B&H GDP was 6.89% and it was distributed as follows:

2.31 % sawmill production and panel industry, 1.34 % pulpwood and paper industry, and 3.24 % to all forms of wood processing.

\*Source of information: Statistic year book SR B&H 1991. Statistic year book F B&H 1997

Although total GNP in FBiH increased from 2000 to 2008, both GNP and forestry's contribution to it declined as part of the global economic downturn experienced at that time. It is anticipated that the gross contribution of the forestry sector will grow with more intensive economic activities. For example the sector's contribution will be enhanced (both economically and socially) by the improvement of production portfolios to include better use of available cut, use of non-timber products, tourism and hunting management.

These and other potential forestry related products and services could be further enhanced through the Rural Development Programme and involving a range of key stakeholders. It is unlikely however, that the forestry sector will grow significantly as a proportion of GDP; given that the service sector is growing at a faster rate than primary production sectors. Development efforts should therefore concentrate on measures to improve the forestry and forest products value chain.

### 3.2.3 *Food sector*

The food industry in FBiH is fragmented. There are 608 enterprises operating within it, out of which 72.2% are micro, 19.7% small, 6.3% medium, and only 1.8% large enterprises. During the last five years, the number of food related enterprises has increased by 2%, and the number of employees by 3%. Out of total number of labour force in food industry, 39% work in large enterprises, 30% in medium, 20% in small enterprises, while about 11% work in micro enterprises.

The industry is very diverse, as only few of the sub-sector have an output above 10% (in 2012 these were - mineral water and other beverages 19.6%, meat products 16%, dairy products 12%, and only 7 sectors create as much as 80% of total food industry output. Out of the total number of enterprises (608) only 97 enterprises applied ISO

22000<sup>7</sup>, only 21 were of Halal standard<sup>8</sup>, and only 6 had achieved standard ISO 14000<sup>9</sup>.

Companies are generally not market oriented which reduces their capability to improve their competitive position and indicates a lack of knowledge in marketing and quality system management, and low general managerial skills. The value chain is insufficiently developed and inefficient. Horizontal coordination almost does not exist. Even more, companies operate within limited markets with similar traditional assortment of goods, thus competing with each other, while attractive segments of domestic market are almost left entirely to foreign producers. Vertical coordination exists only between primary agricultural production and processing companies.

Companies can be roughly divided into two groups: those that process domestically produced raw material (such as processing of milk, mineral water, fruit and vegetables and wine) and those that base production mainly on imported raw material (production of beer, beverages, cigarettes, grain processing and meat processing). Slow development of primary agricultural production significantly endangers further economic position of food processors. On the other hand, due to fragmented agricultural production and high collection and transport costs, processors are motivated to import raw material that endangers the economic position of domestic farmers.

Another big problem the food industry is facing is the underdevelopment of complementary industries that leads to dependence of food industry on import of most of the necessary inputs.

**Table 3: Output of the food industry in BiH and FBiH for the period 2006-2011 (million KM)**

	2006	2007	2008	2009	2010	2011	2011/06 (indexed)
<b>BiH</b>	1,267	1,437	1,653	1,655	1,952	1,974	155.8
<b>FBiH</b>	850	913	1,059	1,098	1,072	1,084	127.5
<b>Share of FBiH (%)</b>	67.0	63.5	64	66.4	54.9	54.9	81.9

Source: Agency of statistics of BiH, Federal Institute of statistics of FBiH

The above table shows discouraging trends. The increase of food industry output in FBiH (27.5%) was lower than in overall BiH (55.8%), and thus the share of FBiH in the BiH food industry output dropped significantly. The highest increase was recorded in fodder production and the packaging of coffee and tea. General characteristics and one of the most serious problems in food processing is low capacity utilisation (only in tobacco processing did it exceed 50%), due in most cases to lack of raw material. The range and assortment of food products is mainly traditional, uninventive and not oriented to the demands of sophisticated markets. Together with unattractive design of packaging and poor market communications this

<sup>7</sup> ISO 22000 standard.

<sup>8</sup> Halal standard. Registered with the Standardization Institute of BiH as a national standard called Halal Food – requirements and measures, BAS 1049:2007.

<sup>9</sup> ISO 14000 Standard



contributed to low level of competitiveness of the FBiH food industry on both domestic and foreign markets.

### **3.2.3.1 Export and import**

The highest share of exports between 2006 and 2011 was alcohols and vinegar, oil, sugar, fruit and nuts. It is clear however that export of oil, sugar and their products is actually re-export of imported commodities, as primary production of these commodities in BiH is very modest. Milk and dairy products recorded the most positive trend in food sector exports, whilst vegetables and processed fruit and vegetables recorded the most negative trend.

Regarding food sector imports, the highest share was beverages, alcoholic drinks and vinegar, grains and processed grains. Oil plants, forage, coffee and tea, grains and processed grains recorded the strongest increase in share. Live animals and tobacco products had the strongest drop in their share of import. Dairy products, fish and tobacco products recorded the strongest positive trends, in terms of decrease of negative foreign trade balance.

### **3.2.4 Combined contribution of the agriculture, forestry and food sectors**

The general economy of FBiH has recorded a slight annual growth in GVA with an increase of 5.57% over the five-year period. However, GVA contribution from agriculture, forestry and hunting decreased by 6.3% in the same period. The food industry proved less sensitive to the global economic crisis in 2009, whose effects were postponed to 2010. The food industry has shown slower recovery than other corresponding sectors.

**Table 4: Gross value added in Agriculture, Forestry and Hunting (2008-2012)**

<b>Gross value added</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>Index 2012/08</b>
<b>Agriculture, Hunting &amp; Forestry</b>	810,983	783,693	793,871	834,512	739,887	91.23
<b>Food processing industry</b>	426,056	483,102	460,534	447,866	442,553	103.87
<b>Agriculture, Hunting, Forestry &amp; Food Industry</b>	1,237,039	1,266,795	1,254,405	1,282,378	1,182,440	95.59
<b>FBiH Total</b>	12,839,806	12,775,615	13,065,590	13,512,540	13,555,433	105.57
<b>Share in FBiH Gross Value Added (GVA; %)</b>						
<b>Agriculture, Hunting &amp; Forestry</b>	6.32	6.13	6.08	6.18	5.46	86.42

Food Processing Industry	3.32	3.78	3.52	3.31	3.26	98.39
Agriculture, Hunting, Forestry & food Industry	9.63	9.92	9.60	9.49	8.72	90.54
<b>FBiH Total</b>	100,00	100,00	100,00	100,00	100,00	100.00

Source: Institute of Statistics of FBiH

### 3.2.5 Diversification of economic activities in rural areas

Rural dwellers are likely to supplement their main income, in order to provide sustainable household livelihoods. A range of on-farm and off-farm diversification activities are taking place; including mushroom production, handicrafts and beekeeping. Around 44% of the rural population have extra income earning activities apart from farming.

Municipalities are becoming aware of the importance of creating new jobs and income possibilities that are not primarily related to agriculture. In order to face this challenge, many municipalities have decided to support small and medium sized enterprises (SMEs) and others have developed business incubators. Better infrastructure is required and so is a more effective and better organised advisory system, not just for farmers but also for rural enterprises (SMEs) and forest holders.

Access to information about diversification is essential, including information about funding opportunities. Knowledge in both agriculture and food industry is also at a low level as far as modern technologies and managerial skills are concerned. There is no systematic approach of continuous knowledge transfer, it takes place on ad-hoc basis and only occasionally.

Another key factor is the low level of social capital, which is shown for example by farmers' lack of trust in each other, in institutions, and the authorities. This hinders economic development and thus economic diversification. Another example of the lack of social capital is the relatively low numbers of producer associations; and yet another is how difficult it is to start up a business (micro or SME) in the country; which is unnecessarily bureaucratic and complex with long and difficult procedures.

Economic diversification is hampered by unregulated markets, small scale and fragmented farms and a lack of trust at all levels, which results in poor cooperation among producers and associations. Whilst potential exists for diversification in many sectors; and diversification activities should improve the environment for all businesses in rural areas, the Sectoral Analysis carried out for this programme has identified that particular opportunities exist in relation to mushrooms, sheep products, medicinal and aromatic plants (MAP) and beekeeping.

However, significant challenges exist to development in all these sectors due to a lack of organisation, control, and standards and producers are often left to produce and market their products on a purely individual basis, with little or no external support. Although there are some exceptions, local producers are therefore mostly unable to compete with larger producers due to the absence of economies of scale and inability to access the supply chains.

The majority of products not directly related to primary agriculture, for example handicrafts, are produced for self-consumption and for the local market and exports are limited. Some products like honey, MAP, goats' cheese and wine are exported in slightly larger quantities; however, Bosnian quality products from diversification are relatively unknown in markets outside the country.

There are two main categories of activities in diversification currently observed in FBiH:

- a) Activities with the potential to create economic development and jobs; e.g. medicinal plants/herbs, tourism and beekeeping (in FBiH these types of projects have been established and supported to some degree by the Ministry of Agriculture, Forestry and Water Management, as well as through donor funded projects and/or very active NGOs and foundations, which provide all the necessary funding, knowledge and market connections) and
- b) Self/generated activities mainly for self-employment (income generation). These activities aim at supplementing the current lifestyle and livelihood of an individual or family with no intention to enhance or expand the business to include other employees.

Generally, activities in category a) above would represent better value for money for investment through the programme. Rural Development Programme resources should not be used simply to supplement incomes and any proposals should be judged on the basis of a viable business plan that will produce growth in economic prospects.

The development needs of rural residents relating to economic diversification include:

- a) Investment in new technologies (e.g. equipment, storage facilities);
- b) Investment in new tourism facilities (e.g. restaurants and accommodation facilities in order to meet EU standards);
- c) Investment in marketing (e.g. marketing materials, websites and marketing strategies).

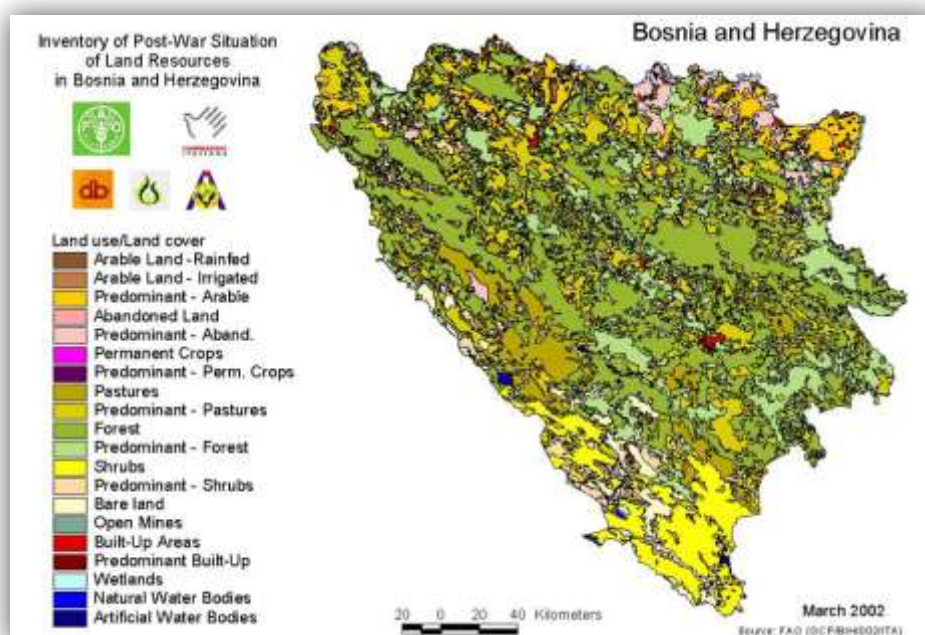
There is potential for growth and expansion in a number of areas in FBiH for the following economic activities: rural tourism, goat farming and goat's cheese, medicinal and aromatic plants (MAP), honey and beekeeping and mushroom production. In addition, obvious links can be made between diversification and rural tourism by enhancing and promoting ventures such as food and drink tourist routes that visit artisan producers and processors of traditional food and handicrafts.

### **3.3 *Environment and land management***

Most of the territory of FBiH is located in hilly and mountain areas, with forests as dominant land cover. Topographic and climatic characteristics of the soil types are an integral part of a complex model of its land use. Arable land is characteristic for the north parts of FBiH and in river valleys. In western FBiH, pastures are dominant (Livno polje, Kupres polje, Medeno polje) and are located mostly at high altitudes.

Looking at the map below, there is a considerable amount of abandoned land, mostly in northern FBiH. At the same time this implies quality and fertile land, unfortunately

still considerably contaminated by mines and unexploded ordnances, which prevents the use of this land for productive agriculture or other land uses.



**Figure 2: Land use and land cover of Bosnia and Herzegovina (2002)**

Sources: FAO (GCP/BIH/002/ITA, March 2002)

### 3.3.1 Spatial planning

The Spatial Plan for Federation BiH is the main planning and strategic document for land use policy in FBiH. It is a basis for issuing certain permits/licenses under the specific laws and administrative procedures (environmental licence; urban planning approval; water use licence; construction permit, license for exploitation of mineral resources, etc.) and for implementation of spatial plans and projects for the areas with specific characteristics of significance. At the level down from the Federation, cantons adopt their spatial plans and implement administrative procedures for issuing licenses within their authority. Among other things, the concession policy at the Federation and cantonal levels foresees concession arrangements for: use of waterways and other waters; construction and/or use of hydropower facilities and artificial lakes; use of agricultural land; hydro-amelioration systems and systems for removal of debris from waterways and water surfaces; areas and structures of natural and construction heritage, etc. Currently the Proposal of the Federation Spatial Plan is in the final stage of passage in the Parliament of FBiH, in the meantime the pre-war Spatial Plan of the Republic of BiH (1981-2000) is still in force.

### 3.3.2 Environmental protection

The Law on Environmental Protection in FBiH is the main legal instrument that establishes objectives, principles, measures, responsibilities, records, funding and monitoring in the field of environmental protection. Administration of environmental issues in FBiH has noticeably fragmented and complex institutional infrastructure

(three levels – Federation, Canton and Municipality). In this situation, the lack of strong horizontal and vertical coordination has resulted in considerably inefficient, non-rational, and non-economical environmental management in FBiH. Besides the line ministries that cover some segments of the environment, there are public professional Federation institutions that also deal with environmental issues.

These institutions perform professional assignments in various environmental fields (Federation Institute for Pedology, Federation Institute for Geology, Federation Directorate for Geodetic and Property Rights Affairs, Agency for Sava River Basin, Agency for Watershed of the Adriatic Sea, Federation Hydrometeorological Institute, Federation Statistics Agency), supervising and controlling activities that affect the condition of the environment (Federation Directorate for Inspection Affairs), and also initiate, plan, and carry out activities to protect the population, property and environment from natural disasters and emergencies (Federation Directorate for Civil Protection). The Environmental Fund of FBiH can also support environmental projects.

Analysis of the environmental legislation indicates the lack of numerous legal instruments. There is a problem of non-compliance of adopted regulations with the EU standards and regulations, and also the lack of harmonisation among the laws passed at various levels of government. Besides legislation problems, there are also institutional problems in the field of the environment, particularly in human resources both in terms of their number and expertise.

Under the legislation in BiH and FBiH, the issue of land protection against various forms of degradation is not regulated in a single legal instrument, but it overlaps through several sectoral regulations governing spatial planning, protection of environment and waters, agricultural land, forests and forest land, etc. The "Federation Strategy of Environmental Protection (2008–2018)" contains land protection elaborated as a separate strategic component with a relevant action plan.

There is currently no budgetary support in FBiH within the scope of Axis 2 of rural development policy; i.e., in relation to land management and improving the environment.

### **3.3.3 Areas with Natural Constraints (ANC)**

The diversity of rural areas is their important characteristic. To develop and implement effective rural strategies and policies, it is necessary to identify characteristics of diversity, identify their strengths and weaknesses, and develop strategies that take these into account. Therefore it is important to define areas with natural constraints within rural areas.

Areas with natural constraints are designated due to specific natural handicaps that hamper agricultural activities and production, e.g., unfavourable climatic conditions, steep terrain in mountain areas, low soil productivity, etc. Limited conditions for agriculture pose a considerable risk of abandonment in these areas, and thus the danger of losing biological diversity, then desertification, forest fires and loss of rural landscape. Payments for ANC in EU Member States are a very important tool for mitigating these risks. In previous programmes payments for ANCs were largely confined to Pillar 1 (i.e., in the scope of direct payments) in the period 2007-2013 and were therefore not included in the Rural Development Programmes. The new programme period 2014-20 allows payments to ANCs from both Pillar 1 and 2. For

example, ANC producers could be considered a priority for support through RDP measures and given increased eligibility, where an evidence-based case can be made for their support.

Somewhat different from the categories and criteria established in the Regulation (EC) No 1257/1999 the Federation Law on Agriculture<sup>10</sup> defined the areas with more difficult agricultural activities as: hilly and mountain areas (at a certain altitude) and areas with unfavourable hydrological and pedological properties. The law states that the ANCs will be specified in a separate law. In accordance with the above, FBiH is yet to consider seriously the need for analysis of rural areas and develop clearly defined criteria for delimitation of ANCs that will be the subject of special policy measures in order to stop negative demographic and environmental trends and maintain the population, as well as preserving the richness of space and landscape. While defining ANCs in FBiH, it is necessary to use the criteria from the EU countries of similar geographic and climatic characteristics, and the relevant EU legislation in this field.

### **3.3.4 Biodiversity**

Taking into account the interaction of all factors of habitats and ecosystems in FBiH, it is certain that this part of BiH has more than 90% of the total number of identified species identified for the country as a whole. Ecologically, FBiH territory benefits from a high number of endemic plants and animals, including more than 450 species and subspecies of vascular plants, several hundred invertebrates, 12 fish species, 2 amphibian species, 4 reptile species, and several species of birds and mammals<sup>11</sup>.

The richness of flora, fauna and also the richness of fungi in FBiH is not reflected only in a large number of forms but also in a high degree of differentiation from their relatives, which testifies to the very specific conditions in this area. The analysis of spatial ecosystem biodiversity in the period 2000–2006 in BiH according to CLC (Corine Land Cover)<sup>12</sup> classes (forest vegetation and other natural areas; watery areas – swamps; wetlands) show no major changes in their size (and thus significant functional changes) within the natural ecosystems of BiH for the analysed period.

### **3.3.5 Autochthonous breeds of animals and plants**

Autochthonous animal breeds are an invaluable genetic resource, providing an agricultural and biological reservoir, and they are an important part of genetic and cultural heritage. It is highly important both for BiH and FBiH to preserve autochthonous breeds:

- Cattle *buša* and *gatacko*;
- Sheep *pramenka* with its variants (Duba, Kupres, Privora, Herzegovina/Hum);
- The domesticated Balkan goat;

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<sup>10</sup> Official Gazette of the Federation of BiH no. 88/07

<sup>11</sup> Initial National Communication of Bosnia and Herzegovina on the implementation of the Convention on Biological Diversity, "Bosnia and Herzegovina - Land of Diversity", Federal Ministry of Environment and Tourism with the support of GEF and UNEP, 2009.

<sup>12</sup> The EU programme for the coordination of information on the environment and natural resources - CORINE (Coordination of Information on the Environment). Project CORINE land cover (Corine Land Cover (CLC)) as part of the CORINE programme should provide geographical information on land cover countries in Europe through the creation of a database of CORINE land cover. Bosnia and Herzegovina joined the programme in 1998.

- BiH pony and donkey breeds; and
- Rural dog breeds such as the BiH sheep dog, and Bosnian coarse-haired hound – *barak*.

Unfortunately, for many years there have been no efforts to understand better and preserve these breeds. Measures are needed that provide better information and preservation of autochthonous breeds of domesticated animals would be systematic government financial support to the protection of autochthonous breeds of domesticated animals, along with intensive scientific and research work, and adoption of the protection programme for autochthonous breeds with an accompanying database.

The same is applicable to herbal genetic resources. In addition to their preservation through a gene bank, it is necessary to support the existing genetic resources found on farms and throughout the countryside that maintain the fertility and genetic diversity of agricultural crops that propagate from seed (e.g., autochthonous fruit). Currently FBiH has significant resources of such genetic diversity, for instance autochthonous genotypes of apples and pears in the fruit tree nursery "Srebrenik" in Špionica. There are also important collections of forage, medicinal and aromatic plants that represent an important component of preserving herbal genetic resources.

All of the above stresses the need to integrate agri-environmental issues into the process of rural development planning. This should prevent destruction of landscape and biodiversity, disappearance of animal and herbal genetic resources (autochthonous sorts and breeds), loss of agricultural areas, and the environmental degradation caused by the use of inappropriate and traditional agricultural practices, including improper disposal of solid and liquid farm waste, and high consumption of pesticides and mineral fertilisers, particularly for intensive crops and growing on arable land. The future measures related to the solving of agri-environmental issues in FBiH should be harmonised with those implemented within EU CAP, that is, taking account of numerous EU standards and regulations governing this field and at the level of needed/available budgetary and institutional capacities.

### **3.4 Rural Economy and Quality of Life**

#### **3.4.1 Public Institutional and administrative structure of the rural economy**

As far as the rural economy is concerned, at the state level, the BiH Ministry of Foreign Trade and Economic Relations (MoFTER) has competencies in the area of rural development. The MoFTER is in charge of cooperation with the EU and other international organisations relevant in the sector of agriculture, food and rural development, international agricultural trade, creation of single economic market and harmonisation of policies of the Entity bodies and authorities with international ones. For that purpose, MoFTER established the Sector for Agriculture, Food, Forestry and Rural Development and Sector for Natural Resources, Energy and Environmental Protection.

At the entity level the situation is even more complex. Since the sector of rural development itself is interdisciplinary and involves, among other subsectors, agriculture, forestry, water-management, food control, environment, tourism and

other topics, there is no single ministry at the entity level which is responsible for all these areas. In FBiH, several ministries have responsibilities regarding rural development, for example the Ministry of Environment and Tourism is responsible for some elements of rural environment and tourism. Therefore the Ministry of Agriculture, Forestry and Water Management of FBiH, which is in charge and responsible for the Rural Development Programme, must work in partnership with other ministries in order to deliver the programme.

Five regional development agencies were created in BiH for 5 economic regions: ARDA<sup>13</sup>, NERDA<sup>14</sup>, REDAH<sup>15</sup>, REZ<sup>16</sup> and SERDA<sup>17</sup>. They are mostly non-profit organisations founded jointly by the public, private and non-governmental sector in order to be an instrument for support to economic reconstruction, creation of jobs and development of infrastructure in the country. Due to the complex administrative structure in BiH these agencies operate in challenging circumstances.

There are also ministries at the cantonal level, and those cantons without a ministry of agriculture within their government have a department of agriculture within their ministries of economy. Other Federal ministries of importance for sectors are: Ministry of Environment and Tourism, Ministry of Development, Entrepreneurship and Crafts, Ministry of Energy, Mining and Industry, Ministry of Transport and Communications and Ministry of Spatial Planning.

### **3.4.2 Non-government organisations and associations**

There are 270 registered cooperatives in FBiH, out of which 230 are agricultural cooperatives. The total number of members is around 12,000 and the number of farmers involved is 45,000. The majority of cooperatives organise production and buying of agricultural products. The most numerous among them are cooperatives in which predominantly deal with the production of milk, vegetable, fruit and medical plants and providing farmers with inputs. Approximately 50% of cooperatives organise their own agricultural production. There is also the Cooperatives Union of BiH, and the Cooperative Union of FBiH. Both institutions have very limited influence due to personnel problems, poor technical equipment, financial dependence and poor liquidity.

Associations of agricultural producers exist at the state and entity level and focus their activities on key sector issues such as state law on agriculture, Ministry of agriculture and rural development at state level, IPARD, legal status of farmers, measures to support and protect domestic production, obstacles to better land management, market functioning etc. There are several associations of agricultural producers at the level of FBiH, relating to individual sectors, such as milk, sheep and fruit producers.

There are also numerous cantonal, regional and municipal associations. However, cooperation and coordination among them is poor. Regardless of the large number of registered associations, their power and influence on policy is very limited. Still, some of the associations created on the basis of production orientation are active, well organised, led by skilled managers and they could play a useful role in rural development activities. (e.g. Organic Producer Association Union of Federation of

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<sup>13</sup> ARDA Banja Luka - Accredited Regional Development Agency of Northwest BiH

<sup>14</sup> NERDA Tuzla - Northeast Regional development Association

<sup>15</sup> REDAH Mostar - Regional Economic Development Agency for Herzegovina

<sup>16</sup> REZ Zenica – Regional Development Agency for Central BiH Region

<sup>17</sup> SERDA Sarajevo – Sarajevo Economic Region Development Agency



BiH – Organsko – with 17 members, seven cantonal and 10 associations with the total of 2000 agricultural producers).

Food processors are also organised according to what they produce. The best organised and the most active among them are: Association of Grape and Wine Producers, Association of Milk Processors, Association of Fruit Producers and Processors, Association of Livestock Breeders and Meat Processors.

A Rural Development Network for Bosnia and Herzegovina<sup>18</sup> was established. The initial partnership includes 15 civil society organisations engaged in rural development sector of Bosnia and Herzegovina, four of which are Local Action Groups. Special organisational units for Republika Srpska, Federation of Bosnia and Herzegovina and Brčko District will be established.

Tourism, as an economic activity of special importance for rural development, is now being recognised as an opportunity for the development of both BiH and FBiH. Funds allocated for tourism are currently inadequate for to meet the development needs. At the entity level a Tourist Board of FBiH has been established, with numerous Tourist boards in the cantons. In addition, there are numerous tourist agencies, offices and NGOs that act at the local, municipal and regional level. Although tourism has been making progress in FBiH, a well-planned sector strategy, supported by sufficient funds is still missing.

### ***3.4.3 Performance of the rural economy***

As demonstrated in the earlier socio-economic section and that on agriculture, forestry and the food sectors, FBiH has faced a difficult period over the last ten years, with modest growth in some sectors and a small decline in others, affected both by macro-economic global factors and national and regional structural and operational weaknesses, exacerbated by a lack of market awareness and marketing skills. There is no modern system of knowledge transfer in FBiH.

### ***3.4.4 Quality and way of life in rural areas***

The rural population in FBiH is one of the key stakeholders, both as a partner and target group. It is characterised by an unfavourable age and educational structure. Despite the high unemployment rate, it can be stated that the availability of labour force in rural areas is low, due to migrations. In addition, the rural labour force is characterised by poor education and low mobility, due to, among other reasons, an undeveloped infrastructure. Additionally, traditional ways of thinking, lack of trust among the population, together with resistance to change and lack of belief that association and cooperation would bring common benefit, has led to poor organisation and transfer of knowledge and a very slow process of civil society development.

In addition to these factors, rural poverty is a problem, exacerbated by lack of access to quality education (especially at primary school level), access to healthcare and other services and general mobility. The basic financial function of the health care

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<sup>18</sup> The founding session of the Rural Development Network in Bosnia and Herzegovina was held on April 25, 2014 in Sarajevo, and the founding decision was signed by 18 organizations from all parts of Bosnia and Herzegovina. The Network is based in Banja Luka.

system in FBiH is at the canton level, with each having its own health insurance fund responsible for overall health care services. The Federal Health Insurance and Reinsurance Fund was established to address some of the problems associated with a highly decentralised system related to an unequal economic basis of cantons and the lack of cross-canton insurance coverage.

Pre-school institutions and schools (including private education institutions) are the most important institutions dealing with the social protection and inclusion services for children in terms of their early childhood development, growth, education, socialisation and preparation for adult life.

Social protection is often a problem affecting older members of farming families, who have not formally subscribed to state or private sector social protection schemes due to the informal nature of their employment and the lack of a social protection safety net for such vulnerable individuals.

The private sector also has a socio-economic and civil society role. For-profit private social institutions include private pre-school and school educational institutions, private health care institutions, private social enterprises that secure employment for socially excluded groups, private entities and individuals that provide legal counselling services, and private sports clubs and cultural institutions.

Not-for-profit organisations are those within civil society that are recognised in domestic legislation as associations of citizens and/or foundations. In the local community, these organisations are directly involved in the social protection and inclusion through provision of direct services within non-profitable projects, involvement of children and youth and their parents in volunteer work and advocating and promoting the principles of solidarity, humanism and philanthropy.

### **3.4.5 Infrastructure**

Future agricultural and non-agricultural rural economic development requires the development of a 21<sup>st</sup>-century infrastructure in terms of transport, communication, water supply, waste management, flood control, energy generation and transmission, etc. Direct involvement in the development of this infrastructure is beyond the scope of this programme, however, it is critical to the success of the programme that positive steps are taken.

The sectoral analysis for infrastructure looks at all the above sectors, and notes the situation as being better in some areas, e.g., road transport where the development of networks is accelerating; and less good in others, such as irrigation where the current level of irrigated land is only between 10% and 20% of its level before the war; standing at about 0.2% of all land, i.e. about 1% of the land thought appropriate for irrigation.

To ensure successful implementation of the Programme, the Ministry should look to cooperate with those ministries, agencies and companies responsible for infrastructure development in order to speed the process of development. Technical assistance could be used to gain an improved understanding of how the needs of rural communities can best be met through the options for infrastructure development.

### 3.5 LEADER

The LEADER<sup>19</sup> approach to rural development focuses on a bottom-up approach to the development of strategies for rural development by using local knowledge and expertise in identifying needs and solutions for the development of rural areas. The local actors are engaged through “Local Action Groups<sup>20</sup>” (LAG), which include local government administration, representatives from businesses, schools, local development agencies and other NGOs, as well as interested individuals. In this way local actors are engaged and empowered to deliver local expertise in designing actions for improvement on the quality of life in rural areas and diversification of the rural economy. Generally, available evidence from evaluation of the impact of the LEADER approach across Europe shows that this approach is effective in producing better strategies for rural development.

The LEADER approach can have a number of beneficial effects on rural areas in FBiH. Besides its positive contribution to the design of rural development strategies, thus far usually prepared using a top-down approach without clear understanding of the specific features of some rural regions, it would also contribute to social cohesion within the entity and BiH in general. So far, 12 LAGs were established in BiH, mainly through support of international development agencies, at this moment only 3 are active. However, in the absence of legislation or measures defining LEADER LAGs in FBiH, it is not possible to say how many of these would satisfy EU standards.

Activities similar to the LEADER approach are rare in BiH. Therefore, it is likely to be important for the successful implementation of the LEADER approach in BiH to have well designed promotion of the approach that clearly explains the benefits of interdisciplinary and inter-sectoral cooperation that is critical to the effective functioning of such groups.

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<sup>19</sup> A European initiative funded by EU Structural Funds, to support rural stakeholders to use the long term development potential of their local regions; Initiative is already in its fifth phase (as part of a wider approach to local development – Community Led Local Development or CLLD)

<sup>20</sup> Partnership between public, business and civil sectors of a rural area established with a view to developing and implementing local development strategies of those areas, and whose members can be physical and legal persons.

## 4 SWOT – Analysis

### 4.1 SWOT methodology

A thorough SWOT analysis has been undertaken, together with a PESTLE contextual analysis. The final analysis and strategy development was undertaken using the TOWS methodology.

The SWOT considered all socio-economic aspects of the Federation territory and was based on preliminary analyses undertaken as part of each sector analysis report. The table below (Table 5) summarises the main headlines from the SWOT analysis.

SWOT analyses have also been produced for the individual measure domains, for Competitiveness, Environment, Diversification and Leader. This analysis was conducted by employing the TOWS methodology, whereby the internal and external factors were assessed to determine strategy.

The analytical process carefully considered the outcomes of the sector analysis process and using a comprehensive SWOT methodology, in order to use the analysis outputs as the basis for the development of evidence-based measures.

**Table 5: SWOT Process**

No.	Step	Undertaken by*	Comment/Outcome
1	Rapid evidence Assessment	Core consultant team	Template and focus for Sector Analyses
2	PESTLE Analysis	Core consultant team	A collective exercise where all experts worked together to establish a common baseline
3	Sector Analysis	Expert Team	8 Sector Analyses
4	Preliminary SWOT Analysis	Expert Team	8 preliminary Sector SWOT Analyses
5	SWOT workshops	Working Groups	Prioritised issues emerging from SWOT
6	Overall SWOT analysis	Core Ministry team	Consolidated key issues into a single SWOT for the programme
7	Options for Overall Approach	Core Ministry Team	Considered the options balancing agricultural and wider rural needs
8	Grouping – using TOWS methodology	Core Ministry Team	The grouping of issues to identify the basis for measures
9	Development of strategic themes	Core Ministry Team & WGs	Strategic themes were developed and tested against options
10	Measure-focused SWOTs	Core Ministry team	The outcome of the grouping process producing SWOTs as the basis for each measure

\* All steps facilitated by the core consultant team

It should be remembered that the SWOT process was participative, ensuring that each of the steps in the table above has been undertaken with the involvement of key stakeholders. Further, the specific stakeholders involved at each of the analysis

stages have been verified by the stakeholder analysis that was carried out at the outset of the programme.

#### 4.2 PESTLE analysis

Prior to undertaking the SWOT analysis, a PESTLE analysis was undertaken to establish the wider context of the programme. The components of a PESTLE analysis are shown in the diagram below; it is designed as an initial analytical step in order to ensure that development of the SWOT is conscious of the wider factors it needs to take into account and it therefore has practical foundations.

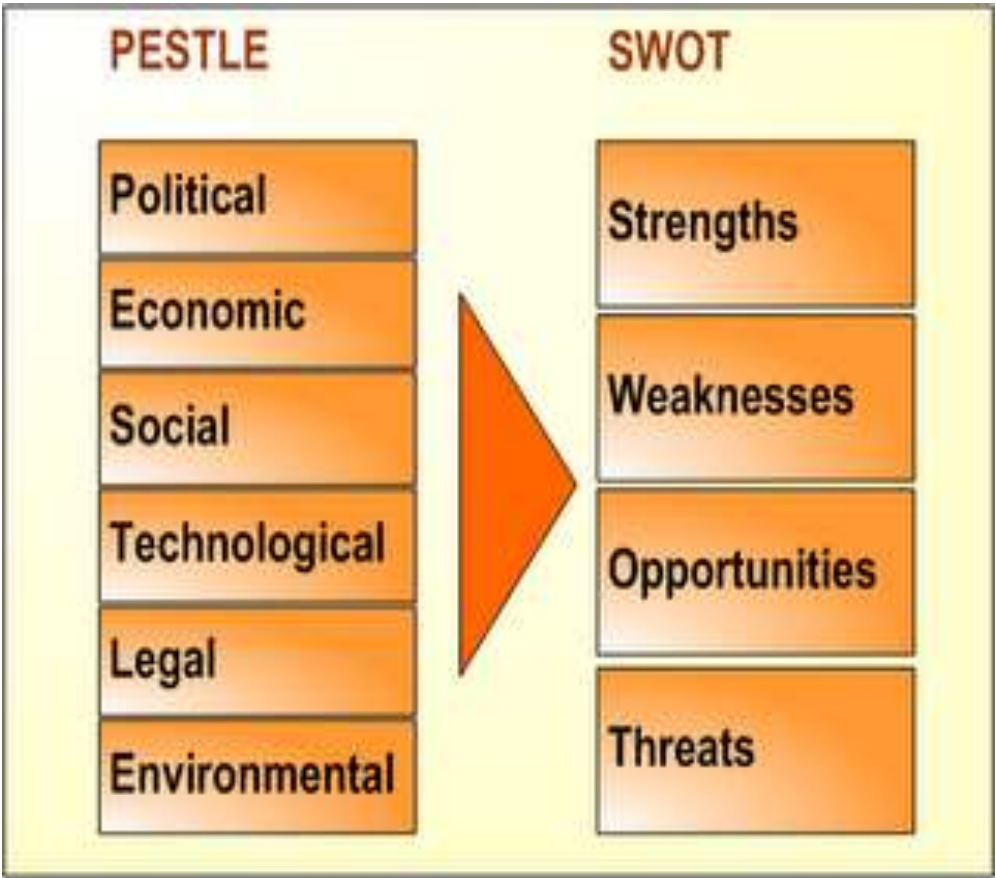


Figure 3: PESTLE and SWOT analysis

#### 4.3 TOWS Methodology

The TOWS Methodology is summarised in the table below and allows the analysis to set internal and external factors against one another in order to determine the most appropriate strategy. In the terminology applied to this methodology, strategy selection is carried out according to those factors that should be minimised and those that should be maximised.

Table 6: TOWS Matrix of strategic alternatives

	External Opportunities (O) 1. 2. 3. 4.	External Threats (T) 1. 2. 3. 4.
Internal Strengths (S) 1. 2. 3. 4.	<b>SO</b> <b>"Maxi-Maxi" Strategy</b> Strategies that <b>use strengths to maximize opportunities.</b>	<b>ST</b> <b>"Maxi-Mini" Strategy</b> Strategies that <b>use strengths to minimize threats.</b>
Internal Weaknesses (W) 1. 2. 3. 4.	<b>WO</b> <b>"Mini-Maxi" Strategy</b> Strategies that <b>minimize weaknesses by taking advantage of opportunities.</b>	<b>WT</b> <b>"Mini-Mini" Strategy</b> Strategies that <b>minimize weaknesses and avoid threats.</b>

#### 4.4 Selection of strategy

The applied methodology enabled the selection of the strategic basis for the Programme in a clear, transparent and evidence-based way. Each of the 4 components of the SWOT was examined in turn and key internal and external factors were identified that are important for rural development in FBiH. The issue of key factors that limit rural development is related to overcoming weaknesses, so this analysis determined that the main focus of the **strategy should be to minimise the weaknesses.**

The analysis also concluded that opportunities do exist and it is very important that these largely latent and potential strengths could be turned into real strengths on which even more concrete strategies might be built in future. **Hence the selected strategy should seek to maximise opportunities.**

Consequently, the strategy chosen is "mini-maxi", or "WO"; i.e. minimizing the Weaknesses identified by taking advantage of opportunities.

The one exception to this pattern was with LEADER, in which case the existence of LAG Groups and the well-established methodology was regarded as sufficient for the capacity for the implementation of LEADER approach to be considered as a strength.

#### 4.5 Balancing policy options

The programme has been developed in order to achieve a balance between agricultural needs and objectives and those of the wider rural economy and communities. It has been developed in the light of DG-Agri's own consideration of

policy options for 2014-20 and policy options generated that reflect the FBiH context. Whilst CAP reform has been considered on three options:

- *Adjustment* – maintaining a strong focus on farms and agriculture
- *Integration* – making changes within the current structure that introduce some more rural development opportunities, whilst leaving the overall architecture relatively unchanged
- *Re-focus* – a more radical shift towards rural development measures and the phasing out of agricultural support

2014-20 CAP reform has subsequently been carried out on the basis of the second option.

The FBiH programme has been developed on the basis of options, which are simpler and reflect the more basic choices to be made, i.e., the choice between rural development and agricultural investment. The following options were considered:

- **Farm focus** – focusing investment exclusively on agricultural investment;
- **Diversification focus** – focusing on the widest possible range of activities, with no specific priority for agriculture;
- **Farm & Diversification** – balancing the programme, so that it promotes the modernisation of agriculture at the same time as driving wider rural development.

It was concluded that whilst it will be important to focus on investment in the competitiveness of the agriculture sector, to address its weaknesses, it is necessary to introduce changes into supply chains and eventually to build its strengths. It is also important to promote the development of the wider rural economy so that a wider diversity of economic activity and jobs become available in FBiH rural communities.

It is recognised that whilst investment in the agricultural sector is really very important, the overall effect of investment in the agricultural sector is likely to reduce employment in the medium to longer term. Therefore, it will be important for the programme to invest in the rural economy as a whole, so that the social, economic and environmental condition of rural FBiH economy is at least maintained and where possible improved.

It is also recognised that the agricultural strategy is being developed in parallel with the Rural Development Programme and that much of the investment in agriculture should flow through that strategy. The Rural Development Programme should be aligned with the Agricultural strategy, but it has a distinctive role that sees beyond core agriculture.

DG-Agri have identified a number of relevant themes against which to consider the impact of the programme:

- Viable food production
- Sustainable management of environmental resources and climate action
- Balanced territorial development
- Cost effectiveness.

The options considered for the FBiH programme have been assessed against these factors and by using a similar scale (Table 7). From this assessment it can be seen

that the balanced farm and diversification focused approach provides the greater benefits when considered across all factors.

**Table 7: Assessment of the 3 options against key factors**

Impact assessment factors for agricultural programmes	Option 1: Farm Focus	Option 2: Diversification Focus	Option 3: Farm & Diversification Focus
Viable food production	+++	++	+++
Sustainable management of environmental resources & climate action	+	++	+++
Balanced territorial development	+	++	+++
Cost effectiveness	+	+++	++

## 4.6 Impact of the Programme

The analysis of impacts of the Programme has been carried out on the basis of consideration of each of the factors in turn as indicated above in Table 7: impact on food production, impact on environment and climate, impact on territorial development and impact on cost effectiveness. In addition, the analysis of Programme impact on equality and position of marginalised groups was also carried out.

### 4.6.1 Impact on Food Production

Clearly a programme focused on agriculture would boost food production and this is the factor for which a farm-led approach scores most highly. There are concerns however in that a production-led strategy would not be sufficiently focused on markets and for that reason the balanced farm/diversification approach scored equally highly, due to the fact that it will be more possible to focus on all steps of the value chain, and particularly to the development of markets.

**Positive impact** - *The chosen strategy will have positive impacts on food production, through improving competitiveness and sustainability of production, and enabling all stages of the value chain to receive focused attention.*



#### **4.6.2 Environment and Climate Impact of the Programme**

Rural development measures are intrinsic to the 2<sup>nd</sup> pillar of the CAP, and hence a diversification-led approach that includes a significant focus on agri-environment and climate change measures will provide greater benefits for the environment. This is a key aspect of EU CAP support and the use of the programme to start the development of measures that could be feasible in the BiH context would be a significant step forward. For example, agri-environment measures may be used to improve the ability of the country to adapt to climate change, for instance through improved water retention in upper catchments, thus playing a role in flood control. Although the programme is unlikely to be able to facilitate more than pilot measures during the 2018-2021 programme period, these are intrinsic steps towards establishing viable measures in the longer term.

Developments that might have a negative impact on the environment, e.g., buildings or structures should be designed and delivered to the highest standards to mitigate their impacts. This will be tested through the project assessment process and where negative impacts are identified, the applicant will be required to offer mitigation.

It is anticipated that a number of actions will be taken through the programme that will have a positive impact on the environment, such as improved handling of agricultural waste. Such measures have the potential to make a significant contribution to improving water quality and to meeting EU Water Framework Directive<sup>21</sup> objectives.

The Strategic Environmental Assessment has been undertaken in accordance with the FBiH legal framework.

**Positive impact** - Overall, in line with the similar assessment in the CAP Reform context, the programme will have a positive effect on the environment. Where negative effects are identified, mitigation will be required.

#### **4.6.3 Territorial Development Impact**

The chosen approach to the Programme will lead to balanced development across rural regions, as all rural dwellers will have access to its measures.

The programme should be positive in its effects for territorial development although this will need to be monitored carefully throughout implementation to ensure that all areas have an equal opportunity to benefit. Efforts should be taken from the very start of the programme to ensure cantons and municipalities are fully engaged and are able to promote the programme at the local level.

**Positive Impact** – One function of the programme monitoring will be to ensure that all parts of the Federation benefit from the Programme.

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<sup>21</sup> EU Water Framework Directive 2000/60/EC

#### **4.6.4 Equality and the position of marginalised groups within the programme**

The programme will be implemented in line with the Federation's own policies and procedures, which have been designed to ensure equality of opportunity. Criteria have been developed that favour certain marginalised groups, so that applications from these groups will have an advantage in the selection process. This is designed to help to create opportunities for the more marginalised groups. The programme will also be promoted through channels and publications to ensure that potentially marginalised groups have the best possible opportunity to access the programme.

**Positive impact** – *The Programme will be made accessible to all groups.*

#### **4.6.5 Cost effectiveness**

The Programme is established in order to provide for investments that improve the competitiveness of rural businesses. The cost effectiveness of the intended investments will be judged on the basis of their projected profitability and their likelihood to produce jobs and growth. The overall cost effectiveness of the programme will be judged through the evaluation.

The programme will be run in a cost effective way, maintaining running costs below 10% of the programme value, by the end of the programme period. In the early years of implementation it is expected that costs will exceed this level, due to the financial requirements associated with establishing the necessary new structures.

**Positive impact** – *The Program will contribute to increasing the value and quality of supported investments and improve the method of implementation of annual subsidy programs in agriculture and rural development in the Federation of BiH.*

### **4.7 Generating the Vision**

The final component in the analysis is to generate the vision for the Programme based on the analysis carried out. The vision is found in section 6.2.2.

### **4.8 Summary of SWOT Analysis and Strategy Development Process**

The programme focus that has emerged from this analysis can be summarised as follows:

- The Programme has been developed on a sound methodology that meets EU standards and uses EU templates;
- The methodology incorporates Impact Assessment;
- The programme prioritises 4 delivery themes: Competitiveness, Diversification, Environment and LEADER;
- The Programme adopts a strategic approach of addressing weaknesses through taking advantage of the available opportunities in order to address those weaknesses, thus turning FBiH's potential strengths into real economic capacities in the longer term;

- Strategic investment in agriculture is balanced along with job creation through diversification of the rural economy;
- The Programme is supported by a comprehensive technical support measure that will progressively strengthen the capacity of the Federation and its institutions to absorb the support on offer;
- A set of measures are environmentally positive; and
- The Programme is based on a strategic vision.

## 4.9 The SWOT analyses

This section contains the analyses for each of the measures, along with the overall SWOT for the programme as a whole.

### 4.9.1 SWOT Analysis of competitiveness of the agriculture and food industry

Strengths	
S	Open access to CEFTA
S	The potential of labour force, natural (availability and quality of water, forests, biodiversity) and social (cultural heritage, history) resources for economic development
S	Comparative advantages for certain products (e.g., organic products, honey, berries, fish, wine, water, traditional products, medicinal & aromatic plants)
S	Natural advantages in establishing energy from renewable sources
Weaknesses	
W	Undeveloped and dysfunctional infrastructure for monitoring the implementation of quality and production standards
W	Low proportion of products with added value in agriculture and forestry sector
W	Lack of knowledge and education mismatch with market needs, low investment in research and development
W	Unregulated market
W	Technologically outdated equipment in the primary production and processing and underutilised capacity in processing
W	Lack of capacity for cooling and storing as well as the equipment for calibration and packing.
W	Underdeveloped infrastructure - road, water supply, drainage, flood protection, sewerage system, energy, irrigation, waste management, telecommunications
W	Fragmented structure of agricultural holdings, difficulty of resolving property rights & low yields lead to low-incomes discouraging investment
W	A very small proportion of irrigated farmland
W	Underdeveloped advisory services
W	Lack of knowledge and the use of marketing methods
W	Mismanagement of waste and a small degree of recycling
Opportunities	
O	Exploit the knowledge & potential of the diaspora for development of rural areas
O	The existence of demand for BiH products & proximity to the EU & CEFTA markets
O	Favourable geographical position
O	The possibility of using EU funds (IPA, IPA2, IPARD, the Initiative for Cooperation in South East Europe)
O	Converting climate change into opportunities for a larger number of harvesting, utilization of solar energy in the continental part of the FBiH
Threats	

T	The absence of legislation and institutions, and poor enforcement of existing legislation and the functioning of the existing state institutions
T	The political instability, which slows down the process of EU integration

#### 4.9.2 Environment SWOT

Strengths	
S	Natural advantages in establishing energy from renewable sources
S	Comparative advantages for certain products (e.g., organic products, honey, berries, fish, wine, water, traditional products, medicinal & aromatic plants)
S	The potential of labour force, natural (availability and quality of water, forests, biodiversity) and social (cultural heritage, history) resources for economic development
S	Large rural territory and a large proportion of the rural population
S	Great potential for diversification in rural areas (e.g., tourism)
S	The existence of capable non-governmental organisations willing to support rural development projects and initiatives
S	Open access to CEFTA
Weaknesses	
W	Undeveloped and dysfunctional infrastructure for monitoring the implementation of quality and production standards
W	Underdeveloped advisory services
W	Weakly developed value chains and the absence of clusters (production based on imported raw materials, lack of long-term contracts between primary producers and processing, standardisation )
W	Lack of financial systems for investment, research & development in the field of SMEs
W	Low proportion of products with added value in agriculture & forestry sector
W	A very small proportion of irrigated farmland
W	Inadequate development & effectiveness of the NGO sector in rural areas
W	Underdeveloped infrastructure - road, water supply, drainage, flood protection sewerage system, energy, irrigation, waste management, telecommunications
W	Lack of knowledge and the use of marketing methods
W	Mismanagement of waste and a small degree of recycling
Opportunities	
O	Converting climate change into opportunities for a larger number of harvesting, utilization of solar energy in the continental part of the FBiH
O	The possibility of using EU funds (IPA, IPA II, IPARD)
O	Demand for BiH products & proximity to the EU & CEFTA markets
O	The increased interest of foreign tourists to visit BiH
O	Exploit the knowledge & potential of the diaspora for rural development
Threats	
T	The absence of legislation and institutions, and poor enforcement of existing legislation and the functioning of the existing state institutions

T	Climate Changes
T	Decreasing customers purchasing power

#### 4.9.3 SWOT Analysis for Diversification

Strengths	
S	Great potential for diversification in rural areas (e.g., tourism)
S	Natural advantages in establishing energy from renewable sources
S	Comparative advantages for certain products (e.g., organic products, honey, berries, fish, wine, water, traditional products, medicinal & aromatic plants)
S	The potential of labour force, natural (availability and quality of water, forests, biodiversity) and social (cultural heritage, history) resources for economic development
S	Large rural territory and a large proportion of the rural population
Weaknesses	
W	Fragmented structure of agricultural holdings, difficulty of resolving property rights & low yields leading to low-incomes & discourage investment
W	Lack of financial systems for investment, research & development in the SME sector
W	Underdeveloped advisory services
W	Underdeveloped infrastructure - road, water supply, drainage, flood protection, sewerage system, energy, irrigation, waste management, telecommunications
W	Lack of knowledge and the use of marketing methods
W	Mismanagement of waste and a small degree of recycling
Opportunities	
O	Favourable geographical position
O	Converting climate change into opportunities for a larger number of harvesting, utilization of solar energy in the continental part of FBiH
O	The possibility of using EU funds (IPA, IPA II, IPARD)
O	The existence of demand for products as well as proximity to the EU and CEFTA markets
O	The increased interest of foreign tourists to visit BiH
O	Exploiting the knowledge and potential of the diaspora for development of rural areas
Threats	
T	Climate Changes

#### 4.9.4 SWOT Analysis for LEADER

Strengths	
S	Large rural territory and a large proportion of the rural population
S	Great potential for diversification in rural areas (e.g. tourism)
S	Comparative advantages for certain products (e.g., organic products, honey, berries, fish, wine, water, traditional products, medicinal and aromatic plants etc.)

S	The potential of labour force, natural (availability and quality of water, forests, biodiversity) and social (cultural heritage, history) resources for economic development
S	The existence of a small number of capable non-governmental organisations willing to support rural development projects and initiatives
S	Positive trend in development of business support infrastructure (technology parks, innovation centres, business zones)
S	Natural advantages in establishing energy from renewable sources
S	Growing support and awareness at local level about the role of SMEs
<b>Weaknesses</b>	
W	Lack of coordination and communication between public-public, public-private, private-private
W	Lack of knowledge and education mismatch with market needs, low investment in research and development
W	Underdeveloped infrastructure - road, water supply, drainage, flood protection, sewerage system, energy, irrigation, waste management, telecommunications
W	Inadequate development and lack of effectiveness of the NGO sector in rural areas
<b>Opportunities</b>	
O	The possibility of using EU funds (IPA, IPA II, IPARD)
O	The existence of demand for products as well as proximity to the EU and CEFTA markets
O	The increased interest of foreign tourists to visit BiH
O	Exploiting the knowledge and potential of the diaspora for the development of rural areas
<b>Threats</b>	
T	The political instability slowing down the process of EU integration
T	The absence of legislation and institutions, and poor enforcement of existing legislation and the functioning of the existing state institutions
T	The rapid progress of neighbouring countries in the EU integration process

#### 4.10 Overall SWOT Analysis

The final step in the SWOT analysis was to prepare a composite SWOT analysis, which is presented below.

<b>Strengths</b>	
S	Growing support and awareness at local level about the role of SMEs
S	Positive trend in development of business support infrastructure (technology parks, innovation centres, business zones)

S	The potential of labour force, natural (availability and quality of water, forests, biodiversity) and social (cultural heritage, history) resources for economic development
S	Comparative advantages for certain products (e.g., organic products, honey, berries, fish, wine, water, traditional products, medicinal & aromatic plants)
S	The existence of capable non-governmental organisations willing to support rural development projects and initiatives
S	Great potential for diversification in rural areas (e.g., tourism)
S	Large rural territory and a large proportion of the rural population
S	Natural advantages in establishing energy from renewable sources
S	Open access to CEFTA
<b>Weaknesses</b>	
W	Underdeveloped infrastructure - road, water supply, drainage, flood protection, sewerage system, energy, irrigation, waste management, telecommunications
W	Lack of coordination and communication between public-public, public-private, private-private sector
W	Lack of financial systems for investment, research and development in the SME sector
W	Undeveloped and dysfunctional infrastructure for monitoring the implementation of quality and production standards
W	Weakly developed value chains and the absence of clusters (production based on imported raw materials, lack of long-term contracts between primary producers and processing, standardisation)
W	Technologically outdated equipment in the primary production and processing and underutilised capacity in processing
W	Fragmented structure of agricultural holdings, difficulty of resolving property rights and low yield per unit of production leads to low-income which hinders investment
W	A very small proportion of irrigated farmland
W	Insufficient development of institutional and administrative capacity for all levels of government, for the development and implementation of policies in the field of agriculture and rural development
W	Poor image of the sector of agriculture and rural development, inconsistent implementation of agricultural policies and a lack of monitoring and evaluation system
W	Underdeveloped advisory services
W	Lack of knowledge and the use of marketing methods
W	The low proportion of products with added value in agriculture and forestry sector
W	Unregulated market
W	The migration of the working age population from the rural areas which increases the large proportion of elderly households in rural areas
W	Corruption, grey economy, poor image and environment for foreign investment
W	Mismanagement of waste and a small degree of recycling



W	The absence of legislation and institutions, or lack of implementation of existing legislation and the functioning of existing institutions at the federal level
W	Lack of knowledge and education mismatch with market needs, low investment in research and development
W	Inadequate development and lack of effectiveness of the NGO sector in rural areas
W	Uneven population of rural areas hinders access to basic services in rural areas
W	Large proportion of potential productive land is still mined
W	Lack of capacity for cooling and storing as well as the equipment for calibration and packing.
<b>Opportunities</b>	
O	The possibility of using EU funds (IPA, IPA II, IPARD)
O	Favourable geographical position
O	The existence of demand for products as well as proximity to the EU & CEFTA markets
O	The increased interest of foreign tourists to visit BiH
O	Exploiting the knowledge and potential of the diaspora for development of rural areas
O	Converting climate change into opportunities for a larger number of harvesting, utilization of solar energy in the continental part of the FBiH
<b>Threats</b>	
T	The economic crisis
T	Climate changes
T	The political instability slowing down the process of EU integration
T	The absence of legislation and institutions, and poor enforcement of existing legislation and the functioning of the existing state institutions
T	The rapid progress of neighbouring countries in the EU integration process
T	Growth of the products of the surrounding countries in the domestic market
T	Decreasing customer purchasing power

## 5 Previous support and main results of previous support

### 5.1 Description of the existing approaches to rural development support

The Federation's current approach to rural development has developed over the past 7 years. During that period the Ministry approved the payment of BAM 15.8 M for 5985 projects. The rural development budget was first established in 2007 in the amount of BAM 3.4 M. In 2008 this amount rose to BAM 6.5 M, and then fell to BAM

1.5 M in 2009. Rural development measures were last supported in 2010 in the amount of BAM 4.4 M. See Annex 1 for details.

Although FMPVŠ has budgeted for Rural Development, thereby recognising its importance, it was not done in an IPARD-like manner.

An effective Rural Development policy is recognised as a key measure for FBiH, with aim of strengthening rural areas through fostering their productive capacity, whilst ensuring social progress and environmental protection. The rural development policy and programmes are critical for the FBiH, as the vast majority of the FBiH territory is rural in character.

As well as being home to a significant proportion of the FBiH population, the rural areas also contain important reserves of natural resources, such as farmland, water, biodiversity, forests, mineral and energy resources, many of which are economically critical for the country as a whole. The rural population also has many skills, capacities, knowledge and cultural connections to their local resources that can be important in their sustainable management.

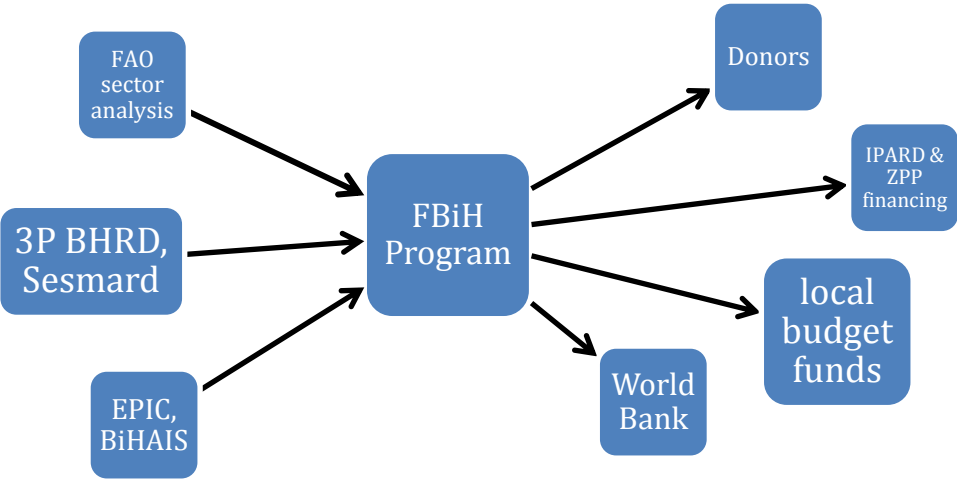
Given the importance of its rural areas, it is no surprise that rural development has received significant support from international donors and USAID, World Bank, IFAD, Swedish & British governments, UNDP & the EU have all provided significant support in this sector to date. There are however two critical weaknesses to the current approach to support. Firstly, the state and inter-entity coordination is largely absent and secondly, the Federation lacks an approach to programming that would allow donors and investors to gain an understanding of FBiH needs and priorities.

Both of these weaknesses will be addressed, at least in part, through the Programme. In the case of the need for inter-entity and state coordination, the Programme provides an evidence-based approach to rural development programming that can be integrated into a state-wide approach and consequently could be used as a component of a state-wide system. The presence of an agreed and functional programme will also assist the EU accession process, as this is a pre-condition. The Programme can be used in dialogue with donors and investors to achieve joint priorities and consequently ensure funding is more effectively spent. The end result of addressing both these weaknesses should be a better quality of life for the citizens of rural parts of FBiH.

## **5.2 *Past and future interventions***

The Ministry's capability for rural development has been developed with the benefit of expert support from a number of projects funded by EU and other international partners. Looking forward, a number of sources of support can be anticipated with which Federation resources might be matched. These are shown in the illustration below. The FBiH Rural Development Programme was originally conceived in the light of expected support from IPA projects that have been subsequently cancelled. Accomplishment of key tasks such as harmonisation with state and between entity approaches will need to await new approaches, which have not yet been established.

**Figure 4: Support received and anticipated to Rural Development in FBiH**



## **6 Description of the approach adopted by the Rural Development Programme**

### **6.1 *Developing the Rural Development Programme according to IPARD principles***

The decision to implement an IPARD-like approach with all the supporting structures demonstrates the Federation Government's serious practical intention to implement the Programme to the benefit of its rural population.

This is an important commitment firstly, because positive developmental support can flow more quickly to the people who need it most, i.e., those living in rural areas, particularly farming families. Secondly, it gives a clear signal to the Federation's institutional partners that they are serious about strengthening their capabilities to deliver their obligations in this key area of the accession portfolio.

Establishing a Rural Development Programme means that investments can be planned, targeted and delivered that lay the foundations for positive future development in rural areas that will provide employment, address depopulation and bring life back to villages. Promoting this pattern of development will bring hope to rural communities and provide viable alternatives to emigration for young people and thus help to sustain the structure of rural life, enabling families to stay in touch with and support one another. The further consequence of such development will be to reduce the dependence on welfare and promote public revenues at the local and Federal level.

Current pressure from the farming community shows the value of Rural Development to this important group. The process of development of the RD has offered opportunity for dialogue with representatives of farmer groups to start to raise awareness of the great long term value of Rural Development support to rural communities. For this reason stakeholder analysis and engagement has been a core component of the programme.

The programme can play a significant role in building longer term resilience to natural and other disasters both through measures directed primarily at climate action and by encouraging other measures.

The establishment of IPARD-like approach within RD programme will help in other ways. For example, establishment of a strategically based rural programming approach enables the Federation to encourage the state level to address their obligations, for instance to develop the State-level Strategy Plan for Rural Development, IPARD Programme for BiH, and establishment of IPARD Operational structure. Putting measures and co-financing structures in place the Federation will also assist harmonization of rural development at state level and contribute to fulfilment of EU recommendations. Levelling up the development of such structures between RS, Federation and Brčko District will also assist more effective absorption of donor and EU support, e.g., through future IPA projects. The Federal Government intends to support the establishment of state structures through this Programme, so that Bosnia and Herzegovina can present appropriate competences at the state level and enable progress in the accession process.

The Federation has the benefit of experienced staff in this sector. The development of these staff has been supported through the capacity building programmes

mentioned above to the point now where the responsible staff in the Ministry has a good understanding of the principles of rural development and the structures needed for implementation. Delivery of the programme as set out will necessitate an assessment of the human resource needs for delivery.

## **6.2 Identification of Needs and Summary of Overall Strategy**

### **6.2.1 Strategic Analysis**

The analysis undertaken for the development of the programme has demonstrated the following:

- Rural areas in BiH have substantial strengths in terms of their natural and human resources and its large rural space; however these strengths are largely latent and yet to be exploited in a meaningful way.
- The weaknesses are considerable and are the strongest factor in considering current potentials. In every supply/value chain substantial weaknesses exist that mean that Bosnia's rural assets cannot be exploited to the benefit of local people.
- Significant opportunities still exist in terms of markets and available assistance to help in accessing them with Bosnia's rural products.
- The external threats that exist for rural development in BiH are the same as those external factors that threaten all the neighbouring countries in the process of EU accession.

**The conclusion of this analysis is therefore that the Rural Development Programme should contribute to addressing the identified weaknesses, particularly in supply chains and value chains; using the available opportunities as both stimulus and incentive, so that rural FBiH's latent natural and human advantages can be turned into real concrete strengths on which sustainable rural economies and communities can be built.**

The following sections use this principle to guide the development of specific objectives and measures.

### **6.2.2 Vision**

The SWOT analysis and the sector analysis on which it was based provided the basis for the development of an evidence-based Vision.

The vision for the Rural Development Programme is the following:

**By 2020 the Programme will have stimulated balanced development that improves the competitiveness of the rural economy to levels comparable to those in neighbouring countries, increased rural employment to similar levels to that for the country as a whole, promoted environmental protection that approximates to EU standards and increase the confidence of rural communities that rural areas are great places to live with improved opportunities and sustainable populations, supported by stable and trusted policy and institutions.**

The Objectives and measures to deliver this vision are described in outline in the next Section.

### **6.2.3 Overall Approach**

The SWOT analysis was used to determine strategic choices through a TOWS methodology and the following needs were identified:

- To improve the competitiveness of the agriculture and food sectors to sustain their role in the rural and national economy;
- To improve the management of the environment, in order to strengthen rural sustainability by providing a basis for appropriate development of natural assets and resources;
- To promote the diversification of the rural economy in order to increase rates of employment and economic activity in rural areas;
- To establish a consistent approach to the introduction of the LEADER methodology in order to promote higher levels of local economic development;
- To establish a systematic approach to technical assistance in support of the programme that enables full implementation of the programme and improves its efficiency and effectiveness.

With each of the needs identified, an objective has been established and measures set out regarding its delivery. The objectives and measures are described in outline in the rest of Section 6 and fuller descriptions are given in the measure sections that follow.

### **6.2.4 Programme Structure**

The Rural Development programme has been modelled on IPARD-like principles and is using the format adopted for IPARD II (i.e. the format adopted for the period 2014-20). The 4 programme objectives can be mapped directly onto the IPARD II goal and therefore it is possible to use simplified versions of the IPARD II measures as sub-measures within the proposed FBiH Rural Development Programme structure.

The adoption of an IPARD-like structure should not be taken as indicating that the programme can comply fully with IPARD standards, there are too many missing elements for this to be possible. However, the programme includes a substantial and meaningful attempt to address these weaknesses through the Technical Assistance measure and supporting Action Plan.

The structure of the programme is shown in Table 8 below. The 4 programme objectives are shown at the top of the table and the sub-measures (which have been mapped onto IPARD measures) are shown in the left hand column. The codes in the table (K, O, L, D, T) are the measure/sub-measure codes that are used throughout the Programme.

**Table 8: Rural Development Programme Structure**

Measures	Objective 1 Improvement of Competitiveness	Objective 2 Improvement of the Environment	Objective 3 Support for Diversification of rural economy	Objective 4 Support for establishment of LEADER approach
<i>Sub-measures</i>				
Investment in farm holdings	K.1			
Producer Groups	K.2			
Marketing	K.3			
Organic		O.1		
Genetic resources		O.2		
Agri- environment & Climate		O.3		
Establishment and animating of LAGs				L.1
Running costs				L.2
Public Infrastructure*				
On-Farm Diversification			D.1	
Off-farm Diversification of rural areas			D.2	
Training	T.1	T.1	T.1	T.1
Advisory Services	T.2	T.2	T.2	T.2
Technical Assistance	T.3	T.3	T.3	T.3

\* Due to the complexity of investments in this sector, it is proposed to leave the question of whether it should be introduced as a topic for the mid-term evaluation (planned for 2017). This approach is based on the experience of implementing this measure in neighbouring countries, where it has had little success.

## **6.3 Programme Objectives**

### **6.3.1 K.1 – K.3 Increasing the Competitiveness of Agricultural Products**

#### **Objective**

To achieve technological, strategic, human resource and process improvements that result in improved value chains, productivity and products (that are attractive to current and future markets) and which can achieve a sustained increase in market share and thereby lead to improved sustainability of rural economies and communities in FBiH.

#### **Rationale**

The analysis demonstrates that the agriculture, forestry and food supply chains have multiple weaknesses and that is generally not fit for purpose to enable FBiH agricultural products to compete in either domestic or international markets. Consequently, FBiH producers are becoming increasingly uncompetitive and processing capacity, which is often not adequate for modern market needs is generally operating far below its full potential.

#### **Sub-measures**

K.1 – Investments in farm infrastructure, machinery and equipment

K.2 – Support to establishment of producer groups

K.3 – Investments in infrastructure and equipment for processing and marketing of agricultural products

#### **Technical Assistance Requirements**

T.1 – Training

- Awareness raising
- Product development and marketing skills
- International Standards (Global GAP, HACCP etc.)

T.2 – Advisory services

T.3 – Technical support

- Legislation – analysis of legislation and drafting of necessary legislation
- Standards – adoption of EU standards
- Land Parcel Identification System (LPIS) and Cadastral Register



### **6.3.2 O.1 – O.3 *Improvement of the Environment***

#### **Objective**

To improve the condition and value of FBiH's abundant environmental resources and assets through providing for their protection and sustainable utilisation.

#### **Rationale**

FBiH has access to abundant natural resources, many of which can be utilised more effectively and the measures contained within this Objective aim to improve rural communities' capacity to manage rural environmental resources in a more positive way and to improve their livelihoods through doing so. The objective is based on 4 complementary principles of protecting, improving, developing and utilising the environmental resources and assets. That is the environment objective and measure is predicated on the principle that well-protected and managed natural assets and resources can be put to beneficial use by skilled and well-motivated land managers and thereby provide the basis for strengthened rural livelihoods.

#### **Sub-measures**

- O.1 Support for organic production
- O.2 Support for the protection and strengthening of genetic resources
- O.3 Pilot agri-environment and climate change mitigation submeasure

#### **Technical assistance requirements**

T.1 – Training

T.2 – Advisory services

T.3 – Technical support

- Environmental baseline and database
- Environmental conditionality
- Pilot agri-environment selection (e.g., one or two areas of high nature value, such as national parks)
- Pilot agri-environment sub-measure (including payment rates and definition of activities)
- Monitoring & Evaluation framework for agri-environment
- Definition of genetic resources and measures to support their conservation.
- Legislative analysis and drafting to support implementation of measures, such as organic agriculture legislation.

### **6.3.3 D.1 – D.2 Diversification of rural economy**

#### **Objective**

Diversification of the rural economy through improving the environment for local economic growth and the development of economic capacities that can better utilise rural assets and improve the sustainability of rural communities.

#### **Rationale**

Diversification is set to be a key component of the Rural Development Programme. The investments planned in the agriculture and food sectors will ensure the longer term sustainability of those sectors. However, whilst investment in primary sectors will support overall growth to some extent, it is likely to be a declining share of GDP growth and overall is unlikely to lead to employment growth, due to the fact that modernisation and mechanisation of the primary sectors more often leads to better paid employment, but a decline in overall job numbers.

#### **Sub-measures**

- D.1 On farm investments enabling diversification from usual farm/agricultural activity
- D.2 Other investments in rural areas of FBiH.

#### **Technical Assistance requirements**

**T.1 –Training** - The training programme will play a key role in developing the capacity of potential applicants to develop robust, economically viable proposals, supported by business plans.

**T.2 – Advisory services** -

**T.3 – Technical support**

- Measures to improve environment for doing business;
- Harmonisation of legislation to appropriate standards.

### **6.3.4 L.1 – L.2 LEADER**

#### **Objective**

The establishment of inclusive and competent Local Action Groups (LAG) and robust Local Development Strategies (LDS) that improve the likelihood of balanced and positive local development to the benefit and improved sustainability of rural communities.

#### **Rationale**

Rural communities in FBiH suffer from a low level of social capital, as well as low levels of trust and cooperation. Therefore activities that promote cooperation, coordination and networking, with a clear socio-economic purpose should be of a high priority in FBiH. Cooperation for its own sake is difficult to create, however, the LEADER methodology provides a tried and tested methodology that can be implemented throughout rural Bosnia and which will provide an economic and a social purpose for cooperation.

#### **Sub-measures**

- L.1 Acquisition of skills, animating the inhabitants of rural areas and establishment of LAGs
- L.2 Running costs - for running the selected LAGs and implementation of local development strategies

#### **Technical Assistance requirements**

**T.1 Training** – the training programme should cover technical aspects of LAG and Local Development Strategy development, along with strong encouragement to inclusive partnership building and cooperative working practices that will help private, public and civil society sectors to find common ground. Training should also include project development and management skills as well as the role of other funds.

**T.2 Advisory Services -**

**T.3 Technical Support**

- Registration procedures
- Legal structures
- Cross border issues
- Role of Networks
- Links to clustering

### **6.3.5 T.1 – T.3 Technical Assistance**

Technical assistance has been referred to under each delivery measure, this is because it is a “cross-cutting” measure, i.e., because it will be applied to all the delivery measures.

#### **Objective**

To provide a platform of technical inputs in support of programme delivery as well as institutional capacity building. Support will be provided:

- To FMPVŠ<sup>22</sup> in pursuance of its need to provide the technical basis for components of the programme that cannot yet be implemented, building institutional capacity or for the improvement of programme efficiency or effectiveness;
- Through the establishment and development of an advisory service that meets the needs of final beneficiaries;
- Through training programmes for final beneficiaries targeted on those measures that are or will be available to them.

#### **Sub-measures**

- T.1 Training
- T.2 Advisory Services
- T.3 Technical support

### **6.3.6 Forestry Measures**

The programme includes a small number of forestry measures, in line with the new IPARD II Forestry measure. These measures have not been programmed, due to the fact that Forestry measure is new to IPARD II. The necessary basic experience can be developed in programming and implementation of this Programme. Once, this experience is developed with implementation of other measures it is also possible to understand how the forestry activity can be programmed, in the meantime, the Forestry measure is included as a self-contained measure with supporting rationale, ready for implementation later in the programme period. In addition, should it be decided that the Forestry measures should be implemented through the Forestry Programme, then the measure can be “exported” with relatively little disturbance to the balance to the rest of the Rural Development programme.

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<sup>22</sup>Technical Assistance should be available to all elements of the Federation’s management and delivery structures; in addition to the ministry, this should therefore also include Federal Payment Agency for Agriculture & Rural Development, when established.

## 7 Finance and procedures

### 7.1 *Financial Plan and principles*

The overall financial plan has been set in line with the agricultural plan, using the same budgets as those laid out in the agricultural strategy (SSRPS).

Financial plans also assume that measure “match funding” will be on an analogous basis to that for an IPARD programme, i.e., that in most cases applicants will be required to make a financial contribution. Each measure will be developed individually in terms of its match funding requirements. This means that public funds are limited to 50% in most cases, although this varies between measures. In terms of the IPARD funding patterns, the FMPVŠ contribution replaces the EU contribution.

For investments within the **competitiveness** measure, the share of public funds in the investments accounts for up to 50% and the applicant’s contribution accounts for up to 50%. In terms of public funds, aside from FMPVŠ funds, other public funds can be used, but the total of public expenditure cannot exceed 50%. For certain categories of clients (young farmers, less favoured areas, etc.) it is possible to further increase the share of public funds, as described in Section 8.

For the investments within the **agri-environment, climate change and organic production** and **LEADER** measures, the share of public funds in the eligible expenditures accounts for up to 100%. For investments within the **Diversification** measure the ratio between public and private financing is: up to 50% of the approved investment is paid from public funds.

**Technical assistance** will be paid 100% by FMPVŠ.

The programme assumes the involvement of banks and other financial institutions in order to get favourable credit lines for financing projects.

The programme has also been prepared on the assumption that IPARD funds will become available at some point during the programme period. This will enable the public funding available within the Federation to match the EU contributions and therefore increase significantly the amount of funds available to support programme objectives.

### 7.2 *Budgets*

The budget proposed for the total period is set out below. It is entirely harmonised with budget proposed within SSRPS, but the years have been harmonized with the year of the adoption of the Programme.

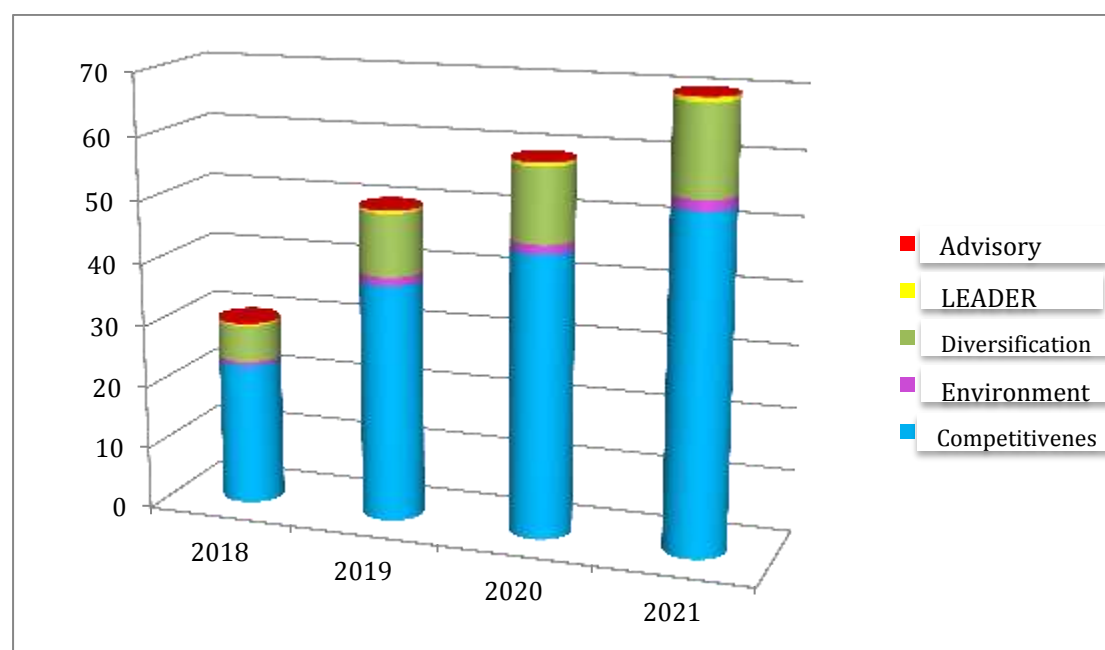
**Table 9: Maximum FMPVŠ contribution to Rural Development Programme Budget 2018-2021 (Million KM)**

	2018	2019	2020	2021	Total
Total	30	50	59	70	209

**Table 10: Financial plan showing FMPVŠ contribution together with possible contribution from other public sources per individual measure (Million KM)**

	Maximum FMPVŠ Contribution	
	Million KM	Max % FMPVŠ support
Competitiveness	227.40	up to 75
Environment	7.29	up to 100
Diversification	59.38	up to 75
Leader	3.05	up to 100
Advisory Service	0.88	up to 100
Total	298.00	

*NB – Technical Assistance regarding training and technical support is included in main measure totals*



**Figure 5: Chart showing the Programme Budget (million KM)**

The budgets have been carefully constructed to provide balanced growth across the programme. The fact that the programme's main priorities are Competitiveness and Diversification is indicated in that these two priorities together account for more than

85% of the programme for all years. However, the importance of FBiH's environment is indicated by the fact that, though small relative to other priorities, this is the fastest growing measure over the programme period.

**Table 11: Rural Development Programme budget per measure (in million KM)**

	2018	2019	2020	2021	Total
<b>Competitiveness</b>	22.90	38.10	44.95	53.33	<b>159.28</b>
<b>Agri-environment</b>	0.67	1.33	1.48	1.68	<b>5.16</b>
<b>Diversification</b>	5.90	9.95	11.79	14.07	<b>41.71</b>
<b>LEADER</b>	0.35	0.45	0.60	0.75	<b>2.15</b>
<b>Advisory services</b>	0.18	0.17	0.18	0.17	<b>0.70</b>
<b>Total</b>	<b>30.00</b>	<b>50.00</b>	<b>59.00</b>	<b>70.00</b>	<b>209.00</b>

The LEADER budget is planned to grow slowly through the programme period in line with the commitment to increase the number of LAGs at the rate of 5 per year. Once in place, LAGs will have access to other measures and they will be expected to put forward proposals for social and economic cooperation to the benefit of rural communities.

The programme includes a 5<sup>th</sup> measure supporting Technical Assistance. This measure has been allocated to the separate measure headings and is not shown separately in this section.

### **7.3 Procedures**

The principles are laid out in more detail in Sections 16 & 17 (Operating structure and Management and Control Structure).

The Federation Government will apply IPARD principles to the management of the programme and in particular to the procedures that are applied to its disbursement. In practice, this means the following **principles** should be applied:

- **Underlying Principles** – one of the biggest changes inherent in the adoption of an IPARD-aligned Rural Development programme will be that it is run on very different principles to those to which farmers and administrators are accustomed. Therefore it is important to promote and implement IPARD principles at early stage of implementation. Key differences include the fact that this is a long-term programme where measures, public funds share and criteria are predictable and known in advance.
- **Transparency** – decisions regarding funding will be taken in a transparent way, which means that the frameworks for decision making, the membership of decision making panels and the results of their deliberations are available for public scrutiny.

## Administrative structures and procedures

- **Programming of measures**– information about the funds available, detailed criteria, deadlines and other pertinent details to be met by applicants in order to eligible for public funds is published within the framework of multi-year rulebooks, which ensures the Programme priorities are well understood by applicants and all other stakeholders. The way in which priorities change over the period of the programme is also clearly indicated.
- **Communication & Promotion**– inherent in the transparent approach to the programme is the need to communicate about the programme in a consistent manner. This means that all the key information about the programme should be readily available to the different types of stakeholders who are likely to have an interest in the programme. Therefore the programme will need to be promoted through different channels, through different partners and in different media.
- **Tender** –procurement of services or activity for support by the programme will normally be through open tender.
- **Open bidding rounds** – funds will be made available on a competitive basis, through well publicised and regularly timetabled bidding rounds; the results of which will be published.
- **Separation of functions** – i.e., financial and project decision-making are kept separate, with distinct teams judging the “completeness” of any activity and the “correctness” in any financial procedures. An early action to implement this principle will be to establish a Paying Agency that is responsible for all financial aspects of the Programme.
- **General criteria** – any support provided through the programme will need to satisfy general criteria; these will be set out in detail in the rulebooks for each measure. The general criteria will include factors that will:
  - Demonstrate benefit to the rural population
  - Directly or indirectly lead to measurable economic benefit, i.e., jobs or increased business.
- **Specific criteria** – each measure will be defined through specific criteria that relate directly to that measure, e.g., dairy competitiveness support is likely to include milking parlour equipment and cooling tanks which meet appropriate standards; diversification support for tourism is likely to include support for tourist accommodation that meets appropriate standards.
- **Match funding** – funding made available through the Programme is “match funding”. This means that applicants should invest their own resources (for instance, credit and loans) in a project for it to be eligible for support.
- **Payment and Reimbursement** – funding is made available for projects once they have been completed, so the applicant will need to be able to bank roll any supported project. Larger projects can be split into stages and interim payments made on the achievement of agreed interim steps.



- **Eligible expenditure** – The programme will define the sort of investments that are eligible for support. These regulations must be followed carefully, if the expenditure and claims for payment are to be approved.
- **Contracting** – any approved application will be the subject of a contract between the Ministry and the Applicant, in line with EU requirements, which will specify the value of the contract and the outputs to be achieved.
- **Monitoring and evaluation** – all projects will be subject to monitoring and evaluation, including field inspections, both during implementation and after completion.
- **Field controls** – all supported projects will be subject to field controls. This means that any applicant should be ready to be inspected by Paying Agency who will inspect whether funded actions are being implemented according to the contract.
- **Default** – Payment of grant support is always conditional on the completion of the agreed project, and any payments can be reclaimed if the project is not implemented in full, or if funds are misused.

## **7.4 Eligibility**

Eligibility is established at the measure level. Where the eligible entity is an agricultural holding the following definition will apply:

In accordance with the Federation Law on Agriculture; an "agricultural holding" means a production unit or group of units that are engaged in the production of agricultural products. An agricultural holding can also engage in any additional (non-agricultural) production and service sectors. Agricultural holdings covered by the Law can be registered as companies, crafts or cooperatives, if registered for agricultural activities, as well as a family farm.

## **Part B    Rural Development Measures**

## **8 Measure K: Competitiveness of Agricultural Products**

The competitiveness measure combines three IPARD measures within its structure, which are presented as three sub-measures. The IPARD measure templates have been used for these sub-measures.

### **8.1 Legal basis**

The legislative basis for the programme is laid out in Annex 5.

### **8.2 Rationale**

The analysis demonstrates that the agriculture, forestry and food supply chains have multiple weaknesses and that they are generally not fit for purpose to enable FBiH agricultural products to compete in either domestic or international markets. Consequently, FBiH producers are becoming increasingly uncompetitive and processing capacity, which is often not adequate for modern market needs, is generally operating far below its full potential.

The Sector Analysis demonstrates that although FBiH benefits from large numbers of farmers, the average farm size, fragmentation of holdings, level of education and skills of farmers and their low level of cooperation are all impediments to agricultural and rural development. The programme should assist those producers who are likely to lead to improvements in rural economies and will cooperate in order to bring competitive products to local, domestic and international markets.

It is vital to include marketing infrastructure and capabilities that strengthen supply chains; both hard and soft measures, e.g., investment in the technology that brings product to market, such as modernised cool chain investments as well as investing in skills and market development, as well as comprehensive implementation of a system that supports implementation of EU agriculture and food production standards.

Projects will be encouraged that integrate activities from all three sub-measures, thereby demonstrating that all activities are focused on the strengthening and better functioning of supply chains.

There will be an increase in economic and employment prospects through investment in support of this objective. This will only lead to sustainable rural economic activity should it form part of an integrated approach that includes diversification of the rural economy and the development of local economic approaches that broaden the economic opportunities on offer within rural communities.

### **8.3 General Objective of the Measure**

To achieve technological, strategic, human resource and process improvements that result in improved value chains, productivity and products (that are attractive to current and future markets) and which can achieve a sustained increase in market

share and thereby lead to improved sustainability of rural economies and communities in FBiH.

## **8.4 Specific Objectives of the Measure**

Specific objectives are bound to raise the productivity and competitiveness of primary producers and processors, in order to increase the placement of primary and final products in domestic and foreign markets. These objectives will be achieved through investment in infrastructure and equipment on farms and in agricultural businesses for primary production of agricultural products, and by linking producers in groups and marketing.

## **8.5 Sub-measures**

K.1 - Investments in infrastructure, machinery and equipment on farms

K.2 - Support the formation of producer groups

K.3 - Investment in infrastructure and equipment for processing and marketing

### **8.5.1 Sub-measure K.1 - Investment in infrastructure, machinery and equipment on farms**

#### **8.5.1.1 Rationale**

This sub-measure applies to primary agricultural production. Sector analysis and SWOT analysis within them clearly indicated that the lack of investment in infrastructure and equipment on farms is major obstacle to greater productivity and competitiveness of agricultural products. In order to strengthen these links in the supply chain it is necessary to invest in facilities, but also in equipment such as machines and devices. Investment analysis indicated the stagnation of investment in primary production, and that investments are mainly financed by personal funds of farmers (personal funds and bank loans), which limits the scope and depth of the investment. Raising productivity and competitiveness of primary production creates better foundation for increasing the productivity and competitiveness of the enterprises that will process these primary products. This investment will enable faster adaptation to EU standards, rules and procedures and thereby facilitate access to the EU market.

This measure is directly related to and complements the sub-measures to support producer groups and marketing investment.

#### **8.5.1.2 General Objective of the Submeasure**

To increase competitiveness of primary agricultural products and support alignment with European Union rules, standards, policies and practices.

#### **8.5.1.3 Specific Objectives of the Submeasure**

Specific objectives are related to improving the overall performance of the farm through improved infrastructure and equipment on farms and introduction of new

technologies and production methods, and raising quality standards and environmental protection.

#### **8.5.1.4. Final Beneficiaries**

Final beneficiaries under this sub-measure are farms and other agricultural legal entities included in The Farm and Client Register (e.g. crafts, businesses, cooperatives) fulfilling the prescribed requirements for support. In future it will be necessary to enable groups of farmers to apply with joint projects.

#### **8.5.1.5. Common Eligibility Criteria**

General eligibility criteria for projects define types of farms that may apply, application of national (domestic) standards, the requirements in terms of economic viability of farms, and other criteria.

- No later than before final payment of the investment, the entire holding must comply with appropriate national minimum standards in force regarding environmental protection and animal welfare.
- For this purpose, the applicant shall provide as an obligatory part of the final payment claim a certificate from the national veterinary and environmental authorities confirming that all applicable national minimum standards are respected on the holding of the applicant.
- A full list of these standards will be made available to the applicants on Ministry's website.
- The criteria to be used by the Ministry to assess the future economic viability of the holding will be presented in the programme whereas the detailed formula forms part of the respective Rulebook adopted by the Ministry. The recommendation is to use an approach used by the banking sector (see Annex 3).
- Economic viability of the holding shall be demonstrated in a business plan. As minimum criteria, the business plan should show that the equity capital of the holding and its stocks in terms of liquidity and assets meet the operational costs. (see Annex 3).
- In case of smaller investments to be defined in the programme, a simplified form of a business plan can be accepted. Smaller investments will be defined around the value of the minimum investment specified by this program. (Example no. 2 from Croatia: the minimum investment is € 13,500, a simplified business plan allowed for investments of less than € 27,000).
- Business plan templates shall be defined within the Rulebook for each measure.
- The investment must concern the production of agricultural products.
- Selection of the eligible sectors to be supported under this measure must be based on a sector analysis involving external expertise. Identification of the type of beneficiaries and specific investments needed/eligible under each sector must follow the same approach and should give priority to developing the weakest links identified in the agricultural production chain by relevant sector analysis. (Example: Sector analysis made during the preparation of this Program, Analysis of three value chains done by independent experts).
- Mandatory minimum conditions regarding farmer's occupational skills and competences must be defined in the programme (e.g. evidence of completion of vocational high school, evidence of training adapted to the type of investment proposed, at least three years' experience of farming, etc.) will be introduced

gradually. Meeting minimum conditions will be mandatory from year 2018, and during period 2016-2018 those who voluntarily meet these conditions will have advantage – additional points. (See Example in Annex 3).

#### **8.5.1.6 General Eligibility Criteria for Investments in Renewable Energy Plants**

If the level of renewable energy produced in one year is equal to or less than the farm needs for its own consumption for that period, then the investment in a renewable energy plant on farm can be supported under the aid intensity rates applicable to this sub-measure. Such an amount of energy can be considered as an intermediate product of the agricultural production cycle.

To be noted is that support possibilities for renewable energy production also exist under the measure farm diversification and business development. Under this measure, support can be accorded also for investments in the production of renewable energy, where the amount produced exceeds the needs of the holding and it can be usefully exported.

#### **8.5.1.7 Specific Eligibility Criteria**

Federation of BiH has defined the maximum and minimum limits for total investment<sup>23</sup> per beneficiary and is shown in Annex 1. In accordance with the defined strategy these limits may vary from sector to sector. Number of projects per user will also be limited. Maximum support per applicant is 2,000,000.00 KM in the course of implementation of the Programme.

#### **8.5.1.8 Eligible Expenditure**

- The construction or improvement of immovable property (e.g. the acquisition of property is excluded).
- The purchase of new machinery and equipment, including computer software up to the market value of the asset.
- General costs linked to investment, such as architects', engineers' and other consultation fees, feasibility studies, shall be eligible up to a ceiling of 12% of the investment costs.
- General costs, although eligible retroactively (since they may occur before contract conclusion), can only be considered eligible if the project to which they relate is actually selected and contracted.

##### **8.5.1.8.1. Examples of Eligible Investment for Submeasures**

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<sup>23</sup> Example: In the Slovenia Rural Development Programme 2007-2013 had minimum amount of support € 3,500 and the maximum € 1 million, with specified maximum total amount per user of € 2 million grant during the period covered by the Program; Croatia Programme 2007-2013: minimal support € 13,500 and a maximum € 900,000, with a permitted maximum of five eligible investments per beneficiary during the period covered by the Program; Croatia Programme 2014-2020, the minimum grant amount per project of € 3,500, the maximum € 3,000,000.

- General example: (i) investments in agricultural holding to meet EU requirements; (ii) investments in operation buildings; (iii) storage facilities, production facilities and container washing facilities; (iv) waste and by-product treatment equipment; (v) investments in renewable energies on the farm, etc.
- Livestock investment example: (i) fodder storage and preparation equipment; (ii) feeding equipment; (iii) silage handling equipment and machinery; (iv) storage and treatment of manure, slurry reservoirs, and specialized transportation equipment; (v) stables for animals; cages for hens; (vi) milking and cooling equipment; (vii) milk tanks, etc..
- Examples of investment in plant production; (i) establishing new plantations of orchards and vineyards; (ii) the purchase of agricultural machines and accessories; (iii) the construction of greenhouses; (iv) the construction of irrigation systems, hail and frost protection etc.

#### **8.5.1.9 General Selection Criteria**

- FMPVŠ and Paying Agency should pay particular attention to minimising the risk of deadweight appearing when the result of the Programme is no different than the result that would be achieved in the absence of the Programme.
- Support shall be targeted on clearly defined objectives reflecting identified structural and territorial needs and structural disadvantages. The programme has defined priorities for investment on farms, the adoption of International standards and improving the competitiveness of agricultural products from FBiH.
- FMPVŠ and Paying Agency will take care to make the programme as accessible as possible by adopting simple and straightforward procedures.
- The selection criteria for selecting projects must fulfil the following main objectives: be (i) quantifiable and easy to apply and allowing effective ranking of the eligible projects; (ii) transparent; and (iii) contribute to attain the structural objectives of the measure/Programme.
- Examples: a higher score (e.g. priority points) can be given to projects: where the whole farm meets EU standards, concern manure storage and renewable energy, are implemented by women or young farmers (under the age of 40) and certain marginalised groups or are linked to climate change.

#### **8.5.1.10 Aid Intensity**

Public aid under this sub-measure can amount up to a maximum of 50% of the total eligible cost of the investment. It can be increased by a further 5% if investments are made by young farmers or women, and by 10% for investments in areas above 800 m altitude. An additional 10% can be granted for investments in waste management of benefit for the environment.

#### **8.5.1.11 Indicators for sub-measure**

- Number of applications (projects) and the number of approved projects
- Number of supported farm holdings
- Total amount of investments within the sub-measure
- Number of machinery and equipment, buildings and acres supported
- The growth of value added in supported farms

- The number of agricultural holdings that introduced (updated) EU standards
- The growth of labour productivity in supported farms
- Value of the renewable energy produced by this measure project support
- The number of young farmers supported
- The number of women beneficiaries that received support
- The number of beneficiaries from the marginalised groups defined by the programme
- The number of trainings held
- Number of supported agricultural holdings in areas above 800m
- The number of contracts carried out.

## **8.5.2 Sub-measure K.2 - Support for Formation of Producer Groups**

### **8.5.2.1 Rationale**

Sector analysis undertaken in preparation of this program, as well as analysis of value chains in the Federation identified the need for increased support for the creation of producer groups in order to strengthen value chains: primary production - processing - sales - the consumer. Fragmented primary production, processing and sales increases costs, reduces opportunities for the introduction of new technologies and innovation, causes weak bargaining position of producers towards suppliers and customers, and therefore represents an obstacle to productivity growth and competitiveness of agricultural products.

Cooperation between producers through organizing into groups enables joint activities from production to processing and further to product sale on market, thus speeding up the adjustment to market requirements, and the introduction of EU standards. Sector analysis showed that agricultural cooperatives are the most common types of grouping producers in FBiH, and the programme will support and promote other forms of grouping.

This sub-measure is closely associated with measures "Investments in infrastructure and equipment on farms" and "Investment in production and marketing."

### **8.5.2.2 General Objective of the Sub-measures**

The general objective of this sub-measure is to improve the sustainability and competitiveness of all types of agricultural production, primary food production and marketing, with a progressive harmonisation with EU standards.

### **8.5.2.3 Specific Objectives**

Assistance shall be granted to facilitate the setting-up and administrative operation of producer groups, for the purposes of:

- Adapting the production and output of the members of producer groups to market requirements;
- Jointly placing goods on the market, including preparation for sale, centralisation of sale, and supply to bulk buyers;
- Adapting the production and output of producers to meet the relevant EU standards, compliance with the *acquis communautaire*;



- Establishing common rules on production information, with particular regard to harvesting and availability;
- Ensuring effective standardisation in all marketing steps and delivery of products in the food-chain.

#### **8.5.2.4 Final Beneficiaries**

- Assistance under this sub-measure may only be granted to producer groups officially recognised by the relevant FBiH authorities after 1 January 2016.
- FBiH will define an appropriate legal and organizational form of the producer groups, allowing them to acquire rights and assume obligations (e.g. cooperative, limited company, general partnership, SMEs, etc.). Professional and/or inter-professional organizations representing one or more sectors do not qualify as producer groups.

#### **8.5.2.5 Common Eligibility Criteria**

Applicants shall comply with the following conditions:

- Producer groups should be set up for the first time and officially recognized by the relevant competent national authorities.
- Producer groups should be recognised by the competent authority on the basis of a business plan. The latter has to detail the planned activities of the Group in relation to one or more of the following:
  - Adapting the production and output of the members of producer groups to market requirements;
  - Jointly placing goods on the market, including preparation for sale, centralization of sale, and supply to bulk buyers;
  - Adapting the production and output of producers to meet the relevant EU standards, compliance with the *acquis communautaire*;
  - Establishing common rules on production information, with particular regard to harvesting and availability;
  - Ensuring effective standardization in all marketing steps and delivery of products in the food-chain.
  - Applicants must be officially recognised by the competent national authority.

Applicants must also comply with the following minimum requirements:

- The group can only have producer members who sign a contract with the producer group about the organization of production and marketing;
- The producer group should be set up for the purposes of adapting the production and output of its members to market requirements of jointly placing goods on the market, including preparation for sale, centralization of sale and supply to bulk buyers and of establishing common rules on production information, with particular regard to harvesting and availability;
- FBiH will define a minimum number of members of the producer groups (Example no. 6: Croatia 2014-2020 programme envisages at least five members of producer groups, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland and Slovenia in 2007-2013 require that the group has at least 3 members);

- F BiH will give priority of the products define by IFC Strategy<sup>24</sup> in which newly established producer groups can be supported, and may define minimum annual marketable production for producer groups
- The producer group should maintain a registry of the members and their economic activities and follow the rules of fair competition.

#### **8.5.2.6 Specific Eligibility Criteria (per Sector)**

The Ministry will re-define these criteria in line with IFC Strategy<sup>25</sup> of increasing competitiveness and foreign investment promotion for milk, fruit and vegetable value chains in Federation of BiH.

#### **8.5.2.7 Eligible Expenditure**

In order to be eligible for support, Producer groups shall be recognized by the F BiH competent authority on the basis of a business plan. Costs for setting up and administrative operation of the producer group shall be eligible. In principle all activities in line with the business plan can be covered.

Support for merging already existing producer groups is not intended under this sub-measure.

Assistance shall be granted as a flat-rate aid in annual instalments for the first five years following the date on which the producer group was registered. It shall be calculated on the basis of the group's annual marketed production.

#### **8.5.2.8 Aid Intensity**

Public support shall be 100% of the flat rate amounts.

- Aid amounts shall be granted as a flat rate aid in annual instalments for a maximum of 5 years following the date of registration of a producer group. In cases where there is a gap between the date of registration by the competent F BiH authority and the date of the (separate) approval for setting up measures for support, it is the date of the registration decision that should be the starting point for calculating the five year period.
- Assistance shall be calculated on the basis of the group's annual marketed production. It shall be limited to a maximum of 10% of marketed production for the first year and shall be gradually reduced in the following years. Assistance shall not exceed 100,000 KM per year.
- In the first year reference has to be made to the average annual value of marketed production of the Group's members over the previous three years. The last instalment shall be conditional on the verification by the beneficiary country of the correct implementation of the business plan.

#### **8.5.2.9 Indicators for Sub-measures**

- Number of supported producer groups

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<sup>24</sup>, <sup>4</sup> IFC Strategy for 3 value chains – Competitiveness assessment of 3 agri-business value chains in BiH (2012)

- The number of farms within the supported producer groups;
- Turnover of supported producer groups
- Net value added expressed in Purchasing Power Standard (PPS<sup>26</sup>) (% of average EU-28)
- Change in gross value added (growth) per annual work unit (%).

### **8.5.3 Sub-measure K.3 - Investment in Infrastructure and Equipment for the Processing and Marketing of Agricultural Products**

#### **8.5.3.1. Rationale**

SMEs<sup>27</sup>, which account for 99%<sup>28</sup> of the total number of companies in FBiH, have to increase investments in the production and marketing of their products and in all phases of preparation and placement on the market (product, price, distribution and storage, and application of the EU technical and quality standards). Support for investments in micro, small and medium enterprises will increase their productivity and competitiveness and enable entry into new markets.

This sub-measure is associated with the sub-measures "Investments in infrastructure and equipment in agricultural holdings" and "Training".

#### **8.5.3.2 General Objective of the Sub-measure**

This sub-measure will support the development of infrastructure and equipment, increase ability of the agri-food sector to cope with competitive pressure and market forces as well as help the sector to progressively align with the EU standards. The measure will also help addressing the challenge of climate change, by promoting renewable energy.

#### **8.5.3.3 Specific Objectives**

Sub-measures will contribute to the improvement and optimization of the flow of production, processing and marketing of agricultural products, in terms of investment in the modernisation of existing production technology to improve product quality, product marketing and meeting environmental standards.

#### **8.5.3.4 Final Beneficiaries**

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<sup>26</sup> PPS is the technical term used by Eurostat for the common currency in which national accounts aggregates are expressed when adjusted for price level differences

<sup>27</sup> FBiH Law on Promotion of Development of Small Enterprises establishes definition of small enterprises: micro enterprise employs less than 10 persons and has annual turnover and/or an annual balance sheet not exceeding 400,000 KM; small enterprise employs less than 50 persons and has annual turnover and/or an annual balance sheet not exceeding 4 million KM; medium-sized enterprises employ less than 250 persons with annual turnover not exceeding 40 million KM and/or annual balance sheet not exceeding 30 million KM.

<sup>28</sup> FBiH Ministry of Development, Entrepreneurship and Crafts, 2013; SME Sector analysis, 2014.

Final beneficiaries are small and medium-sized enterprises (SMEs), in accordance with the laws of FBiH. FBiH Law on Promotion of Development of Small Enterprise<sup>29</sup> defines small and medium-sized businesses as business with less than 250 employees, with annual turnover up to 40 million KM and/or whose annual balance does not exceed 30 million KM.

#### **8.5.3.5 Common Eligibility Criteria**

The main focus will be on SMEs.

- The investment supported must comply with the relevant EU and international standards by the end of the realisation of the investment. The selection criteria for this type of beneficiaries must ensure that priority is given to applicants aiming at alignment of the entire establishment with all relevant EU standards.
- The economic viability of the enterprise must be demonstrated by the end of the realisation of the investment.
- The criteria to be used by the Ministry to assess the future economic viability of the beneficiary will be presented in the program, whereas the detailed formula forms part of the respective manual established by the Ministry. It is recommended to adopt the approach used by the banking sector.
- Not later than at the end of the project (before a final payment), the entire enterprise must comply with the main relevant national minimum standards in force regarding environmental protection, public health, animal welfare, and occupational safety. A full and updated list of these main relevant standards will be made available to the applicants on the Ministry's website. Before its submission to the Ministry, each project must be analysed by the relevant national veterinary and environment authorities in order to establish whether the beneficiary enterprises will implement (i) local minimum standards and (ii) the relevant EU standards applicable to the investment by the end of the project.

#### **8.5.3.6 Specific Eligibility Criteria**

- Investments supported must concern the processing and/or marketing of agricultural products and/or the development of new products, processes and technologies linked to products.
- The condition establishing that investments must contribute to improving the situation of the basic agricultural production sector in question can be translated into the ranking criteria by giving higher priority to projects that have a high proportion of raw material obtained via contracts established directly with farmers.
- Support should favour the development of the weakest links in the value chains established in the sector analysis.

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<sup>29</sup> Aside from this, there are other laws regulating SMEs in specific sectors in Federation of BiH, such as: Law on Crafts and Related Activities (enterprise in the form of craft can only be physical entities, related activities include agricultural activities), the Law on Trade and The Law on Tourism, both laying down that enterprises may be legal or physical entities. The Law on Companies (enterprises in the form of companies can only be legal entities).

### **8.5.3.7 Eligible Expenditure**

- The construction or improvement of immovable property (e.g. the acquisition of property is excluded).
- The purchase of new machinery and equipment, including computer software up to the market value. General costs linked to investment-related expenditure, such as architects', engineers' and other consultation fees, feasibility studies, shall be eligible up to a ceiling of 12% of the investment costs.
- General costs although eligible retroactively (since they may occur before the contract's conclusion) can only be considered eligible if the project to which they relate is selected and contracted by the Ministry.
- The program has defined maximum and minimum limits for total eligible support per beneficiary in Annex 2. The number of projects per beneficiary can also be limited.<sup>30</sup>

### **8.5.3.8. Some Examples of Eligible Investments**

Examples of investments in (i) food processing establishments to meet EU requirements; (ii) Storage facilities, cooling/ freezing facilities and container washing facilities; (iii) Waste and by-products treatment equipment; (iv) Introducing quality management systems (ISO 9000, HACCP etc.), if related to the tangible investments of the project; (v) Investments in renewable energy such as processing of agricultural biomass for renewable energy by actors other than agricultural holdings etc..

**Examples of investments in meat sector:** (i) Slaughterhouses; (ii) Other processing units etc.

**Examples of investments in milk sector:** (i) Equipment for the preparation of intermediate or final dairy products for consumption; (ii) Milk tanks and coolers, etc.

### **8.5.3.9 General selection criteria**

- FMPVŠ and Paying Agency should pay particular attention to minimising the risk of deadweight, appearing when the results of the Programme are not different from the ones that would be achieved in the absence of the Programme;
- Support shall be targeted towards clearly defined objectives reflecting identified structural and territorial needs and structural disadvantages. Priorities for investment in processing and marketing, support to the introduction of international standards and improvement of competitiveness of agricultural products from Federation of BiH are also defined in this Programme.
- FMPVŠ and Paying Agency will take care to make the programme as accessible as possible by adopting simple and straightforward procedures
- The criteria for selecting projects must fulfil the following main objectives:

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<sup>30</sup> Example Croatian Programme 2014-2020 provides for a minimum grant amount of EUR 3,500 I maximum of EUR 5,000.000

- (i) Quantifiable and easy to apply and allowing effective ranking of the eligible projects;
- (ii) Transparent; and
- (iii) Contribute to attaining the structural objectives of the measure/program.

Ministry will propose criteria. Additional points should also be given to projects where the whole establishments plan to achieve full compliance with the EU standards.

#### **8.5.3.10 Aid intensity**

The share of public funds can go up to a maximum of 50% of the total eligible expenditure. For investments relating to the treatment of effluents the maximum aid intensity could be increased by 10% (maximum 60%).

#### **8.5.3.11 Indicators**

- Number of projects supported;
- Number of enterprises performing modernisation projects;
- Number of enterprises progressively upgrading towards EU standards;
- Number of enterprises investing in renewable energy production;
- Value of the renewable energy produced by this measure project support
- Total investments by enterprises supported by this measure;
- Number of jobs created.

### **8.6 Training for Competitiveness Measure**

#### **8.6.1 Rationale**

Improving competitiveness in general, as well as the implementation of competitiveness measure of the Programme require significant increase of the knowledge and skills of all persons along the value chain, those involved in primary agricultural production, as well as those involved in the processing and marketing of agricultural products. Sector analyses and SWOT analyses indicated the weaknesses/obstacles to greater competitiveness: insufficient levels of knowledge, education mismatch with market needs, and lack of knowledge about marketing. Identified need for increased economic and technical knowledge and skills is one of the most important precondition for raising productivity, increase of value-added products, higher level of technological and non-technological innovation.

Training is horizontally linked with all three sub-measures, and special attention will be given to training related to the sub-measure Investments in infrastructure and equipment on farms.

#### **8.6.2 Objective**

Training aims at improving professional skills and competence of all persons involved in the production, processing and marketing of agricultural products.

#### **8.6.3 Final beneficiaries**

Final beneficiaries of the assistance granted under this measure shall be training providers, professional organizations capable and responsible for the delivery of training courses.

Participants in the training provided under this measure should be persons engaged in the primary agricultural production, processing and marketing activities. Participants shall not be required to pay for training courses.

#### **8.6.4 Eligibility criteria**

The Ministry will undertake an analysis of training needs, identify existing structures that provide trainings and their training programs, and on that basis prepare a training plan. The plan will also include criteria for selecting providers of training services and content (curriculum) of the individual training programs.

Assistance may not be granted to courses of instruction or training which form part of normal programs or systems of education at secondary or higher levels.

Conditions to be fulfilled by the training providers:

- Training providers should provide evidence of the qualifications of their staff in the provision of training services;
- The training courses shall emphasize transfer of specific knowledge on above mentioned training objectives;
- The training providers can be: private or public, including NGOs. FMPVŠ shall define training providers in the Training Plan, including certificates to be awarded, and carry out consultations with regard to regulations in the field of education of adults.
- The training projects should be in compliance with the measures' specific objectives and training areas;
- Courses should only be organised for a minimum number of participants to be determined in the Training Plan of the Ministry.

#### **8.6.5 Eligible expenditure**

Eligible expenditure includes administrative operation activities of training, such as:

i) For training providers:

- Expenditure related to the organisation and delivery of training courses. (Training providers will be required to organise evaluation of each course delivered and to issue certificates to the participants who have completed the course).

ii) For the trainees:

- Travel, accommodation and other expenses where necessary.

#### **8.6.6 Indicators**

- Number of participants of training activities;
- Number of participants that finished the training successfully
- Number of training days provided.

#### **8.6.7 Administrative procedure**

Training courses will be selected for support following a public tender.

The submitted projects will be evaluated and selected by an Evaluation Committee, consisting of members of FMPVŠ and independent experts in the fields covered by the training courses.

Evaluation criteria:

- Relevance and quality to the curriculum/Terms of Reference for the call for training courses proposals;
- Professional experience of the proposed trainers;
- Adequacy of the training facilities and equipment;
- Financial aspects of the offer;
- Approach to informing potential trainees of the proposed training;
- Approach to selection of trainees

Information about training courses and information actions offered by the approved projects will be publicised on the website of FMPVŠ. The trainees will choose the training course or information activity according to their own interests and needs and will send an application to participate directly to the organisations responsible for providing the training courses or FMPVŠ.

### **8.6.8 Examples for eligible training courses**

Training can only be supported if it is training for agricultural activities, plant production, livestock production and similar activities. For example:

#### **8.6.8.1. Training in agricultural activities**

Training projects in the agricultural sector will provide the professional knowledge and skills required for farm production innovation and adaptation to market dynamics. The training projects shall aim at meeting the following specific objectives:

- Improvement of product quality;
- Acquisition of skills to manage an economically viable farm, including accountancy and financial analysis;
- Adoption of production practices and methods taking account of environmental considerations, hygiene standards and animal welfare;
- Improving the use and management of water resources in agriculture.

#### **8.6.8.2. Training in Plant Production**

- Introduction of new production technologies and environmentally friendly production methods;
- Setting up and management of nurseries for certified perennials;
- Introduction of new technological schemes for plant protection and fertilising;
- Effective irrigation systems of orchards, vineyards and glasshouses;
- Initial processing, packing, storing and marketing of products at farm level;
- Farm management.

#### **8.6.8.3. Training in livestock production**

- Application of modern breeding methods to improve genetic composition and structure of herds;
- Introduction of new production technologies in milk and meat production;
- Introduction of environmentally friendly methods in milk and meat production;



- Introduction of modern methods for construction and reconstruction of animal housing facilities;
- Effective forage production and feeding systems;
- Protection of animal health and welfare;
- Water management on farm;
- Hygiene management on farm;
- Initial processing, packing, storing and marketing of production at farm level;
- Farm management.

Demonstration/study visits can be included as part of the programme of a training course.

## **8.7 *Technical assistance for the competitiveness measure***

### **8.7.1 *Rationale***

Capacity building of the Ministry for the implementation of the Programme is also a key prerequisite for the successful implementation of competitiveness measures (and all three sub-measures).

Technical support is related to the implementation of the measures and the costs associated with implementation.

### **8.7.2 *Objectives***

The aim of Technical assistance is to assist in particular in implementation of the measure and its possible subsequent modifications. The objectives include:

- Providing support for monitoring and evaluation of the measure;
- Ensuring adequate flow of information and publicity;
- Support for studies, visits and seminars;
- Support for carrying out external expertise.

### **8.7.3 *Beneficiaries***

The beneficiaries of the activities are the Ministry and the structures involved in the implementation, monitoring and evaluation of the measures.

### **8.7.4 *Common eligibility criteria***

Eligible expenditure is based on real costs that are necessary for the implementation.

### **8.7.5 *Eligible expenditure***

- Costs related to monitoring the implementation of the measure (meetings of committees, working groups, etc.);
- Expert assistance to consider and review measure baselines and indicators for the purpose of monitoring the implementation of the measure;
- Expenditure on information and publicity campaigns, including costs of printing and distribution.
- Cost of translation of documents related to the implementation of the measure;

- Cost of visits and seminars;
- Expenditure for evaluation of the measure.

### **8.7.6 Indicators**

- Number of promotion materials (leaflets, brochures etc.):
- Number of publicity campaigns:
- Number of expert assignments supported:
- Number of workshops, conferences, seminars:
- Number of meetings related to monitoring:
- Number of studies on elaboration and implementation of the measure:
- Number of measure evaluation reports.

## **8.8 Budget for Competitiveness measure**

**Table 12: Competitiveness Measure (K) – Budget (Million KM)**

	2018	2019	2020	2021	Total
<b>Implementation</b>	22.50	37.70	44.50	53.00	157.80
<b>Training</b>	0.20	0.20	0.20	0.20	0.80
<b>Technical assistance</b>	0.20	0.20	0.15	0.13	0.68
<b>Total</b>	<b>22.9</b>	<b>38.10</b>	<b>44.95</b>	<b>53.33</b>	<b>159.28</b>

## **8.9 Implementation phases of competitiveness measure**

**Table 13: Competitiveness Measure (K) - Annual phasing of measure implementation**

	Activity
<b>2016</b>	Sub-measure 1 & 3, Technical assistance, Training
<b>2017</b>	Sub-measure 1 & 3, Pilot sub-measure 2, Technical assistance, Training
<b>2018</b>	Sub-measure 1, 2 & 3, Technical assistance, Training
<b>2019</b>	Sub-measure 1, 2 & 3, Technical assistance, Training
<b>2020</b>	Sub-measure 1, 2 & 3, Technical assistance, Training

## **9 Agri-Environment- climate and organic farming measure**

### **9.1 Legal basis**

The legislative basis for the programme is laid out in Annex 5.

### **9.2 Rationale**

The rural communities of FBiH have access to abundant natural resources, many of which can be utilised more effectively and the activities contained within this measures aim to improve rural communities' capacity to manage rural environmental resources in a more positive way and to improve their livelihoods through doing so.

FBiH benefits from a highly diverse and rich biodiversity, within which there is a high number of endemic living creatures. There are more than 450 species and subspecies of vascular plants, several hundred invertebrates, 12 fish species, two amphibian species, four reptile species, and several species of birds and mammals. The richness of flora and fauna in FBiH is reflected in the high number of species overall, and especially in the significant numbers of endemic species<sup>31</sup>.

Organic agriculture in BiH dates back to 2001. According to information from certification firms in BiH, the total organic farmland in 2011 was 681 ha managed by 92 organic farms (36 certified and 56 in conversion). These farms mostly produce cereals, vegetables and medicinal plants. As for organic cattle breeding, officially there is not a single certified organic cattle farm in FBiH, and only two farms are in the stage of application. Reasons for underdevelopment of this form of organic production in FBiH are multiple, beginning with the complexity of cattle production (even developed countries have higher organic plant production than cattle production), through the insufficient education of producers and consumers, general underdevelopment of cattle breeding, and to low purchasing power of the population. With compliance with standards and holistic approach to organic production, it would be useful to implement organization of integral organic farms, which implies the production of both plant and livestock products.

Official statistics in FBiH do not yet cover organic production. In addition, there is neither a register of organic producers in FBiH. Export is mostly limited to tea, dried mushrooms and dried wild fruit, and in 2011 the value of exported organic products (with OK<sup>32</sup> certificate) from BiH was EUR 2.34 mil.<sup>33</sup> Medicinal plants and forest fruits with organic certificate are gathered from about 365,000 ha. The conditions exist for significant increase in both the area and volume of organic agricultural production.

FBiH has a large variety of medicinal plant species. Out of totally native medicinal plant species, 49 are economically important, 7 are rare, 9 are endangered, and 7 are protected<sup>34</sup>. Traditional gathering is dominant in the MAP sector (Medicinal and

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<sup>31</sup> The analysis of spatial ecosystem biodiversity in the period 2000–2006 in BiH according to CLC classes (CLC = Corine Land Cover - forest vegetation and other natural areas; watery areas – swamps; wetlands) show no major changes in their size (and thus significant functional changes) within the natural ecosystems of BiH for the analysed period.

<sup>32</sup> OK – Organska Kontrola – the only body in Bosnia accredited to EU standards for Organic Production EUAS – ISO/IEC guideline 65.

<sup>33</sup> Internal data, certification authority Organic Control

<sup>34</sup> Study: Identification of medicinal plant species in FBiH – Agro-mediterranean Faculty, Mostar  
Federation of Bosnia and Herzegovina  
Rural Development Programme 2018-2021

aromatic plants) in FBiH. The estimated number of gatherer-families in BiH is 50,000, about 3,000 of which are organized by about 50 companies that are intermediate buyers of medicinal plants<sup>35</sup>. Estimated 1,500–9,000 tonnes of dried plants are gathered annually<sup>36</sup>. Economically important medicinal plant species in Class I dominate in export<sup>37</sup>. Lately intermediate buyers have problems in buying this raw material because of reduced gatherers' interest (according to the survey, 60% of gatherers report that they did not get fair price for their products<sup>38</sup>), black market, and a range of administrative obstacles in obtaining a licence for gathering plants. Cultivated medicinal plants are produced on about 180 ha, with the largest share of lemon balm, lavender and marigold. Demand at the world market has been increasing, particularly for the artichoke, marigold, buckwheat, Valerian, etc.

The objective is based on 4 complementary principles of protecting, improving, developing and utilising the environmental resources and assets. That is the environment objective and measure is predicated on the principle that well protected and managed natural assets and resources can be put to beneficial use by skilled and well-motivated land managers and thereby provide the basis for strengthened rural livelihoods.

Many of the environmental measures cannot be implemented from the start of the programme, as the technical preconditions for implementation cannot yet be met. For example, the technical baseline for the agri-environment measures will need to be established prior to the selection of a pilot area and before payment levels can be set. It is likely that the agri-environment measure will test production systems, such as “integral” production systems, as well as the protection of specific environmental resources.

The measures aim to produce positive developments for the environment and for rural communities. The improved protection and awareness that will result from implementation of the measures will be integrated with other measures supported by the RD Programme (e.g., improved environmental assets will be integrated with tourism activities).

FBiH farmers will need to comply with a great deal of complex and demanding environmental legislation if BiH is to gain accession to the EU. Activities within this measure aim to improve FBiH's farmers' capacity to meet these standards.

### **9.2.1 Evidence base for rationale**

The evidence for the approach adopted has been drawn from analysis undertaken across all 8 sector reviews developed within the Programme. Further evidence has been drawn from the SWOT analysis and from the working groups established for the development of the Programme.

Environment is a cross-cutting theme for rural development and as such is relevant to economic, social and enterprise considerations. This measure has a great potential to contribute to the Europe 2020 Strategy by addressing rural development objectives with the means of sustainable management of natural resources and

<sup>35</sup> Development of herbal sector in FBiH – Civil Association for Medicinal Plants in FBiH, 2012

<sup>36</sup> Project USAID - FARMA, 2010

<sup>37</sup> Red Book, Phase I – Agro-mediterranean Faculty, Mostar

<sup>38</sup> Development of Herbal Sector in FBiH – Civil Association for Medicinal Plants in FBiH, 2012

climate action. However, environment and climate change action must be based on good evidence and the Federation's evidence base is currently not yet sufficient.

However, analysis of the environmental legislation and practice in the field of agricultural land management indicates the lack of numerous legal instruments. There is also a problem of non-compliance of adopted legislation with the EU standards and regulations, and also the lack of harmonization among the laws passed at various levels of government. Besides legislation problems, there are also institutional problems in the field of the environment, particularly in human resources both in terms of their number and expertise.

In order to set an effective baseline for the measure and its sub-measures, further work is therefore required across the measure as a whole – the areas of work that are needed are set out in further detail in section 9.14 (iii).

### **9.3 General objectives**

The SWOT analysis has shown that The Federation's environment resources possess both considerable strengths and considerable weaknesses. There is a clear need to integrate agri-environmental issues as a core element of rural development planning. This should help prevent destruction of landscape and biodiversity, disappearance of animal and herbal genetic resources (autochthonous sorts and breeds), loss of agricultural areas, and the environmental degradation caused through inappropriate agricultural practices, including improper disposal of manure and liquid stable manure, and high consumption of pesticides and mineral fertilizers, particularly for intensive crops and growing on arable land.

Future measures related to the solving of agri-environmental issues in FBiH should be harmonized with those implemented within EU CAP, that is, with taking account of numerous EU standards and regulations governing this field and at the level of needed/available budgetary and institutional capacities.

Hence one overall and two specific objectives that relate to the environmental problems of the Federation have been selected at this point. The reason for this is that whilst the SWOT has identified potential strengths and opportunities, a number of pre-conditions and weaknesses remain to be addressed. The overall objective aims to capture that range of opportunity, whilst the specific objectives identify those things where there is greater certainty of intention. It is expected that further specific objectives will emerge as the measure is developed further.

**Overall Objective:** To improve the condition and value of FBiH's abundant environmental resources and assets through providing for their protection and sustainable utilisation.

The Environment Measures will achieve this overall objective through:

- Contributing to the sustainable management of natural resources and climate change adaptation and mitigation by the application of agricultural production methods compatible with the protection and improvement of the environment, the landscape and its features, natural resources, the soil and genetic diversity, going beyond relevant mandatory standards.

## **9.4 Specific objectives**

- Contributing to the preparation of the Federation territory for the future implementation of agri-environment-climate measure under the IPARD Programme;
- Contributing to the preservation of autochthonous animal and plant genetic resources, particularly where those plants or animals might be threatened; and
- Contributing to the introduction and adoption of Organic standards, as well as the investigation of other similar approaches, e.g. integral production.

Under this objective it is generally expected that actions and effects in the following fields will be specified:

- Improvement of water quality and quantity;
- Improvement of soil quality and quantity;
- Improvement of biodiversity and valuable ecosystems and landscape;
- Mitigation and adaptation to climate change;
- Conservation of genetic resources;
- Support for introduction and maintenance of organic agricultural production methods.

## **9.5 Sub-Measures**

Through the analysis and consultation process, the need to implement the three main sub-measures has been identified:

- O.1 Support for Organic production
- O.2 Support for the protection and strengthening of genetic resources
- O.3 Pilot agri-environment and climate change mitigation measures

However, further analysis will be needed to verify these needs and the specific activities within each measure.

Furthermore, in all three cases the pre-conditions are yet to be satisfied. The following section sets out the likely focus of the sub-measures, as well as the work that is required on pre-conditions.

In each case it is intended to adopt a pilot approach to the introduction of these measures. The measures are novelty in the BiH context and there is a need for research, experimentation, awareness raising and demonstration, which argues for careful small scale introduction through pilots, before any decisions are taken about scaling up to cover the whole Federation territory.

On the other hand, the Federation's abundant natural resources and the need for their improved management, and the potential role that might be played by farmers mean that the Environment Measures represent a significant opportunity for farmers and the environment.

Each sub-measure will need to be developed separately, and a schedule for their introduction is suggested in 9.16. The specification and the process of piloting will be developed separately in each case, based on the evidence of the technical baseline work undertaken.

### **9.5.1 Sub-measure O.1- Support for Organic Production**

#### **9.5.1.1 Rationale**

The organic sector is currently a very minor component of the Bosnian agricultural sector with less than 1000 ha under certified organic production. However, it is well-known that the territory of Federation of BiH is relatively well-preserved, as well as significant areas with abandoned agricultural land, which represent great potential for organic production.

#### **9.5.1.2 Intended Impact of Sub-Measure**

The establishment of an organic sector that is financially and environmentally sustainable. Targets will need to be established through detailed sector study that establishes the baseline for the study.

In general the environment measures should also have the following effects:

- Increased understanding of farmers' roles in management of natural resources;
- Improve farmers' skills in management of natural resources;
- Improved participation of organic products on the market.

#### **9.5.1.3 Intended Beneficiaries of Sub-Measure**

The beneficiaries of this sub-measure can be all applicants who comply with the general and specific criteria (e.g. geographic criteria for pilot activities). Priority will be given to applicants in less-favoured areas, young farmers and women farm holders.

#### **9.5.1.4 Pre-conditions to be met before the implementation of sub-measures**

The current potential of FBiH to develop organic farming will only be realised if the necessary pre-conditions have been satisfied. In the first years action should be focused around the legal framework and relevant institutional capacity for the implementation of the organic farming. This work will include:

- Developing an adequate legal framework
- Establishing a system of certification in line with the EU standards;
- Undertaking research into the potential of organic agricultural production and other types of environmentally friendly agricultural production, such as integral production in order to access market for the possible range of products;
- Ensuring that producers are motivated to produce for the organic market and focused on producing for that market;
- Establishing a system of support for conversion and production that is regularly market tested.

### **9.5.1.5 Examples of types of operations**

Once the pre-conditions have been satisfied, the types of operations that might be supported include:

- Investments in organic farming (establishment, conversion and/or maintenance).
- Investments in sustainable farming methods e.g.:
  - use of allowed products and better management of plant protection products;
  - Introduction of crop rotation.

## **9.5.2 Sub-measure O.2 - Support for the protection and strengthening of autochthonous genetic resources**

### **9.5.2.1 Rationale**

Autochthonous animal breeds are invaluable as a genetic resource, genetic reservoir, and they are an important part of genetic and cultural heritage. It is highly important both for BiH and FBiH to preserve autochthonous breeds, for example:

- cattle - Buša and Gatačko;
- sheep - Pramenka together with its varieties (Duba, Kupres, Privora, Herzegovina/Hum);
- Balkan goat,
- Bosnian pony and Herzegovina donkey,
- Dog breeds: BiH and Croatian sheep dog Tornjak, and Bosnian coarse-haired hound – Barak.

The same is applicable to plant genetic resources. Besides their preservation through a gene bank, it is necessary to support the existing collections on farms and *ex-situ* that maintain agricultural crops that propagate from seed (e.g., autochthonous fruit). Currently there is a large number of such collections in FBiH, the largest of which is the collection of autochthonous genotypes of apples and pears in the fruit tree nursery "Srebrenik" in Špionica. *In-situ* collections are particularly important for feed, medicinal and aromatic plants, and they present an important component of preserving plant genetic resources.

The measure should help the maintenance of endangered plant and animal breeds. The measure should help in terms of better information and preservation of autochthonous breeds of domesticated plants and animals. The establishment and operation of a data base including an appropriate system of the registration of the endangered animal breeds should be supported.

### **9.5.2.2 Intended impacts of sub-measure**

The measure should have the overall effect of increasing knowledge and understanding of the rich culture of autochthonous plant and animal breeds and provide for the protection and sustained survival of those that are prioritised due to their cultural, environmental or agricultural importance.

In general this sub-measure should also have the following effects:

- Increased understanding of the role and importance of preserving the autochthonous genetic resources;



- Improvement of farmers' skills in cultivation and preservation of autochthonous genetic resources;
- Improved management of natural resources and higher degree of protection of autochthonous genetic resources.

### **9.5.2.3 Targets**

To be set following baseline work.

### **9.5.2.4 Beneficiaries**

Beneficiaries can be all applicants complying with general and specific criteria (e.g. geographic criteria for pilot activities).

Priority should be given to applicants from less favoured areas, young farmers and women farm holders.

### **9.5.2.5 Pre-conditions to be met by the Federation BiH for the implementation of the sub-measure**

The current potential will be utilized only if a number of preconditions are met. The focus should be on the establishment of legal framework and relevant institutional capacity for protection and strengthening of autochthonous genetic resources, including:

- Definition of genetic resources, current "conservation status";
- Screening of legal and regulatory controls for breed maintenance and control;
- Criteria for determining relative importance;
- Analysis of measures currently being undertaken to support their conservation and
- Proposed measures that could be undertaken to promote the conservation of priority breeds and varieties.

### **9.5.2.6 Examples of types of operations**

- Investments related to preservation of local endangered animal and plant breeds.

## **9.5.3 Sub-measure O.3 - Pilot Agri-environment and Climate Change Mitigation**

The sub-measure is to be designed as an agri-environment-climate "pilot" type of operation(s) consisting of commitment/set of commitments going beyond relevant mandatory standards.

### **9.5.3.1 Rationale**

The Federation territory contains significant environmental resources, many of which are managed by farmers and owe their current favourable condition to the direct or indirect effects of agricultural operations, examples include field boundaries and pastures, which owe their existence to a rich culture of historic agricultural practices.

Other environmental features however are negatively or could be negatively affected by agricultural operations; examples include water features and water courses and can be severely damaged by relatively minor agricultural operations and agricultural waste.

Increasingly, the importance and impacts of agricultural operations is being recognised with regard to climate change, both from a positive and a negative perspective.

In all cases more research is needed, in order to better understand the importance of environmental assets, farmers actions in their management, both negatively and positively as well as development of reasonable targets.

### ***9.5.3.2 Intended impacts of sub-measure***

The sub-measure should have the effects of improving environmental condition in the selected pilot areas and demonstrating how farmers can be engaged in positive environmental activity.

Wherever possible, the link should be made between environmental management, agricultural operations and traditional and cultural products that have a market value, so that farmers are able to build sustainable livelihoods from environmental management through positive market engagement, not just through the payment of subsidy.

In general the environment measures should also have the following effects:

- Increased understanding of farmers' roles in management of natural resources
- Improve farmers' skills in management of natural resources
- Improved management of natural resources and higher degree of environmental protection.

### ***9.5.3.3 Intended Beneficiaries***

- Any farmer who can satisfy the general criteria
- Geographical criteria for beneficiaries in pilots
- Priority will be given to beneficiaries in less favoured areas, or to young farmers, or women.

### ***9.5.3.4 Preconditions to be satisfied***

**Preconditions** include environmental baseline, research into payment levels, management and monitoring systems.

### ***9.5.3.5 Examples of types of activities that can be supported***

- Reduction of use and better management of fertilisers;
- Creation, maintenance and enhancement of landscape/ecological features (e.g. field margins, buffer areas, hedgerows, trees);
- Actions to conserve soil (e.g. labour techniques to prevent/reduce soil erosion, green cover, mulching);

- Actions to maintain, protect and enhance agricultural habitats favourable for biodiversity (e.g. leaving of winter stubble land, adaptation of mowing dates);
- Management of pastures (e.g. limits on livestock stocking rates, adoption of low-intensity practices) and creation of pastures (including conversion of arable land into grassland/pasture land);

## ***9.6 Dissemination of Results and Experiences for Agri-Environment-Climate and Organic Farming Measure***

One of the important assumptions of this measure is to raise awareness about the measure and supported type of operation(s) among large group of potential beneficiaries. The Federal Ministry will use the results and baselines established through the programme in order to raise awareness amongst farmers and other beneficiaries, citizens of FBiH and other interested stakeholders.

## ***9.7 Linkage to other IPARD measures in the programme and state-level measures (priorities, objectives)***

The Federal Government will ensure complementarity with all IPA measures that are relevant to the sector.

Demarcation between the programmes of other ministries with environment competence will also be important. As the programme has been developed with the involvement of the Federal Environment and Tourism Ministry there should be no overlaps between these measures and any proposed by the Environment and Tourism Ministry.

## ***9.8 Final beneficiaries for the measure (for all submeasures)***

The beneficiaries can be farmers and groups of farmers who, as a general rule, for the minimum of five years undertake commitment(s) within type of operation(s). The precise definition of an eligible farmer (and any other eligible group) will be determined through the technical work on fulfilment of pre-conditions for this measure.

## ***9.9 Common eligibility criteria for all types of operation(s)***

### ***9.9.1 Baseline for eligibility***

The choice of the type of operation(s) will be determined through the planned technical work on the identified environmental problems and needs taking into account administrative capacity of the country to deal with the measure. As a general rule, final beneficiaries who, on a voluntary basis, make an agri-environment-climate commitment(s) should go beyond relevant mandatory standards, and should be granted annual payments to compensate for additional costs and income forgone resulting from the commitment(s) made. Such commitments should be carried by

beneficiaries for a minimum of 5 years. Additional specific justification should be added by the FMPVŠ based on the relevant analyses.

Beneficiaries will be eligible for this measure when they voluntarily undertake the type of operation(s), going beyond relevant mandatory standards (baseline to be set by the technical work). The beneficiaries will have to respect the relevant mandatory standards on the entire holding. The list of relevant mandatory standards shall be included in the Rulebooks for the agri-environmental measure.

Relevant mandatory standards are national rules which are notably addressing relevant GAEC standards (good agricultural and environmental conditions) as defined in EU Regulation relating to soil, water, landscape management, relevant minimum requirements for fertiliser and plant protection products and any other national standards relevant to the measure established by the national legislation as well as normal agricultural production methods as far as possible according to the site. Cases relating to the missing GAEC standards (in particular when it is directly linked to the supported type of operation) will be considered individually by the FMPVŠ. Baseline requirements must be clearly presented in the planned Technical work.

### **9.9.2 Relevant knowledge for eligibility**

The purpose of providing an integrated programme of technical support, along with training and advisory support is to ensure that each beneficiary possesses the relevant knowledge necessary for successful implementation of the prescribed operation(s) before any support is provided.

In order to implement the type of operation(s) well and therefore to achieve the expected results, beneficiaries need a particular level of knowledge (including clear information about what is expected from them and how to meet the commitment(s) effectively).

Useful practices in this respect could relate, for example, to the organisation of a compulsory training/advice for the beneficiaries. Serious capacity is required from applicants, as obligation rests on the beneficiary to develop an agro-environmental plan (in a consultation with advisor) including detailed information concerning implementation of the type of operation(s) or any other type of activity that would enable the potential beneficiaries to get necessary knowledge for the implementation of the type of operation(s).

Experience in other neighbouring countries has demonstrated that the provision of guidance, advice and training has improved delivery of the measure's results and the reduced number of errors in its implementation.

### **9.9.3 Eligible size of agricultural land/herd**

The technical work will establish a minimum size of agricultural land that can be declared under any type of operation, and a minimum size of a herd of endangered animal breeds.

According to IPARD the notion of "agricultural land" gives certain discretion for the beneficiary countries to define it. For example, it could include "potential" agricultural

land such as abandoned land. This flexibility will make it possible to implement the type of operation on land that is valuable for the environment.

In case of support for the endangered animals the minimum size of a herd must be established in an agreement with the relevant institution in the country based on the scientific evidence in this respect. The technical work will also define the list of endangered indigenous breeds that can be supported.

Less Favoured Areas will be given priority by the specific criteria to be developed in support of this measure.

#### **9.9.4 Commitments to be made by eligible applicants**

Commitments to be respected by the beneficiaries will be developed for each type of operation(s). Commitments are the specific/detailed obligations on the beneficiaries that have to be clearly described in the IPARD Programme. These are the main elements that will determine the nature of the type of operation and which will influence the level of financial support.

FMPVŠ will have to ensure that the commitments are clear in terms of objectives and content, have potential to provide the environmental benefits, and are verifiable and controllable. It is necessary to present a clear link between the baseline (relevant national standard/standards) and commitments for each supported type of operation, for example in a table.

According to IPARD if the country decides to develop more than one type of operation within the measure it is important to mention that various types of commitment may be combined by the beneficiary provided that they are complementary and compatible. Possibilities of combination of commitments shall be described in the Programme. However, it is important to note that some combinations might not be possible and that double financing must be excluded.

#### **9.9.5 Eligible costs**

The eligible costs are yet to be determined, and the work to define these costs is included in the list of technical work to be undertaken as a precondition for each of the sub-measures.

This technical work will include calculations to determine how final beneficiaries will be compensated for additional costs and income forgone resulting from the commitment made within the selected type of operation(s). For each type of operation, the ministry will provide a calculation that will constitute a basis to establish a payment level within this type of operation. The calculation will be made or approved by a certified body independent from the body that implements the measures (e.g. scientific institutes, relevant universities). It will be a separate document outside this Rural Development Programme. A statement confirming the adequacy and accuracy of the calculations shall be included in the rural development programme.

The technical work will include presentation of a methodology of the calculation made for each type of operation based on realistic elements and confirmed by a competent body of the country as specified above.

The calculation of support under type of operation(s) should include in particular a set of additional costs and income forgone arising from the implementation of it by a beneficiary comparing to the baseline practices reflecting agricultural conditions and conventional agricultural production methods as far as possible according to the site.

In justified cases, the transaction costs might be allowed and the methodology must include information regarding the type of those costs, their value as well as payment methods (e.g. as one-off payment or as part of each annual payment).

Support for transaction costs, calculated as percentage of support paid under a certain type of operation(s), may be provided for activities directly linked to the supported type of operation. (Examples include: information collection and knowledge acquisition necessary for the efficient implementation of the type of operation; preparation of specific plans of activities for such implementation; fees related to registration/permits etc.)

In principle, an AEC premium for a given beneficiary as set in his contract should not change during the contract period. This is because the system of AEC commitments lasting five years or more is designed to limit administrative burden and provide predictability – with regard to the level of environmental benefit delivered and the funding paid in return for this benefit. It is accepted that the costs and income losses covered by the premium will fluctuate to some extent; this fact is not sufficient to justify habitual alteration of premium payments. However, this principle need not be an absolute rule. Where key elements considered in the support calculation change significantly, revision of support payments for running contracts could be permitted if this is clearly important for the measure concerned – especially in terms of likely use of resources in the future.

## **9.10 Aid intensity and EU contribution rate**

Aid intensity (public aid) will be at the level of 100% of the total eligible costs.

Payments level for each type of operation(s) will have to be presented in Programme on the annual basis per hectare *or per head of animal* depending on the nature of the type of operation.

Once eligible for IPARD support, the EU contribution rate shall be 85% of public expenditure, the remaining 15% will be covered by the national budget of the beneficiary country.

## **9.11 Indicative budget**

Indicative budget for this measure will be defined at a later stage.

## **9.12 Indicators**

- Number of contracts;
- Agricultural land (ha) under environmental contracts;
- Number of type of operation supported;

- Total area per type of operation supported by analysis of:
  - (a) Management of inputs,
  - (b) Cultivation practices,
  - (c) Management of landscape, habitats, grassland,
  - (d) Farm management, integrated approaches – each category has some subcategories of practices),
  - (e) Organic farming);
- Number of supported species of endangered breeds;
- Number of holdings supported under organic farming type of operation.

### **9.13 Administrative procedures**

Finalisation of this measure will be accompanied by a detailed administrative procedure, including selection process, contracting, implementation, payment and the identification of adequate controls.

For the implementation of the measure it is important to identify early in advance a set of relevant mandatory standards for agri-environmental measures, design control mode for both, the commitments within the type of operation(s) and the relevant mandatory standards as well as decide on advisory system to be engaged in the implementation of the measure. Additionally the system of sanctions for non-compliance with the obligations within the type of operation and eligibility criteria must be developed. The system should be clearly defined and take into consideration proportionality principles.

Furthermore, FMPVŠ will cooperate with relevant expert and competent institution(s) in the country (yet to be defined/selected) to develop the scope of the type of operation(s) as well as to establish level of payment under type of operation(s) based on the independent calculations.

Measures such as improvement of training and advisory services within the technical support measure should complement agri-environmental programmes and provide the necessary training to farmers or advisory services.

### **9.14 Preparatory Work to Address Preconditions**

Technical support is a key component of the measure, given the urgent need to establish pre-conditions, before implementation can commence. There is a need for focused environmental analysis on which to base the measure so that the type of operation or group of operations to be supported and the territorial scope can be defined with confidence. The analysis must identify the environmental problems, needs, and also the opportunities existing in the Federation BiH that can be addressed by the measure.

The Technical support components are set out below and further detail is provided in Section 12.

#### ***i) T.1 – Training***

- Agri-environment awareness raising & consensus building
- Field operations

- Record keeping
- Support to applications
- Field monitoring.

**ii) T.2 – Advisory services**

Given the pilot nature of all these measures, it is too early for such work to be part of the agenda for advisory services.

**iii) T.3 – Technical assistance**

- Environmental baseline and database
- Environmental conditionality
- Pilot agri-environment selection (e.g., one or two areas of high nature value, such as National Parks)
- Pilot agri-environment sub-measure (including payment rates and definition of activities)
- Monitoring & Evaluation framework for agri-environment
- Definition of genetic resources and measures to support their conservation.
- Legislative screening, analysis and drafting to support implementation of measures, such as Law on Organic Agriculture.
- Definition of Good Agricultural and Environmental Conditions (AEC & GAEC).

## **9.15 Geographic scope of the measure**

The geographic scope of the measure shall be determined by the technical work for the supported type of operation(s) that shall target a limited number of areas, geographically well-defined with identified environmental objectives.

## **9.16 Phasing of the measure**

**Table 14: Table showing the indicative phasing of the Agri-environment, Climate Change and Organic Production Measure**

	Activities
<b>2018</b>	Technical work to satisfy preconditions for Organic measure
<b>2019</b>	Pilot Organic measure & Technical work for Agri-environment
<b>2020</b>	Pilot Agri-environment & expanded Organic measure Technical work for Autochthonous Genetic resources
<b>2021</b>	Pilot Agri-environment, Expanded Organic production measure, Pilot Autochthonous genetic resources measure



### 9.17 Budget - Agri-Environment – Climate Change and Organic Farming Measure

**Table 15: Agri-Environment – Climate Change and Organic Farming Measure Budget and FBiH Government contribution by year (Million BAM)**

	Total		Contribution of Government FBiH	
	Million BAM	%	Million BAM	%
<b>2018</b>	0.42	100	0.42	100
<b>2019</b>	0.95	100	0.95	100
<b>2020</b>	1.18	100	1.18	100
<b>2021</b>	1.35	100	1.35	100
<b>Total</b>	<b>3.90</b>	<b>100</b>	<b>3.90</b>	<b>100</b>

**Table 16: Agri-Environment – Climate Change and Organic Farming Measure, including technical support – Budget breakdown per year and purpose (Million BAM)**

	2016	2017	2018	2019	Total
<b>Implementation</b>	0.42	0.95	1.18	1.35	<b>3.90</b>
<b>Training</b>	0.10	0.20	0.15	0.20	<b>0.65</b>
<b>Technical support</b>	0.15	0.18	0.15	0.13	<b>0.61</b>
<b>Total by years</b>	<b>0.67</b>	<b>1.33</b>	<b>1.48</b>	<b>1.68</b>	<b>5.16</b>

## **10 Farm Diversification and Entrepreneurship Development Measure**

### **10.1 Legal basis**

The legal basis is presented in Annex 5.

### **10.2 Rationale**

Diversification is set to be a key component of the Rural Development Programme of the Federation BiH. The investments planned in the agriculture and food sectors will ensure the longer term sustainability of those sectors. However, whilst investment in primary sectors will support overall growth to some extent, it is likely to be a declining share of GDP growth and overall is unlikely to lead to employment growth, due to the fact that modernisation and mechanisation of the primary sectors more often leads to better paid employment, but a decline in overall job numbers.

Therefore, diversification will be a key component of the FBiH Programme from its outset. This due to two key factors:

- Diversification from agriculture is more likely to lead to employment growth, as employment in primary agriculture will decline; and
- New enterprises are more likely to be in higher growth areas, such as service sectors meaning that such jobs are likely to be better paid and of greater long-term value to the FBiH economy.

The measure will therefore support farm holdings and rural dwellers who wish to develop rural economic diversification and the provision of services to rural communities. Examples will include:

- Machinery rings (joint equipment ownership and usage)
- Promotion of crafts
- Food processing and marketing
- Wood processing and crafts
- Rural tourism
- Marketing and branding
- Renewable energy
- Non-conventional agricultural production
- Waste management.

Proposals will be judged on the basis of their quality and their potential to ensure real economic and employment growth to their rural localities. Proposals will be invited from individuals as well as partnerships and Local Action Groups.

### **10.3 General objective of the measure**

The general objective is the rural economic diversification by improvement of the environment for the local economy growth and development of economic capacities by which the advantages of rural areas can be better used and sustainability of rural communities improved. In fact, this measure is aimed at encouraging employment by job creation and maintaining of current jobs through business activities' development, which provides for the increase of the level of economic activities in rural areas and

rural population return. Diversification of economic and farm activities is required for the growth, employment and sustainable development in rural areas which contributes to better territorial balance, equally in economic and social terms, directly increasing the income of family farms and other business operators.

## **10.4 Specific objectives and measures**

This measure aims at creation, diversification and development of rural activities, supporting investments in the farm diversification and development of non-agricultural activities such as: rural tourism, traditional crafts, farm processing, non-agricultural services, renewable energy production, direct marketing, etc.

## **10.5 Sub-measures:**

Diversification will be implemented through two sub-measures:

- D.1 Investments on farm holdings
- D.2 Other investments in FBiH rural areas

### **10.5.1 Sub-measure D.1 Investment in farm holdings**

This measure enables farm families to diversify their activities.

#### **10.5.1.1 General Project Selection Criteria for the Sub-Measure D.1**

- The project proposals must be harmonised with the Federation BiH standards by the end of investments at the latest;
- All projects must be in compliance with the general and specific Programme objectives;
- Project economic sustainability – an applicant must present in the business (operational) plan that the investments will be justified and economically sustainable at the end of the project implementation. A simple business plan will suffice for smaller investments (which should be defined in a Rulebook);
- Applicants should be registered in the Farm Register (RPG) and Client Register (RK) in the FMPVŠ;
- Applicants shall pay all dues payable to FBiH.

#### **10.5.1.2 Specific Eligibility Criteria for the Sub-Measure D.1**

- Investments for projects in less favoured areas;
- Investments involving the young people, women and marginalised groups;
- Investments including and supporting local traditional food and traditional handicrafts, or linking other actors in the given rural community;
- Environment-friendly investments;
- Activities are in compliance with the approved LDS if available in a given region.

An example of specific criteria in the rural tourism sector is given in Annex 2.

#### **10.5.1.3 Eligible Costs for the Sub-Measure D.1**

The support within this measure exclusively relates to physical investment-investments in fixed assets. The acceptable costs relate to the following:

- Costs of purchase and rent of new machines and equipment up to the market value of the assets including the costs of their assembly/installation;
- Costs of construction, adaptation and reconstruction of buildings, specifically the costs of purchase of construction material or finished prefabricated elements;
- Costs of construction works including preparation, construction and installation works, costs of assembly in the building or costs of works on site;
- Costs of the transport of the purchased machines, equipment and material;
- Costs of power supply, water supply and PTT connections;
- General costs related to engagement of architects, engineers and consultants' remunerations related to advice about the project's environmental and economic sustainability, including the feasibility studies and (acceptable costs not exceeding 12% of the investment value);
- Training preparation and implementation costs.
- In case of investments in the renewable energy production facilities, the support will be given only to those projects whose annual production capacity exceeds the self-consumption of the beneficiary.

#### **10.5.1.4 Ineligible costs for the Sub-Measure D.1**

- Taxes, including VAT, customs and import duties, and other public fees;
- Costs of land purchase;
- Business operation costs, including maintenance and depreciation;
- Banking costs, guarantee costs, etc.
- Conversion costs, exchange differences and fees;
- Public administration costs (general administrative costs, costs of equipment, machines and space rent, salaries for employees working on management, performance, monitoring and supervision);
- Payment in kind (compensation), costs of one's own work
- Investment expenses for public utility services, contributions
- Leasing costs.

#### **10.5.2 Sub measure D.2 - Other investments in FBiH rural areas**

This sub-measure enables providing services to rural population and farmers-promotion of small-scale processing and marketing of local products and services.

##### **10.5.2.1 General Project Selection Criteria for the Sub-Measure D.2**

The selection criteria in implementation of this measure will be on the level of the set general and specific objectives, such as creation and development of micro and small enterprises, traditional crafts and rural tourism with utilising economic potential and new job opportunities in rural areas of the Federation of BiH.

Investments with higher number of points will be prioritised, taking into account the type of investment, and the previously defined specific criteria.

Ranking criteria will be established by a separate act (Rules) and applied in cases when the funds are not sufficient for all acceptable applications.

### **10.5.2.2 Specific criteria for the Sub-Measure D.2**

Specific criteria when several projects exist for one sector:

- Investments will be implemented in less favoured areas;
- Investments will be implemented by a woman entrepreneur/farm holder;
- Investments will be implemented by young entrepreneurs/farm holders under 40 years of age.

### **10.5.2.3 Examples of Investment Selection for Sub-Measures D.1 and D.2**

- Investments in alternative agricultural production systems;
- Investment in on-farm processing plants;
- Investment in direct marketing/sales;
- Investment in providing services to farmers;
- Investment in providing general services to rural population;
- Investment in traditional crafts;
- Investment in rural tourism;
- Investment in renewable energy production.

### **10.5.2.4 Acceptable Investments for Sub-Measures D.1 and D.2**

Acceptable investments in farms (sub-measure D.1) are all those investments that are not included within the sub-measure K1 - "Investments in infrastructure and equipment on farm holdings", and that relate to:

- **Diversification of non-conventional, complementary and alternative agricultural productions, and it includes:**
  - Collection and production of medicinal and aromatic plants and wild fruits
  - Production of ornamental plants and trees
  - Mushroom collection and production
  - Snail collection and farming
  - Worm farming – lumbrihumus production
  - Beekeeping
  - Freshwater fish farming – family fish farms.
- **Introduction of other economic activities not directly related to agricultural production**
  - Agricultural product processing and direct marketing of one's own production ("farm gate")
  - Rural tourism with recreational activities (riding, hunting, fishing)
  - Training farms
  - Child care activities
  - Energy production from renewable sources.

Other investments in rural areas of the Federation BiH (submeasure D.2) are intended to increase economic activities, including:

- Provision of various services to farmers such as machinery rings, repairs of farm machinery and implements, etc;
- Provision of general services to rural population such as:
  - Kindergartens
  - IT centres

- Homes for elderly
- Transport services
- Establishment of village community centres
- Traditional crafts and entrepreneurship related to agriculture, forestry and souvenir production;
- Typical agricultural products (traditional food) and local wood products;
- Waste management.

## **10.6 Final Beneficiaries of Diversification Measure**

### **Sub-measure D.1.**

- Farm holdings and their members who diversify activities within and outside the farm holding.

### **Sub-measure D.2**

- Rural population – dwellers of rural areas who initiate economic activities and beneficiaries of this measure are required to live in rural areas which should be confirmed by activity registration or by their permanent residence certificate.
- Businesses – entrepreneurs and craftsmen who registered their activities in rural areas, including micro and small businesses, as well as craft businesses with potential to implement projects, or any type of legal entities of rural population in rural areas. Businesses founded outside rural areas may also be acceptable beneficiaries if the supported investments/activities focus on rural areas.
- Established Local Action Groups.

## **10.7 Indicators for Diversification Measure**

- Number of submitted and approved applications (broken down per sex, age, investment type);
- Number of farm holdings which diversified their income sources in rural areas;
- Number of beneficiaries who gained support for micro and small entrepreneurship development;
- Number of beds in farm holdings involved in rural tourism;
- Number of overnights in farm holdings involved in rural tourism;
- Number of farm holdings producing renewable energy sources;
- Quantity of produced renewable energy;
- Total amount of investments within the measure;
- Number of created jobs (structure per sex, age and marginalized groups).

## **10.8 Geographic scope of the measure**

The diversification will be implemented in the entire FBiH territory including the investments in projects whose implementation is linked to boundaries of the cities of Sarajevo, Tuzla, Mostar and Zenica.

## **10.9 Technical support for diversification**

### **10.9.1 Rationale for Technical Support for Diversification**

Capacity building of the Ministry for the Programme implementation is a key precondition for successful implementation of diversification. The technical support is related to implementation of the measure.

### **10.9.2 Objectives for Technical Support for Diversification**

Technical support aims at facilitating diversification implementation and monitoring, and work on possible additional amendments and additions to the measure.

Objectives include:

- Support for diversification monitoring and evaluation;
- Ensuring adequate information flow and publicity;
- Support for studies, visits and seminars;
- Support for engagement of external expertise;
- Research and development of legal procedures and standards required for diversification implementation;
- Market research which will support achievement of the measure objectives.

### **10.9.3 Final beneficiaries of Technical Support for Diversification**

Final beneficiaries are FMPVŠ and other institutions involved in implementation, monitoring and evaluation of the measure concerned, such as Paying Agency.

### **10.9.4 General acceptance requirements for Technical Support for Diversification**

Acceptable costs are based on the real costs.

### **10.9.5 Acceptable Costs for Technical Support for Diversification**

- Costs related to monitoring and implementation of the measure (board meetings, working groups, and the like);
- Contracted Experts' support for review and revision of the baseline data, legislation, standards;
- Contracted Experts' support for review and revision of baseline data, and indicators for the purpose of the measure implementation monitoring;
- Costs of public information campaigns, including printing and distribution costs;
- Costs of translation of documents related to the measure implementation;
- Costs related to visits and seminars;
- Costs related to the measure evaluation.

### **10.9.6 Indicators for Technical Support for Diversification**

- Number of promotion materials (leaflets, pamphlets, etc.);
- Number of public campaigns;
- Number of experts' supported activities (tasks);

- Number of workshops, conferences, seminars;
- Number of meetings for the measure monitoring;
- Number of studies for the measure creation and implementation;
- Number of the measure evaluation reports.

### 10.10 Phases of the measure implementation

Table 17: Diversification Measure - Implementation phases for the period 2018-2021

	Activities
2018	Implementation D1 and D2, Technical assistance
2019	Implementation D1 and D2, Technical assistance
2020	Implementation D1 and D2, Technical assistance
2021	Implementation D1 and D2, Technical assistance

### 10.11 Diversification Measure Budget

Table 18: Diversification Measure – Overall budget, 2018-2021 including relationship between public and private investment (Million BAM)

	Applicant contribution		FBiH Government contribution		Total	
	BAM	%	BAM	%	BAM	%
2018	5,70	50	5,70	50	11,40	100
2019	9,65	50	9,65	50	19,30	100
2020	11,49	50	11,49	50	22,98	100
2021	13,77	50	13,77	50	27,54	
Total	40,61		40,61		81,22	

#### 10.11.1 Budget by item

Table 19: Diversification Measure – including Technical support budget for the period 2018-2021 (Million BAM)

	2018	2019	2020	2021	Totals
Implementation	5.70	9.65	11.49	13.77	40.61
Training	0.10	0.20	0.20	0.20	0.70
Technical assistance	0.10	0.10	0.10	0.10	0.40
Total	5.90	9.95	11.79	14.07	41.71



## **11 LEADER Measure**

### ***11.1 Legal basis***

The legislative basis for the programme is laid out in Annex 5.

### ***11.2 Rationale***

LEADER as an integrated local-level territorial development tool will directly contribute to the balanced territorial development of rural areas, which is one of the overall objectives of the rural development policy.

Rural communities in FBiH suffer from a low level of social capital, as well as low levels of trust and cooperation. Therefore activities that promote cooperation, coordination and networking, with a clear socio-economic purpose should be of a high priority. The LEADER approach provides a tried and tested methodology that can be implemented throughout rural Bosnia and which will provide an economic and social purpose for cooperation.

Local Action Groups (LAGs) have already been established in parts of Bosnia & Herzegovina, through the support of donors and development agencies. This means that experience already exists within the country that can help areas and groups who may be interested in developing the approach.

The program provides for the establishment of 5 new LAGs each year. This is to ensure that development is step by step, and that the “roll out” of Leader is informed as much as possible by experience, as it develops across the country. Whilst the Federal Government is supportive of cross-entity Local Action Groups, the funding arrangements for such groups are not yet clear. Clarifying this issue will be a priority for technical assistance.

### ***11.3 General objective of the measure***

The program is committed to the development of the Leader methodology across the whole territory of FBiH. The objective is therefore to encourage the establishment of inclusive Local Action Groups (LAG) and robust Local Development Strategies (LDS) that improve the likelihood of balanced and positive local development to the benefit and improved sustainability of rural communities.

### ***11.4 Specific objectives***

The resources devoted to the LEADER should contribute also to the promotion of rural development through local initiatives, partnership and cooperation. The measures should aim at enhancing capacity and social capital among rural inhabitants and LAG members through training and education, to develop, organise and run LAGs and to prepare and implement the LDS through local projects.

## **11.5 LEADER requirements**

The LEADER approach at programme level requires from LAGs to follow minimum of the following principles:

- Development of area-based LDS;
- Establishment of local public-private partnerships;
- Bottom-up approach with a decision-making power for LAGs concerning the elaboration and implementation of LDS;
- Multi-sectoral design and implementation of the LDS based on the interaction between actors and projects of different sectors of the local economy;
- Networking of LAGs;
- Implementation of innovative approaches;
- Cooperation.

### **11.5.1 Selection of Local Action Groups**

Local action groups shall satisfy the following conditions:

- Must propose an integrated local development strategy based on the LEADER characteristics as defined under 11.5 (LEADER requirements);
- They must consist of a group representing partners from the various locally based socio-economic sectors in the territory concerned. LAG shall identify conditions for the inclusion of all groups represented in the territory (including young people, women, minority groups, etc.,) to ensure that decisions are made by a group that is representative of the local community. A minimum level will be established in the programme for inclusion of ethnic and other minority groups to ensure an inclusive approach is followed;
- They must show an ability and capacity to define and implement a LDS for the area;
- Ability to administer public funds individually or within framework of partnership with other LAGs.

### **11.5.2 Area covered by the LDS:**

In the development of LDS, the following parameters should be followed:

- Sufficient critical mass in terms of human, financial and economic resources to support a viable development and implementation of LDS;
- A coherent and contiguous geographic area;
- The population of each area must be, as a general rule, greater than 5 000 inhabitants and not exceed 150 000 inhabitants. Deviation from this general rule would be possible in properly justified cases.
- The same location must belong to one LAG, meaning one partnership, one strategy, one territory.
- Minimum of two municipalities can form one LAG.
- In case of cross-entity LAGs, only the part of the territory within FBiH will be funded.

### **11.5.3 Procedure for selecting Local Action Groups**

The procedures to select the LAGs must be open to all rural areas and ensure competition between the Local Action Groups putting forward local development strategies. The first call for proposals for the selection of LAGs for the implementation of local development strategies shall be organised as soon as the FMPVŠ has fulfilled the preparatory tasks related to its capacity building activities. FMPVŠ will organise additional calls for proposals, to ensure that the area covered by the LEADER approach increases year by year. The target number for the establishment of new LAGs is 5 (five) per year.

The Ministry will maintain an overview of the rate of increase of LAGs, in order to ensure that the LEADER approach develops in a sensible way, avoiding duplication with the efforts of other projects and only confirming LEADER status on those areas that have developed the necessary capacities.

Selection of LAGs will be implemented by FMPVŠ, i.e. the Paying Agency, when established:

- LAG will be selected on the basis of an open tender procedure for all rural areas. Paying Agency will lead this tender procedure;
- Paying Agency performs administrative control of submitted applications and eligibility criteria. Applying specific criteria will ensure: (i) the whole territory approach, (ii) quality and compliance of LDS goals with the Program, (iii) the capacity of the LAG to manage implementation;
- The selection procedure will be based on the ranking system. Ranking will be laid down in a Rulebook adopted by the FMPVŠ;
- A final check of LAGs will be carried out by an Evaluation Committee on the basis of submitted applications and specific criteria. Evaluation committee will prepare a list of selected LAGs, which will be submitted to the Paying Agency for further procedure. If the assessment of the Paying Agency does not match the decision of the Evaluation Committee, the final decision on selection of LAGs will be made by the Programme Monitoring Committee (PMC);
- Paying Agency will conclude contracts with LAGs and start implementation,
- FMPVŠ and/or the Paying Agency will establish a register of LAGs.

### **11.5.4 Selection Criteria for Local Development Strategies**

For the purpose of assessing the quality of LDS, developed by LAG, the following criteria shall be applied:

- Area based approach and coherence of the LDS with covered territory;
- The content of the LDS and its conformity with the objectives of the Programme;
- The capability of the LAG to manage the implementation of LDS;
- The quality of the partnership; assessed against the conditions established in 11.5.
- Fair representation of all groups represented in the area, gender equality and age diversity;

- Projects supported by other sources, other than the Program, should be considered as added value, however double funding must be avoided.<sup>39</sup>

### **11.5.5 LDS Content**

LDS shall contain at least the following elements:

- The definition of the area and population covered by the strategy; (map, list of the municipalities);
- The local development strategy must address the economic, social and environmental problems of the area defined;
- An analysis of the development needs and potential of the area, including:
- An analysis of strengths, weaknesses, opportunities and threats (SWOT);
- A description of the LDS and its objectives, demonstrating coherence with the Programme;
- Quantified objectives and measures demonstrating how the objectives are translated into expected activities and the type of supported projects;
- A description of the LAG's partnership, membership and broader structure and internal decision making rules and procedures including grant decision making process and finance flow;
- The financial plan of the LDS, including expenditure on acquisition of skills, animation and running costs;
- A Business Plan including a financial table for the implementation of the activities. The Business Plan should include special technical sheets (description of the project, detailed action plan, list of partners, timetable for implementation and financial tables per year, allocation per partner and per action) that they will implement in accordance with the LDS and its priorities.
- A description of the procedure related to the selection and ranking of the local projects.

LAGs will be assessed by FMPVŠ and/or the Paying Agency on the basis of the quality of their LDSs. Approval of LAGs and LDSs will be carried out by an Evaluation Committee consisting of representatives from the FMPVŠ and other relevant rural actors dealing with rural development. The representatives of public, private and non-government sectors will be appointed by FMPVŠ to serve as the members of the Evaluation Committee, according to LEADER principles.

### **11.5.6 Eligibility criteria for selection of LAGs**

Based on the submitted applications, FMPVŠ, and/or the Paying Agency when established, shall select the LAGs with regard to the following eligibility criteria:

- The selected LAGs must in all cases cover territories with sufficient coherence and critical mass, namely 5.000 – 150.000 inhabitants, with minimum two municipalities. Deviation from this general rule would be possible in properly justified cases and explained in the programme;

<sup>39</sup> Donors' activities should be maintain and coordinated in order to ensure full coordination and cooperation between all donor activities including joint support, where appropriate. FMPVŠ with all other parties will have to ensure that all activities are not funded twice.

- A LAG shall be an officially registered legal entity based on relevant legislation at both levels in BiH (state, entity);
- Farmers, rural women, young people and their associations must make up more than 50% of the partnership. At least one member of the LAG Steering Committee should be under 25 years old, and in terms of gender equality at least 30% should be women. Minimum of 20% shall be representatives of the local authorities. However, local authorities shall represent less than 50% of the voting rights;
- The LAG must propose LDS based on the LEADER Rulebook developed by the FMPVŠ.

### ***11.5.7. Implementation of the LEADER approach – sub-measures***

LEADER approach in FBiH will be supported through the following sub-measures:

- L.1 Acquisition of skills, animating the inhabitants of rural areas and establishment of LAGs
- L.2 Running costs - for running the selected LAGs and implementation of LDS.

### ***11.5.8. Sub-measure L.1 – Acquisition of skills, animating the inhabitants of rural areas and establishment of LAGs***

#### ***11.5.8.1 Rationale***

The aim of this activity is to support the capacity building and animation within selected LAGs, and is focused on LAG members and rural inhabitants in order to enhance their skills in local democracy and government, development of the LDS and to encourage them to promote local initiatives and partnership.

Moreover, it shall facilitate communication, present the LEADER approach to all interested parties and potential partners in order to provide information and to promote benefits and potentials of LAGs.

#### ***11.5.8.2 General objectives of the sub-measure***

The general objectives of this sub-measure are:

- Linking rural residents and strengthen their abilities and skills to work together (networking) in partnerships;
- Strengthening capacities in the rural area of the LEADER method;
- Support the establishment and development of the LAG partnership, so as to provide equality, inclusion and trust of members of the LAG and rural residents;
- Ensure association and identify its resources and areas;

- Encourage the launch of local initiatives and partnerships in the area that it was not previously covered;
- Facilitate the exchange of information.

#### **11.5.8.3 Specific objectives of the sub-measures**

- Support for information and promotion activities related to LEADER method, including networking activities;
- Support the identification and establishment of LAGs;
- Support to strengthen the capacity and training of LAG members and inhabitants of LAG territories;
- Supporting territorial analysis, studies, consulting and expert support;
- Preparation and start implementing LDS;
- The establishment, organization, development of 5 LAGs annually and management of the five established LAGs;
- Implementation of projects of inter-territorial cooperation.

#### **11.5.8.4 Eligible activities**

The following activities will be eligible under sub-measure:

- Introduction and promotion activities;
- Determination and establishment of LAGs;
- Consulting and professional services related to the LAG establishment;
- Technical assistance for studies, regional analysis of the area (e.g. socio-economic, marketing, etc.);
- Technical assistance for the development and preparation of LDS, including training and education and training of trainers;
- Training and education of the LAG staff and members (e.g. preparation of business plans, preparation of project applications, accounting, etc.);
- Animation, organisation of publicity and promotional materials and events for LAG members and area inhabitants (e.g. seminars, workshops, meetings, etc.);
- Participation of the LAG members in events of the national and the European RD network.

#### **11.5.8.5 Eligible costs**

Eligible costs for the acquisition of skills, animating the local partners and the establishment of LAGs are:

- Animation activities (e.g. trainings, participation in seminars, workshops and fairs, subscription and acquisition of publications, other animation activities, etc.);
- Workshops and information events for encouraging the active participation of the population in the local development process;
- Communicators/experts to inform on the LEADER approach and to assist in preparation of the LDS;
- Training and skills of the staff/team involved in the preparation of LDS;
- Studies of rural areas: (territorial, socio-economic analysis, etc.) for the purpose of preparing local development strategies;
- Training animators (local informal animators who live or work in the area);

- Elaboration, publication and distribution of information materials necessary for the preparation and promotion of LDS (including website, brochures, etc.);
- LAG Registration fee and drafting LDS;
- Services of experts;
- Written and oral translation;
- Rental of premises and equipment for the organisation of events.
- Travel expenses, including accommodation.

#### **11.5.8.6 Final Beneficiaries**

The final beneficiaries are registered and approved LAGs and their potential members and partners.

#### **11.5.8.7 General criteria for the selection of LDS and LAGs**

- The legal form of the LAG is an association registered in accordance with the Law on Associations and Foundations of Bosnia and Herzegovina ("Official Gazette", No. 32/01, 42/03, 63/08, 76/11 and 94/16);
- The LAG area covers a clearly defined and geographically continuous area, and residents of one or more settlements within two or more municipalities;
- The management structure of the LAG includes:
  - the representatives of the executive or administrative bodies of local self-government - at least 20%,
  - representatives of business and civil sector - at least 50%,
  - of women - at least 30%,
  - at least one person younger than 25 years,
- LAG represents a rural area with more than 5000 and less than 150 000 inhabitants;
- One settlement can belong to only one LAG;
- The headquarters of the LAG is located within the area covered by the LAG.
- LAGs will be selected on the basis of open competition that will be carried out by FMPVŠ;
- Applying the selection process will be based on a ranking system of the selection criteria and not on the principle of "first come first served". A ranking system will be developed by FMPVŠ as part of the Rulebook for Rural Development;
- LAGs will be selected on the basis of submitted applications and the assessment of the established selection criteria;
- FMPVŠ will sign contract agreement covering the running costs and the implementation of specific cooperation projects with selected LAGs. It will also establish a registration system of selected/approved LAGs.

#### **11.5.8.8 Specific eligibility criteria for LAGs and LDS**

- LAG must be able to manage public funds (manager of the LAG must have completed college or university education, accounting tasks shall be carried out by a LAG employee or by a chartered accounting firm);
- LDS shall contain the following elements:
  - Map of the area to be covered by the LAG,
  - The SWOT analysis of LAG areas,

- Description of features of partnership and involvement of participants in the development of LDS,
- Established criteria for selecting LAG projects (description of the procedure for the adoption of letters of recommendation)
- Measurable objectives and implementation activities,
- Compliance with superior strategic documents,
- Financial plan for action for the period from its inception to 2020.
- A LAG must have:
  - A bank account opened in the Federation of Bosnia and Herzegovina;
  - Financial resources to co-finance its activities;
  - An annual plan of activities;
  - A developed LDS complying with primary strategic documents and this Programme.

#### **11.5.8.9 Eligible activities**

- The participation of potential members of the LAG in seminars, workshops, meetings, study visits, including events within the Rural Development Network of Bosnia and Herzegovina and the European Network for Rural Development;
- Activities on the development of LDS, engagement of experts, the inclusion of local partners in making LDS and the like.
- Activities related to the registration of LAGs;

#### **11.5.8.10 Aid intensity**

The aid intensity, expressed as a proportion of public support for predefined eligible costs is 100%.

### **11.5.9 Sub-measure L2 - Running costs for managing the selected LAGs and the implementation of LDS**

#### **11.5.9.1 Rationale for sub-measure**

LAGs will contribute to achieving the objectives of the programme through implementation of the individual measures (improving the competitiveness of agricultural products, agri-environment, climate change mitigation and organic production, diversification of farm activities and entrepreneurship development).

Running costs shall be linked to the implementation of the LDS consisting of operating costs, personnel costs, costs linked to communication and public relations.

#### **11.5.9.2 General objective of the sub-measure**

The overall objective is the implementation of the LEADER approach through the implementation of LDS.



### **11.5.9.3 The specific objectives of the sub-measure**

The specific objectives of this sub-measure contribute to the overall objectives of rural development through:

- Supporting the implementation of LDS;
- Supporting existing LAGs.

### **11.5.9.4 Eligible activities**

- Development of projects to be implemented in accordance with LDS.
- Running LAGs, which includes support for administration and other LAG employees,
- Activities related to publicity;
- Activities related to participation in the projects of inter-territorial cooperation etc.

### **11.5.9.5 Eligible expenditures**

Eligible expenditures for running costs within this sub-measure are:

- Co-financing salaries for the LAG manager and/or other LAG employees;
- Costs of training and capacity building;
- Promotion and publicity events
- Office rent and overheads;
- Purchase of equipment and materials;
- Services (IT specialists, accountants, advisors, organizers etc.);
- Studies of the areas, marketing studies, exhibitions, social activities;
- Workshops, meetings, etc.

### **11.5.9.6 Common eligibility criteria of projects created within the LAGs**

- Local projects generated within the LAG must be in accordance with the LDS;
- The content of the individual projects will be defined locally by the applicant who is a member of the LAG;
- Each project must have a letter of recommendation from the LAG;
- FMPVŠ will supervise the work of LAGs with regard to the correctness of the implementation of LDS.

### **11.5.9.7 Final beneficiaries**

Final beneficiaries are registered LAGs whose local development strategy has been approved by FMPVŠ.

## 11.6 Interterritorial and transnational cooperation projects

LAGs participating in joint projects with partners outside the area of the LAG, and in transnational projects, will also be supported under this sub-measure L2.

## 11.7 Aid intensity and EU contribution rate

Aid intensity, expressed as the share of public support in the eligible expenditures is up to 100%, for items of eligible expenditure defined by this measure, for all three sub-measures. It is expected that local partners will make contributions to the success of LAGs through financial and other support, as the Programme contributions have been set at the minimum level to establish core functions.

Animation/acquisition of skills and running costs of LAG shall be eligible within a limit (annually per LAG) as laid down in a Rulebook.

LAGs that have contracts with FMPVŠ or Paying Agency, when established, may receive an advance pre-financing to start-up activities funding contribution. The amount of the advances shall not exceed 50% of the annual allocation of the public support related to running costs, animation costs and small projects.

## 11.8 Indicative budget for LEADER Measures

**Table 20: Dynamic plan of financing LEADER measures and submeasures, overall implementation (without technical support) for 2018-2021 (Million BAM)**

	Sub measure	FMPVŠ budget	Aid Intensity	Total
		BAM	%	
2018	L.1	250,000	100	
	L.2	100,000	100	350,000
2019	L.1	250,000	100	
	L.2	200,000	100	450,000
2020	L.1	250,000	100	
	L.2	350,000	100	600,000
2021	L.1	250,000	100	
	L.2	500,000	100	750,000
Total				2,150,000

## 11.9 Indicators and targets for measure

- Number of LAGs operating in rural areas;
- Number of the approved LDSs
- Territory covered by LAGs (surface area, number of municipalities)
- Population covered by LAGs;

- Number of jobs created (gross);<sup>40</sup>
- Number of submitted and approved applications;
- Number of interterritorial and transnational projects;
- Number of population directing benefiting from projects;
- Total number of approved investments;
- Number of contracts implemented.

### ***11.10 Administrative procedure***

- LAG submits the application to FMPVŠ or Paying Agency when established for covering the costs of building capacities and running costs;
- Selected LAGs sign the contract with FMPVŠ or Paying Agency when established in accordance with a Rulebook. FMPVŠ or Paying Agency shall carry out control of LAGs (administrative and on-the-spot control);
- FMPVŠ i.e. Payment Agency when established executes the payments to LAGs based on controlled and approved payment claims;
- As regards submitted applications/projects within other measures under the Programme, a LAG can be asked to confirm that a project is in line with its LDS. Such support will be taken into account in the project assessment process.

### ***11.11 Geographical scope of the measure***

The LEADER approach should be implemented in coherent rural areas in FBiH.

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<sup>40</sup> Jobs resulting from LAG activity that do not include people directly funded by the programme.

## 12 Technical assistance measure

### 12.1 Legal basis

The legislative basis for the programme is laid out in Annex 5.

#### **Links to other legislation:**

Advice provided under this measure should be consistent and coherent with the relevant EU legislation on farm advisory activities.

### 12.2 Rationale

The measure covers the provision of technical assistance in terms of the costs related to the implementation of the Programme. For the successful implementation of such demanding and complex Programme, significant technical assistance is required. This is particularly the case with IPA and IPA-like programmes, where development of staff and systems is a deliberate component of the programme itself.

The development of the Programme is one of identifying significant opportunities as well as considerable weaknesses. The purpose of the TA programme is to capture the key issues that will need to be addressed in order to realise the strategic ambitions that underlie the programme. The Technical Assistance programme is to run in parallel with the main delivery components of the programme strengthening the delivery of the programme and enabling the scope of the programme to grow, as the necessary and appropriate competences are developed.

Delivery of the Technical Assistance component of the programme will require the cooperation of all levels of government, as key issues such as improving the environment for businesses to operate requires efforts from many ministries, as well as cantons and municipalities, in order to reduce bureaucracy and cost for businesses. Coordination and cooperation will also be needed with non-government and private sectors, in order to ensure coherent dissemination of information about the programme and its requirements.

**Training-** The aim of this measure is to facilitate the diffusion of information and knowledge to all adult persons dealing with rural development matters in order to create an appropriate level of technical and economic knowledge required by the evolution and specialization of agriculture, food and other aspects of rural development, including forestry.

**Advisory Services** – are intended to help farmers, forest holders and SMEs in rural areas to use the programme and to improve the sustainable management and economic and environmental performance of their holdings or businesses. This measure also promotes the training of advisors in order to enhance the quality and effectiveness of the advice offered and ensures the updated capacity of advisers.

## 12.3 General objective of the measure

Technical Assistance has been referred to under each delivery measure.

This measure brings together Training, Advisory Services and Technical Support in a single measure. This approach simplifies the approach to the enabling measures, recognising that these three measures play complementary roles.

This measure aims at contributing to the improvement of the occupational skills and competence of persons engaged in the agricultural, food, and forestry sectors and other economic actors operating in the fields covered by the Programme.

The objective of this measure is also to support the necessary vocational training for acquisition of skills required for the successful implementation of the measures under the IPA rural development programs.

The evolution and specialisation of agriculture, food production and wider rural development require an appropriate level of technical and economic training, including expertise in new information technologies as well as adequate awareness in the fields of product quality, results of research and sustainable management of natural resources, and the application of production practices compatible with the maintenance and enhancement of the landscape and the protection of the environment.

**Objective** – To provide a platform of technical inputs in support of programme delivery and institutional capacity building.

Support will be provided:

- To FMPVŠ<sup>41</sup> in pursuance of its need to provide the technical basis for components of the programme that cannot yet be implemented, building institutional capacity, or for the improvement of programme efficiency or effectiveness;
- Through the establishment and development of advisory services that meet the needs of final beneficiaries;
- Through training programmes for final beneficiaries targeted on those measures that are or will be available to them.

This measure will strengthen the advisory services and thus contribute to the overall objectives of the Programme. In accordance with the Federal Government priorities for rural development and through the development of human and physical capital this measure will increase the ability of the agri-food sector to cope with competitive pressure and market forces as well as to progressively align with the European Union standards, while pursuing economic, social and environmental goals in balanced territorial development of rural areas.

The measure will stimulate knowledge transfer, and help promote social and economic inclusion by supporting in particular smaller and medium-sized farmers and microenterprises in rural areas.

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<sup>41</sup>Technical Assistance should be available to all elements of the Federation's management and delivery structures; in addition to the Ministry, this should therefore also include Federal Payment Agency for agriculture & rural development, when established.

## **12.4 Sub-Measures**

- T.1 Training
- T.2 Advisory Services
- T.3 Technical support

### **12.4.1 Rationale**

All programmes require significant technical support in order to succeed, but other support such as IPA projects etc. Therefore, the development of staff and systems is a central component of the programme itself. The Programme recognizes significant opportunities as well as considerable weaknesses in these areas. The purpose of the TA is to capture the key issues that need to be addressed in order to realise the strategic ambitions that underlie the Programme.

### **12.4.2 Specific objectives**

The aim of this measure is to assist in particular in implementation and monitoring of the Programme and its possible subsequent modifications. In support of this aim, the objectives include:

- Providing support for the development of changes to the programme and the development of the Programme for the next programming period;
- Providing support for monitoring of the Programme;
- Ensuring an adequate flow of information and promotion of the Programme (publicity);
- Supporting studies, visits and seminars;
- Providing training for final beneficiaries;
- Providing support for external expertise;
- Providing support for the evaluation of the Programme;
- Providing support for activities of the Rural Development Network of BiH.

This measure in particular helps smaller and medium-sized farmers and rural microenterprises in using the programme. The eligibility for support through the Advisory Services is defined through the eligibility for the programme measures.

### **12.4.3 Linkage to other measures in the programme and national measures**

The measure is horizontal which means that it will provide coverage of technical assistance needs for all the measures of the programme. It is also closely linked to the other measures at level of agricultural holding, since it constitutes a valuable complement to their success. Training projects of the Programme emphasize the following measures: "Investments in physical assets of agricultural holdings", "Agri-environment", climate change mitigation and organic production", "farm diversification and business development" and "forestry".

Advisory Service and Training sub-measures are linked and clear demarcation lines must be established between them. FMPVŠ will develop a Training Programme ensuring complementarity between these measures.

#### **12.4.4 Final beneficiaries**

The financial beneficiaries of activities under this measure are the FMPVŠ and other bodies responsible for programme implementation. Particularly important group of final beneficiaries will be the FMPVŠ employees whose capacities will be built (including all elements of the implementation structure – see footnote on page 125), and functions improved. Final beneficiaries for training and advisory services include all intended beneficiaries of the Programme, i.e., farmers and rural residents who are eligible for programme support.

**Training** - The training sub-measure targets persons in the following sectors:

- Agriculture, including the conversion of agricultural activities;
- Rural tourism;
- Rural craftsmanship, micro and small rural businesses, as well as food businesses;
- Fisheries;
- Forestry, including the conversion of forestry activities.

Training can only be supported if it is vocational training and falls within one of the above areas.

Final beneficiaries of the training provided under this measure should be persons engaged in the agriculture, food, and forestry sectors and other economic stakeholders operating in the areas covered by the Programme. Participants shall not be required to pay for training courses.

### **12.5 Common eligibility criteria for the measure**

Eligible expenditure is based on real costs that are linked to the implementation of the supported activities and must relate to payments carried out by the final beneficiary, supported by receipted invoices or accounting documents of equivalent probative value<sup>42</sup>.

The expenditure may be based also on flat rate amounts (such as per diem), in accordance with the terms and rates applied for similar actions supported by the Federal Government.

All expenditure regarding experts and other participants will be limited to those from FBiH and experts from Member States with specific expertise.

For this measure, actions financed or foreseen to be financed within twinning covenants or other projects supported under other IPA components will not be eligible, as they are supported through other mechanisms. However, Technical Assistance to support the setting up of management and control systems should be eligible for EU IPA support, as long as they occur before conferral of management - “entrustment of budget implementation tasks”.

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<sup>42</sup> Accounting document of equivalent probative value' means any document submitted to prove that the book entry gives a true and fair view of the actual transaction in accordance with current accountancy law.

The Ministry will develop a **training programme** for the implementation of the operations for improvement of the occupational skills and competence of the persons engaged in agriculture, food, and forestry sectors and other economic stakeholders operating in the fields covered by this Programme. The Programme Monitoring Committee shall approve the training programme.

The training programme shall include a critical assessment of the existing training structures, an analysis of the training needs and objectives. It shall also establish a set of criteria for the selection of training providers and a curriculum of possible training courses.

Assistance may not be granted to courses, instructions or trainings that form part of normal programmes or systems of education at secondary or higher levels.

**Advisory Services** – The authorities or bodies providing advice shall be the beneficiaries of support. The authorities or bodies providing advice shall have the appropriate resources in the form of regularly trained and qualified staff and advisory experience and reliability with respect to the advisory service. The Advisory service staff shall undergo regular trainings.

FMPVŠ shall provide the evidence of the above for the authorities or bodies providing advisory services. The authorities or bodies providing advice could include: public advisory services, sector organisations (such as agricultural chambers, development agencies, non-governmental agencies etc. Advice shall be provided free of charge to farmers, forest holders and SMEs in rural areas.

## **12.6 Specific eligibility criteria**

### **12.6.1 Conditions to be fulfilled by the training providers**

- Training providers should provide evidence of the qualifications of their staff in the provision of training services;
- The training courses shall emphasise transfer of specific knowledge regarding the items outlined in the Specific Objectives above (12.4.2), taking into consideration the relevant training needs;
- The training providers can be: private or public, including NGOs, national, from the EU countries or from candidate countries;
- The training projects should be in compliance with the specific objectives of the Programme, included measures and training areas;
- Courses should only be organised for a minimum number of participants to be determined within the Training Programme.

### **12.6.2 Specific eligibility criteria for advisory services**

The advisory service shall provide support across the programme as a whole and all beneficiaries who are eligible for support from the programme shall be eligible for support from the advisory service.

Group advisory services to family farms, enterprises, forest holdings and small and medium-sized enterprises can cover economic, agricultural, technical and environmental aspects relevant for their development. A minimum number and



composition of participants of group advisory session shall be established in a separate regulation related to advisory services. Advisory activities supported within this Programme must be clearly separated from the training activities supported in the training sub-measure.

Training of advisors must be related to the areas in which advice is provided. Farm advisory service is an entity or body intended to provide advice to farmers, forest holders and SMEs operating in rural areas. It should be noted that farm advisory services should assess the specific situation of the farmer and not only present general information.

### **12.6.3      *Eligible expenditure***

Under this measure, the following actions are eligible, provided that they are covered by the **Technical Assistance Action Plan** (or whichever implementation mechanism is chosen by FMPVŠ):

- Expenditures on the meetings of the Programme Monitoring Committee (PMC), including cost of all experts and other participants, where their presence is considered to be necessary to ensure the effective work of the committee.
- Other expenditures necessary to discharge responsibilities of the Monitoring Committee that fall under the following categories:
  - Expert assistance to consider and review programme baselines and indicators;
  - Experts to assist or advise the Programme Monitoring Committee concerning implementation and functioning of the monitoring arrangements;
  - Expenditures associated with meetings and ancillary tasks of working groups;
  - Seminars.
- Expenditures on technical development work necessary to develop the baselines, technical tools and procedures required for full implementation of the programme. This is likely to include:
  - Technical studies to describe essential baseline conditions, e.g., environmental conditions;
  - Legislative and regulatory screening and development;
  - Skills assessments to provide baseline for training measures;
  - Assessment of financial requirements of implementation, e.g., market research into payment levels.
  - Expenditure associated with the preparation, or streamlining of implementation, of measures in the programme to ensure their effectiveness including those measures where application is foreseen at a later stage.
  - Other issues.
- Cost of translation and interpretation, not including those required pursuant to application of the Programme.

- Expenditure associated with visits and seminars. Each visit and seminar shall require the submission of a timely written report to the Programme Monitoring Committee.
- Expenditure associated with "acquisition of skills" to prepare potential LAGs for the implementation of the measure "Preparation and implementation of local rural development strategies – LEADER approach".
- Expenditure on information and promotion campaigns, including costs of printing and distribution.
- Expenditure for evaluations of the Programme.
- Expenditures covering work of the Rural Development Network of BiH coordinating the activities of preparation and implementation of LDS. This can also cover the expenditure associated with the participation in the European Network for Rural Development.
- A level of salary support which takes into account remuneration levels on the labour market in order to retain staff and build/keep know-how in the administration in FMPVŠ and the Paying Agency. Introduction of this expenditure can only be done after prior approval of the Programme Monitoring Committee and may be limited in time.
- Training Projects; where a training project shall be defined as one or more training courses within one area or as a combination of training courses within different areas.

### **12.7.1      *Training eligible expenditure***

The only expenditure that is eligible for support is for the operation activities of training, such as:

1. For the organisations providing training courses/information actions:
  - Expenditure related to the organisation and delivery of training courses;
  - Training providers will be required to organise evaluation of each course delivered and to issue certificates to the participants who have completed the course.
2. For the trainees:
  - Travel, accommodation and per diem expenses, where necessary.

### **12.6.4.1 *Selection criteria for training providers***

All selected training providers within this measure should have excellent knowledge of the EU IPARD and the practice of their implementation.

### **12.6.5 *Advisory Service Eligible expenditure***

**Group advisory activities:**

- Advisory services on preparation, development and implementation of projects within the Programme, as well as the costs of preparation of projects for future IPARD programme.

#### **Training of advisors:**

- Costs incurred in organising and delivering the training to the advisors (hiring experts, travel costs, material prepared for the training, costs related with the place where the training is delivered, etc.).

## **12.7 Aid intensity for the Measure**

Aid intensity, expressed as the share of public support in the eligible expenditures amounts up to 100%.

Payment rates, i.e., the level of payment to support specific items such as group or individual advisory meetings, project applications or payment claims, will be set in line with EU standards following preparatory technical work undertaken through technical assistance.

## **12.8 Indicative budget for the measure**

**Table 21: Dynamic Budget Plan for Technical Assistance Measure (million BAM)**

	2018	2019	2020	2021	Total
<b>Training</b>	1.00	1.70	1.60	1.60	5.90
<b>Advisory Services</b>	0.35	0.35	0.35	0.35	1.40
<b>Technical Assistance</b>	1.10	0.95	0.90	0.65	3.60
	2.45	3.00	2.85	2.60	10.90

Table 21 shows the budget plan for technical assistance measure including all costs related to training, advisory services and technical assistance to FMPVŠ.

Having in mind the EU integration process of BiH, part of the activities mentioned above could be financed through IPA II. Also, there is a possibility of using other sources for this purpose, such as TAIEX EU, Twinning project, mentoring by EU officials, donor funds and different grants. Organizational unit responsible for rural development activities shall plan and implement activities on ensuring support from the sources mentioned.

Due to rational use of available funds and the provision of minimum level of the implementation of technical assistance within this Programme, a part of funds should be provided for technical assistance as shown in Table 22.

**Table 22: Dynamic budget plan using FMPVŠ funds for technical assistance measure (in million BAM)**

	2018	2019	2020	2021	Total
<b>Training</b>	0.40	0.60	0.55	0.60	2.15
<b>Advisory services</b>	0.18	0.17	0.18	0.17	0.70
<b>Technical assistance</b>	0.45	0.48	0.40	0.36	1.69
<b>Total</b>	1.03	1.25	1.13	1.13	4.54

## 12.9 Indicators

For following up on this measure, the following indicators shall be used:

- Number of participants in training activities;
- Number of training days carried out for all participants;
- Number of advisors trained;
- Number of training days given to advisors;
- Number of Programme measures for which the preconditions have been satisfied;
- Number of promotion materials for general information of all interested parties (leaflets, brochures etc.);
- Number and types of publicity campaigns (technical magazines, newspaper ads, radio and TV commercials, web sites etc);
- Number of experts engaged;
- Number of workshops, conferences, seminars;
- Number of evaluation reports;
- Number of meetings of the Monitoring Committee;
- Number of studies on elaboration and implementation of Programme measures;
- Number of rural networking actions supported
- Number of rural networks established;
- Number of communication tools (magazines, leaflets, articles);

## 12.10 Administrative procedure

FMPVŠ shall each year draw up a provisional action plan for the operations envisaged under the Technical Assistance measure that shall be submitted to the Programme Monitoring Committee for agreement.

The contracts should be granted following the public procurement procedures in order to comply with the EU principles: transparency, proportionality, equal treatment and non-discrimination.

### 12.10.1 Administrative procedures for training projects

Training courses will be selected for support following a public tender published by FMPVŠ or Paying Agency when established. Only those training institutions able to provide training courses according to the common criteria under the measure shall be eligible to bid.

The submitted projects will be evaluated and selected by FMPVŠ or Paying Agency when established and submitted to the Evaluation Committee. The selection shall be carried out on the basis of the following evaluation criteria:

- Relevance and quality of the project and training and its conformity with the terms of reference;
- Professional experience of the proposed experts;
- Adequacy of the training facilities and equipment;
- Financial aspects of the bid;
- Approach to informing potential trainees of the proposed training;
- Approach to selection of trainees.

Information about the approved projects will be publicised by different information channels, including the websites of FMPVŠ and the Paying Agency. The trainees will choose the training course or information activity according to their own interests and needs and will send an application to participate directly to the organizations responsible for providing the training services.

**Advisory Services** – Any advisory services that benefit from training support will use a training provider selected via public tender.

Documents prepared with the help of this measure cannot benefit from the support of general costs under the other measures. A relevant cross-check mechanism should be set up by FMPVŠ. The distinction between the "Advisory services" and "Training" measures shall be made.

### ***12.11 Geographical scope of the measure***

The entire area covered by the Programme.

### ***12.12 Transitional arrangements***

Technical assistance actions supported under the programme can relate to previous and future periods of programming. Therefore, technical assistance allocated for the programming period 2018-2021 may be used to facilitate e.g. the closure of the preceding programming periods, especially as regards the ex post evaluations of 2007-2013 programmes or the preparation for the programming period post 2020.

## 13 Forestry Measure

The Programme includes forestry sub-measures, in line with the new IPARD Forestry measure. These measures have not been programmed, as there is no experience from other programmes yet on which to base a coherent approach to these measures in FBiH. This is due to the fact that Forestry measure is new to IPARD and no country has yet had the opportunity to programme this measure.

In this respect it makes sense for the Federal Government to start to implement other measures where implementation can be planned based on positive experience in comparable situations. In this way, the necessary basic experience can be developed in reprogramming and the implementation of this Programme. Once this experience is developed, forestry measure could be better understood through other developed programs and their experience.

In the meantime, the Forestry measure is included as a self-contained measure with supporting rationale, ready for implementation later in the programme period. In addition, should it be decided that the Forestry measures should be implemented through the Forestry Programme<sup>43</sup>, then this measure could be smoothly excluded from the Programme.

### 13.1 Non-Timber Forest Products (NTFP)

#### 13.1.1 Rationale

BiH/FBiH has a long tradition of harvesting non-timber forest products (NTFP) (aromatic, medicinal and edible plants, fruits and berries, mushrooms, etc.). General estimates indicate that a large number of people harvest NTFPs (several thousands) and that few large and a number of smaller companies purchase and process NTFPs (the estimate is that there is around 50 such companies). Some of these are involved only in purchasing and sale of such products. Currently, there are neither reliable data on the number of people involved in this activity on a commercial basis nor the data on the quantities collected for that purpose.

From the perspective of forests and forest land, the main NTFPs are:

- **Mushrooms**

It is estimated that out of the total number of mushrooms growing in BiH, there are around 200 edible, 60 toxic and 30 deadly species. The most common ones are: Boletus, Morchella, Chanterelle, Caesar's mushroom, Red pine mushroom, etc. None of the commercially used mushrooms falls into the category of rare, endangered or protected species.

In addition, framework analysis and data indicate that out of the total quantities available for sustainable harvesting, approximately 15% to 20% are used for private and commercial use, meaning that there is a potential for considerable involvement of rural population in this process.

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<sup>43</sup> Forestry Programme – General part was accepted by the Government of the Federation of BiH on its 111<sup>th</sup> session held on July 13, 2017 and submitted to the Parliament of the Federation of BiH for adoption.

- ***Edible, aromatic and medicinal plants***

Thanks to the natural conditions (geographical position, climate, terrain, land) in BiH, there is a wide variety of medicinal and aromatic plants.

Having in mind the fact that there is no inventory or framework assessment of the current situation, it is not possible to assess whether this resource is used in a sustainable manner. Some authors (Donnelly and Helberg – 2003) specify that 64 species in BiH are in danger due to unsustainable harvesting, including 2 endangered species included on the CITES<sup>44</sup> list (*Orchis sp.* and *Gentiana lutea*).

According to official UNDP data for the period 1991-2000, on average, 150 tonnes of plants used as a basis for pharmaceutical industry were exported and 113 tonnes of these plants were imported. There are no reliable data for the period of last 15 years. However, estimates indicate that the demand for raw materials, particularly for aromatic and medicinal plants, among export-oriented buyers is increasing each year, which directly threatens their sustainability.

- ***Forest wild fruits***

Most commonly harvested wild fruits include blackberry, raspberry, wild strawberry, spruce, wild pomegranate and rosehip. They are mainly consumed fresh, but also used for processing.

### **13.1.2 Overview of Non-Timber Forest Product Sector**

The detailed analysis of the constitutional, national, entity, cantonal and local strategic, legal and regulatory frameworks shows the lack of:

- A clear strategic approach;
- Legal framework – (FBiH Law on Forests);
- Regulatory framework – (relevant rulebooks based on the Law on Forests).

A direct consequence of the lack of legal and regulatory framework is the absence of an adequate NTFP management system (monitoring, harvesting and trade control, issuance of permits, fees, etc.).

The NTFP market in BiH/FBiH is not organised, moreover there is a black market, particularly in terms of trade in protected and endangered species (mainly due to high purchase prices). So far, the market has been mainly focused on export of raw materials and import of final/processed products.

There are several internationally recognised certification schemes (Fair Wild Standard, Organic control, Forest Stewardship Council (FSC), etc.).

Harvesters are not organised. In addition, some of them do not possess adequate knowledge and skills, which in some regions resulted in the decline of the number of certain species (due to incompetent harvesting) or in worse cases in the loss of life (poisoning due to the consumption of toxic mushrooms or inedible plants – meadow saffron).

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<sup>44</sup> CITES – Convention on International Trade in Endangered Species

The International Standard for Sustainable Wild Collection of Medicinal and Aromatic Plants was developed in order to ensure sustainable and stable harvesting of medicinal, edible and aromatic plants (ISSC – MAP), taking into account geographical, ecological, cultural, economic and trade specificities of the area of harvesting. The standard contains six principles and 18 criteria covering ecological, social and economic aspects of sustainable harvesting.

Owners and users of forests and forest land usually have none or have only negligible economic benefit.

### **13.1.3 Overall objective for sub-measure Non-Timber Forest Products**

The overall objective is to ensure sustainable and stable use of all non-timber forest products in a way that the level of their use does not exceed the limits of the ecosystem sustainability, while preserving biological diversity.

### **13.1.4 Sub-measure NTFP 1: Defining clear policies and good practices in the NTFP use and management**

#### **13.1.4.1 Eligible activities:**

- Make an inventory of medicinal, edible and aromatic forest plants in target areas in order to objectively assess the current condition and quality of NTFPs.
- Develop standards and good practices that support sustainable management and use of NTFPs.
- Develop a monitoring/control system for harvesting, buying and processing of NTFPs.
- Develop a licensing system.

### **13.1.5 Sub-measure NTFP 2: Investments in processing, development and marketing of non-timber forest products**

#### **13.1.5.1 Eligible activities**

- Financing of programmes/projects of professional education of participants in the chain of supply, with the objective of increasing the degree of finalisation of products and competitiveness of their products;
- Organisation of workshops with the objective of transfer and increase of knowledge and information pertaining to harvesting and processing of NTFPs (morphology and phenology of targeted species, manner and techniques for harvesting, transporting and handling the equipment and plant material, including cleaning, drying and storing);
- Financing of promotional and other marketing activities for NTFPs;
- Subsidies for investments in the equipment and facilities for drying, processing and final processing of NTFPs (as long as demarcation is made between this and Diversification measure).



### 13.1.6 *Beneficiaries for NTFP*

Target groups are legal and physical entities in rural areas involved in harvesting, processing and sale of NTFPs.

Users of support are:

- Legal and physical entities carrying out technical capacity building or other activities pertaining to transfer of knowledge and awareness raising;
- Units of local self-government;
- Small and medium-sized enterprises which are, in accordance with the relevant legislation, registered to perform the activities of harvesting, processing and sale of NTFPs;
- Physical entities who are in accordance with the relevant legislation registered and licensed for the activities of NTFPs harvesting.

### 13.1.7 *General eligibility criteria*

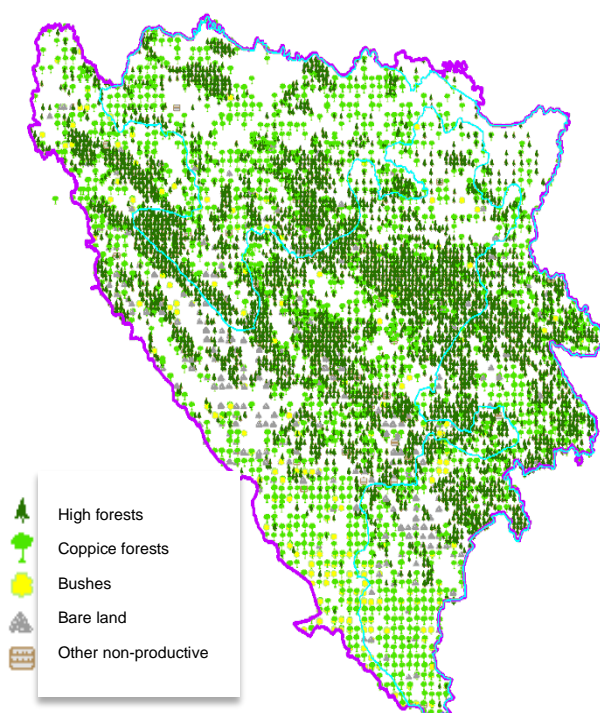
The Ministry will adopt a Rulebook specifying general and specific eligibility criteria for all activities mentioned above.

## 13.2 *Forest biomass*

### 13.2.1 *Rationale:*

Generally speaking, it can be said that the FBiH has large resources in terms of biomass, as a renewable source of energy (forest, wood processing industry, agriculture, public areas, etc.).

Speaking of the forest biomass, it is important to say once more that the total forest and forest land surface in the FBiH is 1,692,700 ha, with the total growing stock of 209,303,000 m<sup>3</sup>, average growing stock of 186 m<sup>3</sup>/ha and average increment of 5.25m<sup>3</sup>/ha.



## Figure 6: Forestry Biomass

High forests of all purposes (production, protection and inaccessible) cover 869.000 ha (51% of the total forest surface), with the total growing stock of 178,142,000 m<sup>3</sup>, average growing stock of 264 m<sup>3</sup>/ha and volume increment of 6.65 m<sup>3</sup>/ha.

Coppice forests are distributed on a surface of 569.000 ha (35% of the total forest surface), with the total growing stock of 31.168.000 m<sup>3</sup>, average growing stock of 87 m<sup>3</sup>/ha and volume increment of 1.97 m<sup>3</sup>/ha.

Bushes and bare land with the possibility for afforestation cover 219.000 ha (13% of the total surface of forests and forest land). The main sources of forest biomass are regular and sanitary logging (free cut), felling leftovers and forest production activities (thinning).

**Figure 7: Percentage structure of the growing stock in state owned high forests according to tree species**

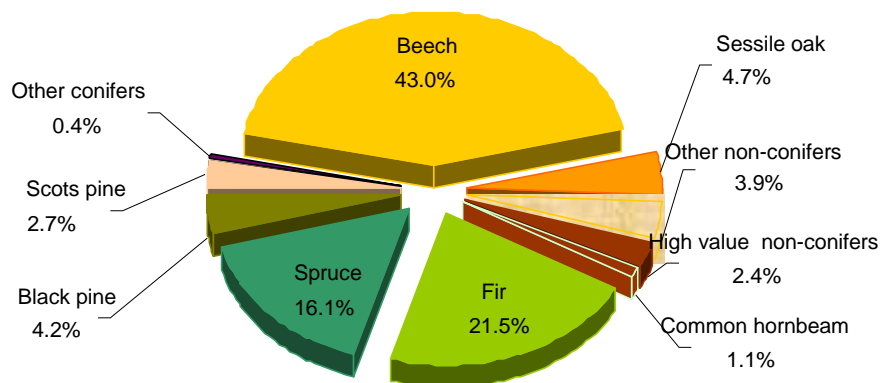


Figure 7 shows a percentage of individual tree species in the growing stock in state owned high forests in the FBiH. Non-conifers make up 55% (beech 43%), while conifers make up 39% of the total growing stock.

Non-coniferous forests have the largest potential in terms of forest biomass.

Prior to 1992 in BiH, there was a tradition of use of animals (horses and oxen) in certain stages of wood production (extraction of firewood), but after 1995 it was abandoned by majority of private entrepreneurs.

In addition, there is only a limited experience in use of new machines and technologies for optimal use of forest biomass.

Construction and maintenance of forest infrastructure (forest roads and tractor towing) will increase the possibility of supply of wood and other forest biomass, effectiveness of forest protection and potential for sustainable forest management with long-term economic benefit, and it will serve to support the useful functions of forests.

**Table 23: Openness of forests through primary and secondary road networks in FBiH**

Forest category	F BiH		
	<i>Primary road network (m/ha)</i>	<i>Secondary road network (m/ha)</i>	<i>Average distance from a truck road(m)</i>
<i>High</i>	9.42	62.60	541
<i>Coppice</i>	7.97	31.67	505
<i>Total</i>	8.94	52.37	528

The total coverage of all forests in the FBiH with the primary road network is 8.94m/ha, with the coverage of high forests, which are more common and economically more important, being 9.42m/ha.

Openness of forests in terms of the length of the secondary road network, reasonably significantly varies between high and coppice forests and it is 63m/ha in high forests, which is approximately 30m less than the optimal length (Jeličić, 1983).<sup>45</sup>

Analysis and processing of the data of the Second State Forest Inventory<sup>46</sup> also included the estimate/calculation of the potential energy sources from the available wood resources. This estimate was made taking into account the fact that the forest, i.e. wood has been globally recognised as a potentially significant source of renewable energy that to a large degree increased the interest for its use for this purpose.

The total annual energy potential on the basis of the analysis of wood energy sources in the FBiH are presented in the table 24. The results presented pertain to the available production high forests.

<sup>45</sup> In order get the main idea on this important feature, openness of some forests in the neighbouring countries and the developed EU countries: Croatia: 11.82 m/ha (Pentekidr., 2017); Slovenia – 20.9 m/ha (Robek, R. and Klun, J., 2017); Switzerland – 26.7 m/ha (SFI 3, 2010).

<sup>46</sup> Second State Forest Inventory in Bosnia and Herzegovina, 2008;

**Table 24: Energy estimates for available wood resources (expressed as cubic metres biomass per year - m<sup>3</sup>/year)**

Potential energy sources (m <sup>3</sup> /year)	F BiH		
	Conifers	Non-conifers	Total
<i>Fire wood</i>	10,831	1,555,884	1,566,715
<i>Forest residuals</i>	96,975	368,435	465,410
<i>Forest waste</i>	306,734	518,028	824,763
<i>Sawmilling leftovers and waste</i>	316,851	394,711	711,562
<i>Veneer production leftovers and waste</i>	2,499	22,303	24,803
<i>Coppice forests</i>	0	586,274	586,274
<b>TOTAL</b>	<b>733,891</b>	<b>3,445,636</b>	<b>4,179,526</b>
<i>Energy potential (gj/y)<sup>47</sup></i>	5,184,938	34,980,095	40,165,032
<i>Energy potential (tce/y)<sup>48</sup></i>	176,900	1,193,453	1,370,353
<i>Energy potential (toe/y)<sup>49</sup></i>	123,840	835,485	959,325

**Table 25: Total biomass in all forests and forested lands in FBiH (expressed in tonnes & tonnes per hectare – t/ha)**

All forests and forest lands in the FBiH	Total biomass	
	Tonne	t/ha
<i>Aboveground biomass</i>		
<i>Conifers</i>	61,769,384	36
<i>Non-conifers</i>	178,027,174	105
<b>Total</b>	<b>239,796,557</b>	<b>142</b>

### 13.2.2 Objective of the sub-measure

**The overall objective** is to ensure sustainable use of forest biomass, i.e. of the production potentials of forests and forest land while respecting the principles of sustainable management and preservation of the forest functions.

Specific objectives are set for the sub-measures.

<sup>47</sup> GJ/year – giga joules per year

<sup>48</sup> Tce/y – ton of coal equivalent per year

<sup>49</sup> Toe/y – ton of oil equivalent per year

### **13.2.3 Sub-measure F.1 – Use of fuel from renewable sources (Forest Biomass)**

Specific objective: To use adequate measures of economic, forest and rural development policies to stimulate use of forest biomass in relation to the fulfilment of strategic objectives pertaining to the increased use of fuels from renewable sources.

#### **13.2.3.1 Eligible activities**

- Defining the areas for production of forest biomass in the FBiH with prior implementation of multidisciplinary research on ecological and economically sustainable use of biomass, taking into account the existing relevant international experiences;
- Encouraging the development of forest plantations as a source of renewable energy, i.e. raw material for the industry;
- Encouraging opening of forests, in particular of coppice and private forests with the objective of optimal use of available biomass;
- Encouraging specific methods of management of coppice forests (conversion) with the objective to increase the value and volume of forest assortment, including forest biomass;
- Conducting a comprehensive analysis of the costs of use of biomass as a renewable source of energy and make a comparative analysis of these costs with the costs of use of other fuels;
- Conducting a research about the possibility of use of forest biomass to improve the energy balance in BiH /FBiH, having in mind the current ratio of use of fossil fuels and renewable energy sources.
- Promoting the use of forest biomass as ecologically acceptable and renewable source of energy, with the objective to decrease dependency on imports, continuously abiding by the principle of sustainable forest management.

### **13.2.4 Sub-measure F.2 – Introduction of new technologies and construction of facilities for production of forest biomass**

#### **13.2.4.1 Specific objective**

Define the most favourable technologies, investments and incentive measures for selected solutions of use of biomass, particularly in rural areas.

#### **13.2.4.2 Eligible activities**

- Conducting the research on the possibilities of application of new technologies and equipment with the objective of (i) optimal use of forest biomass; (ii) use of forest biomass to improve the energy balance;
- Analysis of the shortcomings in the legal and regulatory framework and institutional barriers in relation to the selection and application of new

technologies and systems for use of biomass with the objective of production of thermal and/or electrical energy.

- Support for the construction of facilities for production of energy from renewable sources and non-production related investments pertaining to the efficient use of resources and environment protection.

### **13.2.5      *Beneficiaries for Forest Biomass***

- Forest owners,
- Units of local self-government,
- Scientific and educational institutions,
- Forest management companies,
- Wood production companies.

### **13.2.6      *General eligibility criteria for Forest Biomass***

FMPVŠ will adopt an implementing regulation (Rulebook) that will, inter alia, prescribe in detail the general and specific eligibility criteria for all activities specified above.

## **Part C - Management and Operational Structure**

## **14 Rural Development Network**

### ***14.1 Programme approach to rural development networking***

The Programme provides opportunities for effective networking of all stakeholders from rural areas that will further support successful implementation of the Programme objectives. Rural Development Networking takes place in a number of ways and it is not the purpose of the programme to prescribe a single approach over all others.

Such networking can take place at entity, state or regional level.

The purpose of the networking must be to increase the level of knowledge about the programme by all possible partners and should contribute to the programme communication strategy overall. The level of knowledge and awareness about rural development in general and about the potential role of the programme in particular is very low and networking has a major role to play in developing awareness and in encouraging the connections between beneficiaries that will help improve the achievement of programme objectives.

FMPVŠ will cooperate with civil society organisations whose activities are linked with a rural development objective, capacity building for rural development and implementation of Program.

The Federal Government is committed to strongly support all types of rural networking through this Programme, including the establishment and work of BiH Rural Development Network. National Network for Rural Development is one of the preconditions for all countries in the EU accession process.

### ***14.2 Eligible expenditure***

- Expenditure associated with the establishment and operation of rural development networks that support the coordination of activities preparing and implementing local rural development strategies, awareness raising, and the promotion of cooperation and collaboration.
- Expenditure related to co-financing of the activities of the National Rural Development Network in line with the EU rules as well as the expenditure linked to participation in the European Network for Rural Development as established by Article 67 of Council Regulation (CE No. 1698/2006).



## **15 Complementarity**

### **15.1 Introduction**

Complementarity is a key issue for any RD Programme. There are many reasons for this, however, fundamentally, rural development is not a sector in itself, but cuts across many other sectors and as a result, complementarity with other programmes is a key issue.

The complementary nature of the programme is represented in a number of ways in this document:

- 1. Environmental assessment**
- 2. Gender and equality proofing**
- 3. Distinction from other programmes**
- 4. Complementarity with other international activities**
- 5. Complementarity of funding**
- 6. Complementarity with the state level, RS and BD**
- 7. Complementarity with cantons and municipalities**
- 8. Complementarity with IPARD.**

### **15.2 Environmental assessment**

A strategic environmental assessment has been undertaken by FMPVŠ in consultation with the Environment Ministry, in accordance with the relevant legislation. The assessment is a separate document.

### **15.3 Gender and equality proofing and treatment of minorities**

Engagement with NGOs and authorities with responsibility for equality has supported the process of programme development. This is expanded in section 4.6.4.

### **15.4 Distinction from other programmes**

The programme has important relations with a number of complementary programmes, for example, Forestry and Tourism programmes. The programme has been developed in cooperation with the ministries competent for these and other sectors, which will be continued through the Coordination Committee of the Government of the Federation of BiH.<sup>50</sup> Clear distinction and supporting administrative controls are critical to ensure that the same activity is not funded by two separate sources.

### **15.5 Complementarity with international activity**

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<sup>50</sup> Coordination Committee shall be nominated by the Government of FBiH consisting of representatives of 14 ministries, whose tasks would be to monitor the implementation of the Programme while ensuring its complementarity with measures and policies of other ministries relating to rural areas.

The Federation territory has had opportunities to use a wide range of support from international sources. It is important that this support from the Rural Development Programme is well coordinated with support from these other sources. It is necessary that the Ministry makes sure that international funding sources are informed about Programme and that their projects are complementary with Program.

## **15.6 Complementarity of funding**

During the implementation of the Programme it will be important to establish effective coordination of complementary funding which is available from international sources. International finance sources currently available that should be actively coordinated for complementarity with the Programme include:

- Strategy for Increasing Competitiveness and Attracting Investments in Dairy, Fruit and Vegetable Value Chains in Federation of Bosnia and Herzegovina 2014-2020.<sup>51</sup>
- IFAD Bosnia and Herzegovina - Country strategic opportunities programme – December 2013
- World Bank programmes of support for agriculture and rural development.

The purpose of raising awareness of the international donors, funders and partners is to achieve synergy between this wide range of support sources and if possible to influence the way in which all funders focus and coordinate their support. This is key to ensure maximum value for the investments made by the Federation, as well as those made by its international partners.

## **15.7 Complementarity with RS and Brčko District BiH**

One of the principal objectives of the establishment of the Federation's RD Programme is to create preconditions for establishment of IPARD structures in BiH. Establishment of the structure and capacities in FBiH that are IPARD like will speed up and facilitate establishment of IPAD structure at national level. It will also enable farmers and entrepreneurs from FBiH rural areas to get access to the same types of support which exist in EU and which have to be introduced by governments of RS and Brčko District in their rural development programs. Complementarity of rural development programs in BiH will be further ensured with adoption of rural development strategic plan for BiH. FBiH government will have obligation to harmonize Programme with Rural development strategic plan for BiH, when adopted.

## **15.8 Complementarity with cantons and municipalities**

According to the legal framework of BiH and FBiH, the cantons may establish their own Rural Development Programmes. In addition municipalities could develop projects and measures for rural development.

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The existence of the Federal level programme is an opportunity to coordinate the 3 levels of government within the Federation to the benefit of citizens, farmers and rural communities. The Programme requires that the three levels must have more and more extensive communication in order to establish collaborative working practices between the three levels, so that support is coherent and coordinated.

### ***15.9 Complementarity with IPARD***

The programme has been produced in a way that follows IPARD approach as much as possible. This means it is not yet an IPARD-like programme, but is a first step towards IPARD alignment. It is not possible to establish an IPARD-like programme, as basic pre-conditions simply do not exist, and these include political agreement at BiH level and relevant legislative framework. The Programme is prepared in a way that provides possibility of progressive adjustment/harmonization with the state-level IPARD program.

## **16 Operating structure**

### ***16.1 Monitoring and organisation overview***

The Programme will be managed and monitored within a monitoring structure that approximates to EU standards. This means that new stakeholders will be introduced to the monitoring of government programming and new approaches are needed to partnership and stakeholder relations.

EU programmes, including rural development programmes are run according to partnership principles, and the programmes should be established with the support of all the main stakeholders who have an interest in the programme. It is not simply a government programme for which the government makes all the decisions. The programme should have the clear support of all interested stakeholders; they should be involved in its development and in monitoring its achievements.

Such stakeholders include civil society groups, local and regional authorities, private sector, educational groups, expert institutes and representatives of the cross cutting interests, such as gender equality.

### ***16.2 Principles of the governance structure***

The governance structure is intended to provide the following functions:

- Communication – to enable coordination and facilitate collaboration; and
- Monitoring – to ensure efficient and effective implementation.

Transparency in the development, promotion and implementation of the programme is essential and the main groups within the governance structure play a key role in delivering these two functions.

Open communication is a pre-requisite for effective programme implementation and the governance groups are themselves a mechanism to ensure that communication about the programme is regular, planned and that messages are delivered to their intended targets. The main groups will be required to contribute to the development, approval and delivery of a communication strategy for the Programme.

Programme monitoring is one of the most critical elements of programme monitoring. Monitoring is a core management responsibility, which involves the systematic and regular collection, analysis, communication and use of information for the purposes of management and decision-making, concerning the direction of the programme, including at priority, measure and project level.

Monitoring is carried out according to the pre-determined and agreed output, results and impacts indicators set out in the programme (and yet to be developed for some parts of the programme.)

Monitoring also has a qualitative dimension since not all results and impacts can be measured in numbers and figures e.g. performance needs to be described and explained. In order to be able to take decisions, monitoring includes not only assessment of any variance against the Programme, but also analysis of the reason for such variances.

## 16.3 Programme monitoring structure

The programming monitoring structure shall consist of the following:

**Coordination Board** – a strategic cross-government group consisting of assistant ministers from all the key ministries. The purpose of the Coordination Board is to follow up on the implementation of the current Programme and the development of the next Programme, ensuring exchange of information and mutual compliance between programmes and measures of all ministries, which are to be made aware of their role in the Programme.

**Programme Monitoring Committee (PMC)** – the PMC is a managing mechanism ensuring that all interested participants are included in direct monitoring of the implementation of the Programme. Membership in this body is novelty in managing multiannual programmes of the Government of FBiH.<sup>52</sup>

Its members will be the representatives of state administration (MOFTER, FMPVŠ, cantons, local self-governance, Paying Agency), partners from social, economic and environmental sectors, representatives from private sector. The Secretariat of the Monitoring Committee is responsible for documentation, reports, work programme and conclusions of the meetings. Also, the Monitoring Committee must establish and keep the database necessary for the Programme implementation.

The Monitoring Committee will monitor implementation of the Programme, particularly: to consider and give an opinion on the criteria for selecting and for ranking the projects under each measure, assess performance and quality of Programme implementation to check occasionally the progress of achievements through specific goals of the aid, to check the implementation results, particularly accomplishment of the goals for different measures to review and approve financial reports before they are finally submitted.

Based on the EU experience, the PMC should have the following composition:

**Table 26: Programme Monitoring Committee composition**

Category	Number of places
Central Government*	3
Regional Agencies	2
Municipalities	6
Representatives of Public Institutions	3
Educational Institutions	2
Community Representatives	3
Associations of volunteers	2
Private sector	4
Representatives of the horizontal themes, e.g., gender, sustainable development	3
<b>Total</b>	<b>28</b>
<b>Advisors from European Commission, MOFTER, HOPS</b>	<b>4</b>

<sup>52</sup> In accordance with Article 59 and 192 of the Regulation on the implementation of IPA (EC) no. 718/2007, Sector committee for monitoring the Programme shall be established within the three months following the establishment of the Programme.

Further provisions for monitoring and reporting may be set out in the sectoral and financing agreements.

The Programme Monitoring Committee will have the following structure in relation to proposed sub-committees. The **Sub-Committees** are similar to the Working Groups, but there are some simple differences. Firstly, they are structured on functions, rather than sector themes. Secondly, they are sub-committees of the Programme Monitoring Committee and have a direct responsibility to report to the PMC and the PMC will have a responsibility to attend to its outputs and respond to its recommendations.

**Project Evaluation and Selection Commission (PESC)** – This is a key group to be formed with respect to the Paying Agency function and supported by it. The PESC shall consider all applications that are recommended for approval, once they have been assessed and ranked by the Paying Agency. The LEADER measure will have its own Evaluation Board, which is described in the LEADER measure section. Typically, PESC shall have 3 members; two of whom will be senior staff of the Paying Agency, plus a representative from the Monitoring Committee who represents final beneficiaries. The LEADER measure shall have its own evaluation committee as described in 11.5.3.

## **16.4 Other groups**

The development of the programme has benefited from a range of groups and some of these roles can be adapted to future requirements:

- Implementation Working Group;
- Commissions;
- Focus Groups.

## **16.5 Reporting requirements**

The PMC will be responsible for the consideration and approval of Annual Reports, presented by Paying Agency and FMPVŠ. These reports will be submitted to the Government of Federation BiH for approval, as laid down by EU rules (Directive (EC) No. 718/2007 article 193), not later than 6 months after the end of each full calendar year of programme implementation. The report shall be submitted to the Government of the FBiH only after Monitoring Committee approves it. FMPVŠ shall harmonize its reporting process with the EU rules.

Such annual reports shall contain information regarding:

- Implementation progress,
- Implementation of set objectives
- problems encountered in managing the programme,
- measures taken,
- financial execution
- monitoring and evaluation activities carried out.

## **16.6 Staffing Basic requirements**

### **16.6.1 Rural Development Sector**

It is proposed that the Rural Development Sector, already established within FMPVŠ, carries out the functions equivalent to those of Managing Authority (MA), in line with IPARD structure. These functions should be in line with the entity competences and EC recommendations<sup>53</sup> for the establishment of IPARD structures in BiH.

The Rural Development Sector should be responsible for the preparation, implementation, monitoring and evaluation of the Programme and their implementation arrangements. Rural Development Sector should be responsible for the approximation of legislation and introduction of EU practice in the field of rural development. This Sector should also be in charge of the preparation of detailed rulebooks for implementation of the Programme.

The Rural Development Sector will be responsible for consultation and dialogue with the social and economic partners, NGOs and other stakeholders in the process of programming, monitoring and evaluation of the Programme.

The Sector should develop communication action plans and publicity for the programme, carrying out public consultations and dialogue with social and economic partners, NGOs and other interested parties in the process of programming, monitoring and evaluation of the Programme.

For a successful implementation of the Programme, Rural Development Sector<sup>54</sup> should have a minimum of five divisions, with approximately the following structure:

- Programming and Co-ordination (4 persons);
- Competitiveness, Diversification and LEADER (4 persons);
- Environment, Agri-Environment, Organic Production, Genetic Resources and Less favoured Areas (2 persons);
- Monitoring, Evaluation and reporting (2 persons).
- Advisory Service (4 persons).

To ensure a successful implementation of the Programme and harmonization with the EU principles, the Government of the Federation of BiH shall initiate the procedure for urgent amendments to the regulations<sup>55</sup> in order to create the key preconditions for the establishment of a Paying Agency.

### **16.6.2 Paying Agency**

Paying Agency shall make all payments to beneficiaries, including direct payments<sup>56</sup>, as well as structural payments<sup>57</sup> for implementation of this Programme. For this purpose, it must have the following functions:

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<sup>53</sup> Act EC no ML/fa D(2011) 1480177 of 12.01.2012

<sup>54</sup> Rulebook on Internal Organization of FMPVŠ shall be harmonized with the Programme before the implementation, in order to finalize the hiring procedures.

<sup>55</sup> Law on Federal Ministries and Other Bodies of Federal Administration (Official Gazette of the FBiH no. 19/03 and 38/05).

<sup>56</sup> Payments for production per cow and per hectare, as a transitional form of harmonisation with the EU CAP model, i.e., the transition to payment by PG.

<sup>57</sup> Structural payments are intended to increase the competitiveness of farming units, the diversification of the rural economy, protect the environment from harmful agricultural practices, as well as the inclusion of LEADER principles in the implementation of rural development programs.

- Communication & promotion, including advertising public calls
- Programming & budgets
- Administrative control, assessment and approval
- Contracting
- Field monitoring and control
- Payments
- Audit
- Accounting.

### **16.6.3 Approach to establishing the appropriate staffing levels**

The proposed staffing of the Paying Agency is based on the number and requirements of functions it performs and the consequent volume of work during the time of implementation of the Programme:

- Establishment of the Agency requires a minimum of 60 employees, which will gradually have to increase;
- It should have a core of permanent staff, supplemented where necessary by temporary staff or contractors, who will work on time limited tasks related to requirements, including on the spot controls;
- In addition to the central office, it is necessary to establish 10 regional offices in the cantons that need to perform most of the work of direct payments, as well as other tasks relating to preparing projects for structural payments;
- It should be noted the establishment of future IPARD structures at the state level that the existing employees of the Paying Agency of the FBiH will be available to be integrated into the state IPARD Agency<sup>58</sup>.

## **16.7 Collection and presentation of monitoring data**

Collection of data for monitoring purposes is a sensitive task. The amount of data needed is substantial and collection can be quite time consuming. It is necessary to establish a data collection system, which can be updated regularly and can provide reports in “real time”.

A crucial part of this system is to develop application forms and business plans that collect data of the baseline indicators. This system does not yet exist in the Federation and will be required as a Department of the proposed Federal Paying Agency.

The Department should be able to send quarterly, half-yearly and yearly reports to the PMC and all interested parties. The proposed Department should prepare a set of tables, which will include all relevant and necessary data for monitoring. The tables should be set out according to pre-described indicators in this document and in line with EC recommended tables for monitoring.

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<sup>58</sup>EU Act: ML/fa D(2011) 1480177 12.01.2012. It is recommended that part of the function of the state IPARD Agency is delegated to the entity agencies for payments, i.e., gathering requirements, administrative control and control on the ground. Therefore they will function and thereby be employees of the entity agencies to be covered by the accreditation system of the IPARD structure and form an integral part of it.



Upon receiving and formatting the data, Rural Development Sector will forward the data to the Monitoring Committee, which will then approve or reject them and ask for changes to be made.

## **16.8 Evaluation**

The monitoring data collected with regard to the Programme implementation should not only enable the effective monitoring of the constituent activities, but will also allow for evaluation of both socio-economic and environmental impact at the micro level, and developmental impacts for administrative capacity.

Evaluation is concerned with assessing the relevance and utility, efficiency, effectiveness of the financial assistance, which has been committed as well as the impact and sustainability of the outputs and results achieved. Ultimately, evaluation is about drawing out lessons and best practices from these findings in order to improve the design of the programme itself, both in the preparatory stage (ex-ante evaluation), during real-time implementation of the Programme, so that immediate adjustments can be made (ongoing and interim evaluation) and on completion of the programme with a view to shaping future programmes based on evolving needs (ex-post evaluation).<sup>59</sup>

These evaluations are aimed at assessment of the performance of the programme and of its effects. During the period of implementation of the programme, where appropriate, interim evaluations can be carried out, particularly when the monitoring of the programme reveals significant departure from the goals initially set.

Questions to be covered include:

- The public expenditure/resource costs involved
- The progress made by beneficiaries in meeting EU standards
- An estimate of economic, social and environmental benefits (in net terms where possible) and their sustainability
- Revisiting the effectiveness and efficiency of implementation arrangements thus providing recommendations for improvement
- General conclusions and recommendations regarding costs in relation to net benefits in qualitative and quantitative terms;
- Any action needed for improvement of the programme's efficiency and effectiveness, regardless of whether there is a need for continued intervention or not.
- Direct and indirect benefits, its economic impact, the gross and net costs per project assisted as well as evidence of deadweight and displacement effects will be assessed.

Ongoing and interim evaluations will make an important contribution to the real-time management and where appropriate, re-orientate the Programme.

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<sup>59</sup> The principles and evaluation method are equivalent to IPARD Programme evaluation, established according to Article 57 and 191 of IPA Implementation Regulation no. 718/2007 laying down obligatory implementation of ex ante and ex post evaluations and where possible interim evaluation of the Programme. Evaluations shall be carried out by independent evaluators as ordered by the Managing Authority. FMPVŠ shall follow the EU standards of the implementation of the Programme, including the evaluation requirements.

More broadly, the role and importance of evaluation will be communicated to all stakeholders, and particularly, potential and actual beneficiaries, so that they are aware of the contribution of evaluation.

### **16.8.1      *Monitoring & Agriculture Census***

Monitoring of the programme is made more difficult due to the lack of an Agricultural Census (AC). Undertaking an AC is a critical baseline for any Rural Development Programme and since Bosnia & Herzegovina has never done such a census it further complicates policy implementation. One use of the AC is to provide an impartial, consistent and comprehensive baseline for all agricultural and rural development programming. Without the AC, it is not possible to set meaningful targets for the Programme.

Whilst the sectoral analyses carried out in preparing the programme have used the most robust data available and this does provide some basis against which to monitor and evaluate the programme, the absence of an AC means this evidence baseline does not meet EU standards. Consequently, this means that quantified targets cannot be meaningfully defined at this stage. Once the Agricultural Census has been undertaken, the baseline for the programme could be updated and greatly improved. However, in the meantime programme targets will be defined according to the budget levels available.

## 17 Management and Control System

### 17.1.1 *Managing Authority functions*

The Managing Authority (i.e. Rural Development Sector) will be responsible for the following functions:

Programming & Monitoring:

- Drafting the rural development programme and rulebook;
- Monitoring programme implementation and guiding the work of the PMC notably by providing the documents necessary for monitoring the quality of implementation of the Programme,
- Drawing up annual and final implementation reports and after their examination by the PMC, submitting them to the Coordination Board of the Federation of BiH and the parliamentary procedures (in the case of an IPARD system these reports would then be presented to the IPARD Monitoring Committee, the National IPA Coordinator and to the National Authorising Officer)<sup>60</sup>;
- Ensuring that operations are selected for funding and approved in accordance with the criteria and mechanisms applicable to the Programme and that they comply with the relevant rules;
- Setting up, maintaining and updating the reporting and information system;
- Ensuring compliance with the information and publicity requirements.
- Coordination: the objective of this function is to guide and monitor the work of the PMC, notably by providing the documents necessary for monitoring the quality of the implementation of the Programme.

FMPVŠ shall have an organisational structure allowing them to execute the following main functions in respect of the Programme implementation.

### 17.2 *Paying Agency Functions*

#### 17.2.1 *Overview*

Paying Agency should be established during first year of Programme implementation and has sufficient staff to carry out its functions.

Planned functions of the Paying Agency:

- **Arranging for tendering procedures**, administrative controls and grant award procedures, the ensuing contracting, and making payments to and recovery from the final beneficiary,
- **Supporting the Governance structures**: Ensuring that the Coordination Board and the Rural Development Sector receive all information necessary to perform their tasks, selecting and checking operations in accordance with the

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<sup>60</sup> National Authorising Officer (NAO)

criteria and mechanisms applicable to the RD Programme and complying with the relevant rules;

- **Carrying out checks** to ensure that the expenditure declared has actually been incurred in accordance with applicable rules, the products or services have been delivered in accordance with the approval decision and the payment requests by the final beneficiary are correct. These checks shall cover:
  - Financial, administrative, technical and physical aspects of operations, as appropriate,
  - Making calls for applications and publicising terms and conditions for eligibility,
  - Checking applications for approval of projects against terms and eligibility conditions,
  - Laying down contractual obligations in writing between the Paying Agency and the final beneficiaries including information on possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work, execution of on-the-spot checks to establish eligibility both prior to and following project approval,
  - Follow-up actions to ensure progress of projects being implemented,
  - Reporting progress of measures being implemented against indicators,
  - Ensuring that the final beneficiary is made aware of any contributions made to the project by other partners or investors,
  - Carrying out authorisation of payment,
  - Payment and accounting procedures regarding the projects,
  - Monitoring the implementation of the projects and activities, following whether the beneficiaries fulfil the provisions and obligations of the contract and conducting necessary controls in this respect,
  - Notifying the relevant authorities of comments and amendment proposals concerning the activation of the programme and support regimes;
- Establishing a reliable **database** and information processing system regarding the duties and activities of the Paying Agency,
- Making **administrative arrangements** concerning the activities of the Paying Agency;
- Ensure that the maximum **ceilings for public expenditure** are not exceeded.
- **Publicity**: the objectives of this function are both:
  - The issuing of calls for applications and publicising terms and conditions for eligibility, including information on contractual obligations and possible sanctions in the event of non-compliance with those obligations and,
  - Where necessary, the issue of approval to commence work, and to highlight the role of the funding bodies and to ensure the transparency of any assistance given.

### ***17.2.2. Structure of the Paying Agency***

The Paying Agency shall have headquarters and 10 field offices. The field offices are responsible for tasks and activities carried out through direct cooperation with

applicants, such as support in project development, communication and promotion, coordination of advisory and education activities and preliminary assessment of applications, so as to ensure accuracy and eligibility of projects before their official delivery for technical assessment.

### **17.2.3 Application processing activities at the Field Offices of the Paying Agency**

Application forms, templates of business plans and all the necessary annexes to be completed by the applicants shall be obtained from the Field Offices as from the date indicated in the Call for Applications.

Applications shall be submitted personally by the applicant or his/her assignee to the relevant Field Office (to which he/she appertains).

The experts in the Field Offices shall carry out the formal and eligibility check of the application packages. Each measure and submeasure will have its own formal and eligibility checklist, so checking of the documents in the application packages shall be performed according to related measure and submeasure.

All activities performed by the experts, shall be reviewed by the senior experts in order to enforce the principle of “four-eyes”.

After completion of the formal and eligibility check for a given application, the procedure of on-the-spot control shall start.

On-the-spot control experts (CE) are authorised to perform the preliminary on-the-spot controls. They can also function as the technical experts and especially veterinary and environmental experts. Moreover, a number of technical bodies are generally to be involved in the proper application of the RD Programme legal framework.

As these bodies have a major role in the checks of technical nature and constitute an essential element in the establishing of a proper monitoring of the RD Programme management and control system a list of them will be provided in the rulebooks through which the measures are implemented.

The on-the-spot controls of the applicants shall involve the verification of the information and data given in the application package. All the applications (100%) considered to be eligible shall be subjected to be controlled on-the-spot by on-the-spot control experts.

The on-the-spot controls shall be carried out by a control group (made up of at least two CEs). CEs shall record the findings in a report, and these findings and experiences shall be supported by working papers and other relevant documentation with adequate evidence including taking pictures.

The report shall be signed by both the experts group and the applicant. After the senior CE checks the report prepared, a senior CE, in the position of coordinator should approve it.

#### **17.2.4      *Application processing activities by Paying Agency***

Following the completion of the application processing activities, described briefly above, the application packages considered to be eligible, together with all the checklists, reports, documents etc. shall be sent to the Headquarters of the Paying Agency for final assessment, processing and if successful, for contracting.

Then experts responsible for processing of applications, start the processing of applications by checking the documents according to specific checklists whether all the necessary documents exist in the application package.

The applications shall be scored in two stages:

- Scoring of business plans according to general criteria,
- Scoring according to specific ranking criteria for project selection determined in the Programme.

#### **17.2.5      *Paying Agency application of general criteria***

The experts responsible for processing of applications shall first check, analyse, assess and score the Business Plans of the Applications according to **general criteria** which shall include:

- The financial risk represented by the applicant, including the applicant's record of financial management and the correctness of their tax affairs
- The financial soundness of the application – including its Internal Rate of Return and Sensitivity Analysis
- Management and Technical Expertise of the Applicant
- Current Competitiveness and Market Share of the applicant.

The General Criteria for evaluation of the economic viability of the applicant that is compatible with the current practice of banking system is provided in Annex 2.

In this process, the analysis shall focus on the assessment of the effects of the project described in the application, assessing the efficiency and effectiveness generated by the project, and assessing the economic viability of the project itself. The economic viability of the applicant should be demonstrated in the business plan. The business plan should include the necessary documents listed in Annex 2.

##### **17.2.5.1 *Economic viability***

Economic viability should be demonstrated that the equity capital of the holding/enterprise and its stocks in terms of liquid and assets meet the operational costs. In this scope, the experts shall examine the viability and competitiveness of the undertaking, the need for the investment, and its compliance with the objectives specified for the given measure and submeasure.

Applications that best comply with the special objectives defined in the RD Programme shall be selected since the funding is limited. For this purpose, the applications are subjected to be scored according to the “ranking criteria for project selection” determined in the RD Programme, see Annex 2.

### **17.2.5.2 Scoring**

Scoring of the applications according to “ranking criteria for project selection” shall be carried out according to special conditions, determined for individual measures and sub measure in the RD Programme and shall be carried out by the same experts who already performed the analysis and scoring of the business plan.

Experts responsible for application processing continue the above-mentioned processes for a determined period of time.

### **17.2.6 Control**

At least 5% of all applications shall be checked again based on risk analysis. Such checks shall include: formal, eligibility and on-the-spot checks. Supercontrol consists of re-checking of all the documents based processing activities already carried out by the headquarters, such as completeness and eligibility of the application package, as well as the field offices (on-the-spot control).

Following the check of the applications, in terms of eligibility requirements, supercontrols will be carried out on the spot by the experts or officials for supercontrol (at least two) from the Paying Agency. All these supercontrols serve to verify the basic information supplied in the application for aid and to re-check the situation before the potential beginning of a project and signing of the contract.

That means that the selected applications shall first be checked for their eligibility and formal aspects and then the same applications shall be controlled on the spot. The on-the-spot controls before contracting shall be carried out by a group of CEs (made up of at least two CEs). CEs shall record the findings in a report and these findings and experiences shall be supported by working papers and other relevant documentation with adequate evidence including pictures at the applicant's place of business. The report shall be signed by both the CEs group and the applicant.

The experts authorised to carry out the controls shall be responsible for compliance with the on the spot control procedures namely a “Manual for On-the-spot Controls” and for the achievement of the set objective. All activities performed by the experts, shall be reviewed by the Senior Experts in order to enforce the principle of “four-eyes”.

### **17.2.7 Ranking and decisions on support**

The ranking shall be done according to measures and sub-measures and according to the scores of the applications determined according to the specific ranking criteria for project selection.

In the case where two or more applications reach an equal number of points given according to the RD Programme's “specific ranking criteria for project selection; the points given for their business plans shall be taken into consideration.

That means that the project with higher points gets a higher ranking compared to other projects with the same points. If two or more projects' scores are equal, (the points given for their business plans and points given according to ranking criteria for

project selection determined in RD Programme) then the first submitted project according to submission date and hour shall be listed in a priority rank<sup>61</sup>.

Finally, the list of ranked projects according to measure and sub-measure shall be submitted to the Project Evaluation and Selection Commission (PESC) for decision on support.

The detailed procedures of the selection of applications to be supported under RD programme is described in internal regulation on “Rules and Procedures for PESC” (to be written by PA and agreed by PMC). The list of awarded projects under the RD Programme shall be completed and signed by each members of the PESC in the meeting and shall be recorded. The minutes of meetings of PESC shall be recorded.

After the conclusion of contracts with beneficiaries, the implementation of the contracted project can start, all procurement procedures should be performed prior to the conclusion of the contracts.

### **17.2.8      *Payment procedures***

A notification letter is sent to the beneficiary for submission of the Payment Claim Package. The beneficiary obtains the necessary documents in the Payment Claim Package (PCP) from the Field Offices and submits the payment claim package to the Paying Agency with PCP and all the other necessary invoices, annexes etc.

The PA carries out the content and completeness check of all the submitted documents in PCP. After the checking of the content and correctness of the PCP, the on-the-spot control experts perform the on-the-spot controls. The procedure is similar to the one briefly explained above (preparation of checklists, reports etc.). Such on-the-spot controls shall be carried out for all of the applicants before authorisation of payments.

When all the above mentioned procedure is carried out, the the PA prepares the authorisation of payment.

### **17.2.9      *Ex-Post On-the-spot Controls***

The overall aim of this control is the comparison of the contents of the given financing contract, including its specific parts, with the results of the implementation of the projects. Moreover, such kind of checks are subsequent check of the compliance with the provisions of the contract after the completion of the project, i.e. the comparison of the contents of the individual contracts including their specific parts with the results of the implementation of the project. It shall be carried out to establish whether the terms and eligibility conditions of the grants continue to be respected.

**The general objectives of these checks are:**

- To verify the regularity and legality of the underlying transactions of the investment operations;
- To verify the reality and finality of payments made by the final beneficiary;

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<sup>61</sup> „First come first served“ principle



- To ensure that the same investment has not been financed from other sources; particularly those from the Federal Government or from the EU.

The controllers for the ex-post on the spot controls shall not have been involved in any ex-ante controls of the same investment operation.

## 18 Consultations

Outcomes of the Public Consultation on the Draft Rural Development Programme of the FBiH 2015-2020 and the provisions thereof; including overview of the participating representatives of the government and other partner organisations in the socio-economic and environmental development in line with the methodology of drafting IPARD document.

### ***18.1 Provisions adopted for the purpose of joining all competent authorities, bodies, and partner organisations***

The process of public consultation began on 14<sup>th</sup> May 2014, bringing together members of the Coordination Committee of the Government of the Federation and representatives of FMPVŠ. An event was organised to inform the public in FBiH about the FBiH Draft Rural Development Programme 2014-2020, and to invite suggestions and comments from all stakeholders during the Public Consultation process, May 14 - June 30 2014.

The launching of the Public Consultation on FBiH Draft Rural Development Programme 2014-2020 was covered by a number of media (the report and media activities included in Annex 11). The same day, the information was published on the official website of the FMAWF. The information included the response form and invitation to the members of public to contribute their suggestions and comments on this important document. Other FBiH Government institutions as well as the working group members were also informed about the materials being made available for suggestions and comments: They also published the materials on their respective websites, thus making them accessible to as many citizens of the FBiH as possible.

The Public Consultation Plan was prepared in cooperation with the FMAWF team, and it was based on the stakeholder mapping. The stakeholder mapping informed the development of the Plan, and served to determine the methods of organising focus group meetings as well as the choice of participants in the groups. The stakeholder mapping also served to identify composition of the working groups, comprising all relevant representatives of government institutions as well as partner organisations, and playing an active part in the public consultation process.

In addition to the materials being made available to the public, i.e. accessible via respective partners' web sites, the public consultation period saw a number of the planned meetings (focus groups and working groups) held. The meetings included detailed discussion of methodology, strategic objectives, selected priorities, measures, financing and implementation principles (transparency, administrative structures and procedures, programme of measures, public information, tenders, open competition, general criteria, specific criteria, separation of functions, co-financing, contracting, payments and reimbursements, eligible costs, administrative control, monitoring and control, plan of control field visits, noncompliance with provisions). The discussions proved to be very sound and constructive, and they resulted in better understanding of the Programme and its measures, better understanding of implementation and demarcation principles, as well as in securing support of all stakeholders.

Focus groups meetings included the representatives of civil society organisations, networks, universities, enterprises, banks, microcredit organisations, cantons, municipalities, agencies for statistics and other stakeholders. The working group meetings were organised for the purpose of discussing the designed measures. In addition to participation in the meetings, the focus group and working group members could also submit their responses to the final versions of diversification, competitiveness, environment and LEADER measures via e-mail. FMPVŠ also received a number of e-mail responses submitted by representatives of institutions as well as members of the public. In total, 40 comments, suggestions or questions were received from 34 different e-mail addresses. Replies to all responses were prepared and sent to the 34 addresses. All correspondence regarding suggestions or questions raised at the meetings or submitted via e-mail are included in the Public Consultation Report. The programme will provide answers to all responses if all principles and implementation structures are endorsed.

In addition to the main purpose – which was to inform a large number of citizens about the outcomes of the activities undertaken - the emphasis was placed, in particular, on bringing together all actors, and achieving understanding and ensuring support for this important Programme. All participants in the public consultations agree that the Programme constitutes a very important document for the balanced socio-economic development at the territory of the FBiH in general. The detailed overview of the public consultation process, from planning to realisation, is presented in the document itself, as well as in the Public Consultation Report, with tables presenting all the stakeholders who took part in the process, as well as all responses submitted and replies provided.

## **19 Ex ante evaluation**

### **19.1 Introduction**

The programme has been the subject of a rigorous development process that has included most of the elements of ex ante evaluation. The development process has included:

- Stakeholder analysis
- Evidence base development
- Analysis of evidence base
- Development of policy options
- Public Consultation
- Framework and Programme Development

The process of analysis has included Sectoral analysis and SWOT/TOWS and PESTLE analysis. Through this process the pre-existing economic, social and environmental conditions have been evaluated.

### **19.2 Description of the process**

The evidence base was commissioned through pre-eminent experts in a number of prescribed fields, i.e.:

- Macro-economy
- Agro-economy
- Agriculture
- SMEs
- Tourism
- Forestry
- Infrastructure
- Socio-economic position
- Legal Framework.

The process of analysis is described in Section 4, which covers the SWOT, TOWS and PESTLE methodologies; as is the process of strategy development that then followed.

The strategy that emerged from this process has then been subjected to external consultation, which is described in the previous section.

### **19.3 Summary of outcomes/recommendations**

The basis for the programme that has emerged from the Rural Development Framework and Programme analysis process can be summarised as follows:

- The programme has been developed on a sound methodology that meets EU standards and uses EU templates;
- The methodology incorporates Impact Assessment;

- The programme prioritises 4 delivery themes: Competitiveness, Diversification, Environment and Leader;
- Adopts a strategic approach of addressing weaknesses through taking advantage of the available opportunities in order address those weaknesses and as a result turn FBiH's potential strengths into real economic capacities in the longer term;
- Balances strategic investment in the agriculture, along with job creation through Diversification of the rural economy;
- Is supported by a comprehensive technical support measure that will progressively strengthen the capacity of the Federation and its institutions to absorb the support on offer;
- Provides a set of measures that will be environmentally positive; and
- Is based on a strategic vision.

## **20 Publicity, visibility and transparency**

### **20.1 Introduction**

Publicity, visibility and transparency are major principles for the programme and its development. These principles have been implemented through the process of development and will inform its future implementation; in particular through the programme communication strategy.

### **20.2 Communication Strategy**

The Communication Strategy includes:

- Publicity plans
- Transparency requirements

Actions foreseen include informing potential beneficiaries, professional organisations, economic, social and environmental partners, bodies involved in promoting equality between men and women and NGOs about possibilities offered by the programme and rules of gaining access to funding.

The Ministry will make action plans to inform the general public about the role of the programmes and their results.

### **20.3 Communication Principles**

One of the preconditions for satisfactory administration of the Programme is informing all stakeholders. Given the fact that implementation of the projects financed under this programme implies a very wide range of activities and beneficiaries, it is important to involve a very wide range of stakeholders. This will include institutions such as the Regional Development Agencies, Expert Institutes, Universities, Farmer Associations, Cooperatives, the network of extension officers, can all be referral institutions for potential final beneficiaries.

Local offices of the Paying Agency administration should collect applications, Kantons and Municipalities will also be referral points for potential final beneficiaries and will be used as key information and communication nodes on behalf of the Programme.

The programme has been developed in line with IPA Implementing Regulation (EC) No.718/2007, Article 62, which sets the obligation to inform the public, especially final beneficiaries, about the purpose, goals and modes of use of IPARD assistance.

In addition to the final beneficiaries, the wider public must be informed of the role and any contribution of European Union; although in this case of course it will be FMPVŠ support that will be the Federal Government's support that will be promoted. Information and promotional activities will be jointly designed and implemented by FMPVŠ and partners.

## **20.4 Communication Channels**

The programme will be promoted through the following channels and mechanisms:

### **Website**

The website will be the primary root for the Ministry to ensure that an up-to-date set of programme material is continuously in the public domain. General information on the RD Programme including concise information on the objectives of the programme, its legal framework, and the context of all measures will be on the website of FMPVŠ.

Detailed information on the procedures for application, approval, payments and control for each measure will be available on the website of the FMPVŠ/ Paying Agency.

### **Leaflets, Posters:**

Concise information in simple language on the programme, its priorities and the measures with the same content as stated above

### **Newspapers**

Articles on the RD Programme and its measures will be provided to the general print media and for specialist and professional newspapers including interviews with representatives of the FMPVŠ and Paying Agency will be coordinated by the PR Department of FMPVŠ.

### **TV and radio**

The RD Programme and the contribution of its measures for rural development in Bosnia and Herzegovina will be provided to TV and Radio will be coordinated by the PR Department of FMPVŠ.

### **Other**

FMPVŠ will prepare a Beneficiary Guide per RD measure (free of charge and for downloading from the Websites of the FMPVŠ/ Paying Agency) with detailed information specified for each measure/ sub-measure (objectives, eligible investments and costs per sub-measure, eligibility criteria, beneficiary, co-financing mechanism), and the accredited administrative procedures (application, contracting, payment, tendering procedures, control).

The Programme and the contribution of its measures for rural development in Bosnia will be presented in local, national and regional fairs, exhibitions etc.

## 21 Equality provisions

Gender equality and equality between different ethnic groups are fundamental principles of the foundation of the Federation and all other levels of administration that apply to its citizens.

Consequently, equality between men and women and the promotion of non-discriminatory practices is one of the design principles of this programme. Gender balance and gender mainstreaming have been promoted at each stage of programme design and will be promoted through implementation and monitoring.

As the programme is implemented, mechanisms will be developed to promote the interests of women and other under-represented groups. This will include targeted promotion and use of dedicated media channels, which will enhance access to information by these key groups.

Project selection within the programme will be guided by General and Specific criteria. These criteria internalise the values of the programme and for example, women-led developments will be favourably scored through this mechanism.



## **22 Technical and Advisory services**

### **22.1 Introduction**

Technical and advisory services are a critical component of the programme and it is important that actions taken to ensure the availability of sufficient technical and advisory capacity for the proper implementation of the Programme.

This is normally provided through a single coordinated agricultural and rural development advisory service and there is no reason why this could not be the case in the Federation territory.

Some issues do need to be addressed in terms of the legal framework as well as coordination between the various levels of government, however, the approach and principles laid out in section 8.5 is feasible, given sufficient will to provide an effective network.

### **22.2 Roles and functions**

The Advisory service should provide free of charge services to farms and rural businesses with the aim of increasing productivity and economic efficiency of agriculture and the rural businesses, as well as renewal, development and preservation of community, culture and heritage of rural areas.

The main tasks of the service will be to provide technological recommendations, instructions and practical examples for the demonstration of new technologies and new management methods, as well as studying the available knowledge and skills needed for the sustainable development of rural areas.

### **22.3 Activities**

Implementation will include in informing, organising promotional activities and providing assistance to agricultural producers and rural businesses relating to the Rural Development Programme in the FBiH territory.

Activities will include lectures, presentations and courses for education throughout the year and will involve coordination with scientific and other institutions and subjects which have also participated in the proposals and evaluation of projects proposed for a particular research.

The service should also conduct promotional activities related to adjustment of agricultural sector and development of the rural economy in the pre-accession period for FBiH. Examples include:

- Training of trainers – education of employees as trainers who took over dissemination of information to potential beneficiaries;
- Workshops / lectures – were organised at Kanton and municipality levels, designed for local self-government representatives and potential beneficiaries.
- Events (round tables, workshops, lectures, etc.) on invitation;

- Media – advertising and informing public through press, radio and television
- Websites
- Promotional material – promotion and distribution of promotional materials to final beneficiaries.
- Direct cooperation with FMPVŠ in organising and implementation of information activities in relation to the Rural Development Programme, and other pre-accession programmes.

## **Technical Annexes**

***Annex 1 Financial Tables and budget rules***

***Annex 2 Scoring criteria***

***Annex 3 Examples of good practice***

***Annex 4 Implementation and Action Planning***

***Annex 5 List of relevant regulations of importance for the implementation of the Programme***