

COVID-19 AND FARMING PRODUCTION IN BOSNIA AND HERZEGOVINA

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Background

The lack of proper attention to the agricultural sector by authorities in Bosnia and Herzegovina is most evident in periods of emergency, such as the current COVID-19 pandemic. Decision-makers appear to consider the importance of agricultural production and the status of farmers primarily when a crisis forces these matters onto the agenda. Today, the pandemic has suddenly raised concerns about how to ensure sufficient amounts of food and supplies to the population in a situation of disrupted communications, closed borders, and complicated imports. Russia's announcement that it would suspend wheat exports, interrupting supplies of this vital staple at the global level, has caused particular worry.

Considering that Bosnia and Herzegovina meets 80–90% of its food needs with imports, each global-level disruption of food supplies can have severe consequences. Overall, it is hard to know what the long-term food security impacts of the current crisis will be in terms of supplies of important agricultural products like wheat, corn, soybeans, animal fodder, etc.

Bosnia and Herzegovina has no state-level ministry of agriculture and rural development. There is a division within the Ministry of Foreign Trade and Economic Relations that covers these areas, but only from the standpoint of international communication and measures applied in that context – mainly regarding trade and flows of agricultural products. At the level of the Federation of Bosnia and Herzegovina as well as the Republika Srpska entity, respective ministries of agriculture are responsible for policies, measures taken, and particularly the implementation of incentives that are planned in yearly budgets. For the Federation of Bosnia and Herzegovina, BAM 87 million (EUR 44.5 million) in incentive measures have been planned for 2020, while BAM 75 million (EUR 38.4 million) has been planned for Republika Srpska. Incentive measures are managed independently in regular and emergency situations, and as such they will be presented separately below.

In the Federation Bosnia and Herzegovina, financial incentives for agriculture are handled by the cantonal administrations (10 cantons) and municipalities. In Republika Srpska, they are implemented directly by the Ministry of Agriculture and by municipalities.

Support package to agriculture for 2020 in the Federation of Bosnia and Herzegovina

In the Federation of Bosnia and Herzegovina budget for 2020, BAM 87 million (EUR 44.5 million) in incentives was allocated for financing of ongoing production and capital investments in agriculture. Taking into consideration the new situation caused by COVID-19, additional funds have been promised. Another BAM 9.5 million has been earmarked for programmes to

support starting up production, encouraging spring or autumn sowing, and similar activities not covered by existing models, as part of new COVID-19 aid measures. For the programmes related to starting up production and encouraging spring sowing, individual farmers can obtain up to BAM 1,000 in incentives. In other programmes, emphasis is also placed on implementation of land policy measures and increasing the volume of agricultural production, all with the aim of mitigating the effects of the COVID-19 pandemic.

These support measures will be implemented via the Cantonal Ministries of Agriculture, Water Management and Forestry, and via the local self-government units (cities/municipalities). Costs that will be supported by this package include: procurement of seeds and mineral fertilizers; protection for production of silage and commercial corn, buckwheat, and many vegetables (e.g. tomatoes, peppers, cucumbers, eggplants, carrots, beets, peas, white and red onion, green lettuce, potatoes).

In cooperation with the Development Bank of the Federation of Bosnia and Herzegovina, the Ministry of Agriculture participates in credit lines to farmers. The Ministry ensures 25% in grant funds, the Development Bank allocates 50% of funds, and the beneficiary must cover 25% from his or her own funds. Farmers can obtain grant funds covering up to 25% of approved investment costs, while additional financial support is available for women in agriculture and younger people up to age 40.

Support package to agriculture for 2020 in the Republika Srpska

In the Republika Srpska's budget for 2020, BAM 75 million (EUR 38.4 million) in incentives was allocated to finance existing agricultural production and capital investments. Considering the new situation caused by COVID-19, more funds have been allocated and an incentive programme for agricultural production has been developed. Thus, a 30% fixed refund was approved – 40% for farms 600 metres above sea level – for investments in agricultural mechanization, livestock equipment, crop production and irrigation, and processing of agricultural products. A total of BAM 5.5 million in reimbursements for agricultural fuel was approved for spring and autumn 2020 operations. Seed support was approved for domestic producers amounting to 50% coverage of the retail price, with the aim of increasing local areas sown with domestic seeds. Small sowing packages are slated for distribution to smaller family farms, totalling BAM 2.6 million altogether. Funds have also been set aside for import of components needed to produce livestock and poultry feed, especially soya. Additionally, the International Fund for Agricultural Development (IFAD) is providing medium-scale farmers with BAM 500,000 in co-funding for soybean sowing. Further, support is being provided to the domestic processing industry for the purchase of local agricultural products in cooperation with the Development Bank of Republika Srpska. An incentive of BAM 2,000 per hectare was also approved for sowing of industrial crops (soya, sunflowers, and oil beet). Finally, support for organic food production is offered at BAM 600 per hectare or BAM 600 per conditional head of livestock.

Through the Investment Development Bank, earmarked funds for contracting, production, and purchase of domestic products in the amount of BAM 60 million will be provided. Monies from the revolving fund are also available in the amount of BAM 7 million for special purposes, depending on how the situation with the COVID-19 pandemic unfolds. From International

projects in agriculture funds, BAM 31.5 million has been ensured. Lastly, payment of concession fees and rent for use of agricultural land has been postponed for three months.

Impact of COVID-19 on the state of agriculture in Bosnia and Herzegovina

According to information available to the Regional Development Agency for Herzegovina (REDAH)¹ the outbreak of the COVID-19 crisis initially disrupted the supply of agricultural products, especially in the month of March. The crisis began at a time when there was very little fresh domestic produce on the market, especially fresh fruits and vegetables. The situation was quickly stabilized, however, avoiding significant shortages of agricultural raw materials or food. Retail chains rapidly agreed with governments in the region and EU Member States to not block trade or supply of goods, especially of agricultural products. However, livestock production (e.g. sheep/lamb meat), in particular, suffered consequences when the COVID-19 lockdown caused demand to drop from restaurants, hotels, and wedding salons. In addition, the whole tourism/hospitality sector was disrupted, further lowering total consumption. Unfortunately, the government did not implement measures to help livestock farmers deal with their resulting surplus stock, such as by increasing their breeding herds of sheep, cows, goats or by developing partnerships between farmers.



Herzegovina region. Photo credit: Ivica Sivric



Urban agriculture in Sarajevo. Photo credit: Hamid Custovic

The agricultural impact of the pandemic and lockdowns was different from place to place in Bosnia and Herzegovina. The pandemic only began to be taken seriously around mid-February to early March. Preparations were greatest in the sub-Mediterranean part of Bosnia and Herzegovina. There was a relatively early request from this area to Bosnia and Herzegovina's Crisis HQ to allow movement of farmers so they could prepare soils and procure seeds, plant protection items, and fertilizers for sowing. This request was approved at the beginning of April, enabling free movement on farms and private plots. However, challenges remained for movement between municipalities especially because Herzegovina-Neretva Canton (HNC) implemented strict quarantine measures and restricted all mobility except transit. This measure lasted for two weeks in April.

COVID-19-related incentive measures were introduced for specific types of production – especially those that show results quickly – such as vegetable growing, farming, poultry/pig

¹ Interview with Ivica Sivric, Head of Center for Rural Development and Agriculture at REDAH, May, 2020

fattening, etc. based on availability of unused resources (land, facilities) and sufficient raw materials (e.g. seeds, seedlings, fertilizers, plant protection items, animal feed). The results of this will not be fully evident until the autumn. Increased agricultural production in other areas will only be possible in the long run, including fruit growing, viticulture, certain forms of livestock production, and wider capital investments in agricultural infrastructure and rural development. The authors hope that government resolve and political will continue in the coming years, as it could bring about a major transformation in agricultural policy and rural development on behalf of villages and farmers in Bosnia and Herzegovina. Thanks to EU accession funds and especially through the Instrument for Pre-Accession in Rural Development (IPARD), one can expect improvements in agricultural production and rural development, though much will depend on the course of the pandemic and conditions of political stability in the region.

A big problem for Bosnia and Herzegovina is presented by inadequate and out-of-date statistics. The last census was conducted 50 years ago, often resulting in speculative policies based on very weak agricultural data domestically.

Certain local food producers have actually benefitted from the current situation. The COVID-19 pandemic did not harm the work of beekeepers in Bosnia and Herzegovina, for example. In fact, demand for honey and other bee products doubled compared to the same period last year. This is likely due to a significant increase in general awareness about the importance of a healthy lifestyle and healthy foods.

In many urban areas in Bosnia and Herzegovina, people show increasing interest in urban agriculture. Recognizing the needs of the local population, some municipalities are now explicitly supporting urban agriculture. For example, the municipality of Novi Grad Sarajevo allocated state land for use free of charge, and additionally provided users with free seed material.

In this difficult time, urban agriculture is becoming an important part of the concept of food production at the local level and a necessary part of the model of sustainable cities.

For more information on the general COVID-19 situation in the Bosnia and Herzegovina, please consult the following websites:

https://www.ba.undp.org/content/bosnia_and_herzegovina/en/home.html

<https://farmabih.ba/en>

<https://www.redah.ba/index.php/en/>

http://balkans.aljazeera.net/vijesti/koronomija-na-bh-nacin-prilika-za-samoodrzivu-privredu?qt-view_news_taxonomy news_taxonomy_panel_pane=5

The observations, analysis, and opinions expressed in this short report are solely those of the authors. The main contributor and contact person, Hamid Custovic, is a professor at the University of Sarajevo.