
"FUNCTIONAL REVIEW OF THE AGRICULTURAL SECTOR IN BIH"

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GLOSSARY OF ACRONYMS

AIMCS	Animal Identification, Monitoring and Control System
BiH	Bosnia and Herzegovina
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CAP	Common Agricultural Policy of the European Union
CoM	Council of Ministers (BiH state level government)
CSA	Civil Service Agency
DB	District of Brcko
DAWF	Department of Agriculture, Forestry and Water Management, District of Brcko
EC	European Commission
ECD	European Commission Delegation
EIU	European Integration Units
EU	European Union
FAO	Food and Agricultural Organisation
FBiH	Federation of Bosnia and Herzegovina
FBiH MoA	Ministry of Agriculture, Water Management and Forestry of the FBiH
GDP	Gross Domestic Product
GFAP	General Framework Agreement for Peace in BiH
HRD	Human Resources Development
HRM	Human Resources Management
i.a.	inter alia
IEBL	Inter Entity Boundary Line
Mil	Million
MoA	Ministry of Agriculture
MoFTER	Ministry of Foreign Trade and Economic Relations
Mol	Ministry of Energy, Mining and Industry
n. a.	No data available
NGO	Non Governmental Organisation
O.G.	Official Gazette of BiH
OIE	World Organisation of Animal Health
OHR	Office of the High Representative
PAR	Public Administration Reform
PRSP	Poverty Reduction Strategy Paper
RS	Republika Srpska
RS MoA	Ministry of Agriculture, Forestry and Water Management of the RS
SAA	Stabilization and Association Agreement
SAPARD	Special Accession Programme for Agriculture & Rural Development
SC	Steering Committee
SVO	State Veterinary Office
SCM	Steering Committee Meeting
TA	Technical Assistance
ToR	Terms of Reference
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
WTO	World Trade Organisation

EXECUTIVE SUMMARY

- A) This study is the result of the project “Functional Review of the Agricultural Sector”, Europe Aid/ 116651/C/SV/BA. The project is based on the “**Memorandum of Understanding (MoU) on the Functional Reviews of Public Administration**”, signed by the Chairman of the Council of Ministers of BiH, the Prime Ministers of FBiH and RS, the District Brcko and the Delegation of the European Union in Sarajevo. The review is part of the overall Public Administration Reform process in BiH. It is designated for the BiH Council of Ministers for further consultations.
- B) Review activities started mid of February 2004 and were finalised end of September 2004. It was the **objective of this review**
- to analyse structures, competencies and functions as well as human resources and budgets of agricultural administrations at all administrative levels of BiH,
 - to compare the situation in BiH with public administration structures in other countries (benchmarking), and
 - to elaborate recommendations for increased efficiency in the agricultural sector and for enhancing the ability of BiH to actively contribute to the Stabilisation and Association process as well as to prepare for future EU accession and WTO membership of BiH.
- C) The review’s recommendations should especially help BiH agricultural administrations to better **support the agricultural sector development**. The situation with regard to agricultural production and living conditions in rural areas of BiH is characterised by a slow recovery process: agricultural productivity is still depressed; the large majority of farm holdings are small and in rural areas up to a large proportion of the population has to live from agriculture. Huge trade deficits are caused by trade imbalances especially in processed agricultural products. On the other hand, BiH has a considerable production potential. Increased efficiency of the BiH agricultural sector is therefore not only important for future EU accession but for the country’s development in general.
- D) The **analysis of the present allocation of functions** in the agriculture sector leads to the following conclusions:

There is a general lack of institutional capacity to develop, co-ordinate and monitor agricultural policies and legislation. The absence of such capacities on State level is particularly problematic with regard to EU integration and international agricultural trade policies and legislation. Coordination on State level is almost non-existent. On State level almost no legal expertise exists for agricultural matters; Cantons and Entities lack specific agricultural legal expertise in their agricultural administrations. The bulk of administrative functions are with the administrations in Entities, Cantons and Municipalities. However, staff resources for administrative functions are often not sufficient. In practice this leads to functional gaps or an inefficient mix of administrative, inspection and support functions. Administrative functions are limited on State level to border control and coordination tasks. Direct lines of command sufficiently linking State administration with administrations in Entities and Cantons do not exist.

Inspection functions are spread out on all administrative levels in a relatively uncoordinated way. The high number of different inspection authorities on State, Entity, Canton and Municipal level makes it almost impossible to organize an efficient inspection structure with clear lines of command. Support functions for farmers, rural population, processors, etc. are generally underdeveloped. Subsidy programs are organised in an inefficient way. Due to a lack of staff and know-how sufficient program planning, monitoring and evaluation

mechanisms are missing. The absence of *multi-annual* support programs and the domination of product linked support schemes leads to a limited impact of present support measures. Extension services for farmers are only available in a rudimentary form.

- E) The **analysis of human resources** in agricultural administrations comes to the following conclusions:

Present total staff numbers in public administrations dealing with the BiH agriculture sector are very modest when considering the size and importance of the agricultural sector in BiH and when comparing with other countries. Especially problematic is the weak staffing in State level administrations dealing with the agricultural sector. Key functions such as policy planning, coordination and monitoring as well as drafting of legislation, EU harmonization and direct support of farmers are understaffed or not staffed at all. Human resources management in agricultural administrations is characterised by the absence of suitable policies, unclear and mixed competencies and functions and underestimation of training needs.

- F) The **analysis of finances and budgets** of the agricultural sector administrations comes to the following conclusions:

- Presently, limited budgets for agriculture (2-3% of total public budgets) do not correspond with the high share of GDP generated by a BiH agricultural sector (12%), the considerable revenues from agriculture and traded agriculture products as well as with the high employment rate in the agricultural sector (18%).
- There has been an increase of the overall spending in the public agricultural sector in the period from 2002 to 2004: From a limited 1,7% of the total public budgets in 2002 to a projected 2,8% in 2004. Budget allocations for transfers/subsidies have increased remarkably over the period from 2002-2004. However, budget allocations for transfers and subsidies are still well behind legal obligations (3% - 4% of total public spending in Entities) and actual budget execution is normally considerably lower than the projections.
- Although public funds for transfers and subsidies increased over the last two years operational costs (especially material costs) were not sufficiently increased. Due to lack of staff and equipment, subsidy planning & monitoring, application handling and control measures cannot be carried out efficiently.
- The capacity for modern financial management and planning in the administrations is generally weak within the units in charge of budgets and finances. Additionally, budgeting procedures are not sufficiently linked to policies, strategies and activities. Especially problematic is the absence of *multi-annual* financial planning and too limited budgetary flexibility.

- G) The review compared key data from BiH with recent data from Slovenia, Austria and Latvia. This **benchmarking exercise** revealed the following:

Staffing of BiH agricultural administrations is well below that provided in the benchmarking countries. The present total staff in BiH agricultural administrations (without water management and municipal staff) amounts to around half of the staff in Slovenia and is around five times less than in Austria and Latvia. Annual public subsidies and support per ha rank lowest in BiH with only 16 € whereas e.g. in Slovenia these funds amounted to 300 € per ha in 2003. This figure reflects the importance Slovenia gave to the agricultural sector already in the pre-accession period. With a *per capita* public spending in 2003 of only 9 € for the agricultural sector BiH is also well behind the compared countries (Slovenia: 115 €, Latvia: 43 € and Austria: 208 €). The comparison with the benchmarking countries reveals also remarkable deficits in agricultural trade: whereas the import/export ratio of processed or unprocessed agricultural products is almost balanced in the other countries in BiH imports outnumber exports 16 times! Experiences

from former EU Candidate Countries show that strengthened State administrations for the agricultural sector are needed to coordinate and guide the complex EU harmonization and integration process and to serve as contact and negotiation point with the EU and other international institutions. Even in federally organized countries like Austria or Germany key coordination functions as well as legislative competencies to implement EU regulations and other norms are exclusively reserved to the State level.

H) Having in mind the analysis of the BiH agricultural sector the review formulates a number of **recommendations**. The most important recommendations are the following:

1. A State Ministry of Agriculture and Rural Development to strengthen central coordination and harmonization functions

Based on the recommended State Law a State Ministry of Agriculture and Rural Development (MoARD) has to be set up to perform key functions needed on State level. These key functions are:

- Harmonisation with EU Common Agriculture Policies and EU standards & focal point for the EU,
- Agricultural trade and negotiations,
- Supervision of regulatory functions on State level (mainly in the field of veterinary, plant health and food safety) including border inspections,
- Development & coordination of BiH policies & strategies for the agriculture sector,
- Coordination & monitoring of policy & strategy implementation,
- Drafting of State level legislation,

The present constitutional setting and practice already provide sufficient competencies for the State level to carry out these functions. Presently these competencies are with the Ministry for Foreign Trade and Economic Relations (MoFTER). The new MoARD has to take over these competencies. A specialised Ministry for the BiH agricultural sector is a **key requisite for any further substantial progress towards EU integration and development of the BiH agricultural sector**. To be able to comply with the huge tasks ahead it needs a specialized Ministry on State level focusing fully on the agricultural sector and EU harmonization. The importance and complexity of the EU Agricultural Policy needs a Ministry that can sufficiently represent the BiH agricultural sector on State level and vis-à-vis the European Union. This is not possible within MoFTER and also improved inter-Entity cooperation cannot provide these functions. However, the new MoARD will of course have to cooperate closely with MoFTER, especially with regard to international agricultural trade negotiations!

The MoARD will have to supervise and guide all State Executive Agencies related to agriculture, i.e. the State Veterinary Office, the future State Plant Health and Food Safety Agencies as well as a State Paying Agency which will be necessary to administer EU funds and support schemes. Experiences from former EU Candidate Countries show clearly that only one Paying Agency can be set up in a country and that the Agency has to be located on State level. This study provides a detailed description of the future MoARD and its Executive Agencies and recommends a staffing of 95 in the MoARD and of 181 in its four Executive Agencies.

2. A State Law on Agribusiness and Rural Development for better co-ordination and clarified allocation of competencies

It is recommended to prepare a State Law on Agribusiness and Rural Development. Such a law is needed to better clarify the allocation of competencies and functions in the agricultural sector and to improve coordination and efficiency. The law will help to accelerate legislative and administrative procedures and to avoid duplications and redundancies. The law has to describe coordination procedures of Entity MoAs (as well as District Brcko) especially with regard to their administrative and legislative competencies.

The State law also has to make provisions for the implementation of an obligatory reporting system for legislation drafting in order to avoid duplication of legislative efforts at different administrative levels. Most important, the State law has to define institutional capacities on

State, Entity, Canton and Municipality level needed for future agricultural development and EU harmonization. The law should also provide mechanisms for the preparation of an annual green report on the situation of the BiH agricultural sector and should specify responsibilities and definitions for a number of important issues (agricultural statistics, registration of farmers, agricultural census, etc.). This functional review produced a draft State Law on Agribusiness and Rural Development which can be used as working material in the future discussion process.

3. Transforming Entity Ministries of Agriculture from Inspection into Development Ministries

The set up and development of a new State MoARD does not mean that Entity Ministries in charge of the agricultural sector are not needed any more. Quite the contrary is true, as the State level administration will fully rely on administrative and support functions carried out in Entities. The study recommends the strengthening of the Entity MoAs to enable them to properly carry out their planning, monitoring, administrative and support functions. The present "Inspection" Ministries have to be transformed into "Development" Ministries which are actively supporting agricultural development. The present rudimentary organizational structure and staffing has to be drastically improved! The review recommends an "ideal" organizational structure for an Entity MoA. The proposed organisational structure includes i.a. a Development Sector which will provide strengthened capacities for central support and development functions as well as for EU implementation on Entity level. Clear responsibilities are allocated for food safety as well as for plant health by transforming the present Veterinary Sectors into Sector for Animal & Plant Health and Food Safety. The study also provides a number of specific recommendations for the two Entity MoAs as well as for organizational development in the District Brcko. In the RS it will be crucial to develop Regional Offices and to combine their work with a strengthened RS Extension Agency. In the FBiH it is essential that the Entity MoA develops efficient and transparent cooperation mechanisms with Cantons and Municipalities.

4. Strengthened institutional capacities of Cantons and Municipalities for support functions close to the clients

Cantons and Municipalities play a crucial role in carrying out administrative and support functions close to farmers, rural population and processors. These decentralised structures are of great value for the support and development of the agricultural sector. They will also be important for implementing future decentralised EU support measures for agriculture and rural development. To adequately fulfil these support and administrative functions they have to be strengthened. Lacking expert staff has to be hired. Additionally, it is necessary that all ten Cantons develop extension services according to the specific size of each Canton. The Canton level is regarded as the administrative level most suited for such services. Although cantonal agricultural administrations have not to have automatically the status of a Ministry it is essential that in a number of Cantons they get more priority and financial resources than it is the case at the moment.

Municipal agricultural administrations have to be strengthened to properly fulfil administrative and support functions close to the clients. This especially applies for Municipalities in disfavoured, poor regions. A minimum of two qualified staff is needed in each FBiH Municipality, one focusing on administrative tasks and one supporting mainly extension and subsidy/support program implementation in close cooperation with Entity and Canton administration and extension services. In RS Municipalities more comprehensive administrative and inspectorial functions require at least 3-4 staff per Municipality on average. Municipalities in both Entities have to be much more involved in the design, administration, monitoring and evaluation of support schemes of Entities and Cantons.

6. Efficient veterinary, plant health and food safety administration to support the sector and to fulfil key EU requirements

It is recommended to concentrate the responsibility for veterinary, food safety and plant health administration at State and Entity/District Brcko level. Responsibilities of cantonal and municipal authorities with regard to veterinary, food and plant health inspection should be gradually abolished.

In the longer run a system covering the whole of BiH is recommended which should be based on the State Executive Agencies and a limited number of regional executive offices. All legislative competencies and executive functions should then be with the State level.

7. Professional services from specialised institutes and sector associations

Specialized agricultural or veterinary institutes and sector associations in the future have to play a key role in developing the BiH agricultural sectors and to prepare for EU integration. Generally, public administrations have to concentrate on functions that have to be carried out by public authorities. Market mechanisms should be applied whenever possible. It is recommended that public administrations clearly define the needed input and services from institutes which are based on long-term policies and implementation strategies. The special functions and contributions of each individual institute as well as the financial contributions from each public administration should be clearly defined and multi-annual financing applied.

8. Improved support services and instruments for planning, coordination and management

The future development of the BiH agricultural sector and successful preparation for EU integration and other international obligations will need substantial improvement of present planning, coordination and management procedures. Special *formalized* instruments have to be introduced in all agricultural administrations. The study provides a number of proposals for e.g. formalized coordination procedures to support the coordination of law drafting, improved delegation of responsibility and tightened administrative procedures in Ministries. Improved support procedures and services will have to be based on a *multi-annual* planning and financing. Support schemes have to be developed from product linked subsidies and premiums towards more complex support measures common in EU agricultural policies like support of producer groups and marketing, rural development measures, etc. BiH should use best practices from former EU Candidate Countries like Slovenia. Given the special importance of producer groups the study provides a draft law on producer groups.

9. Strengthened human resources capacities and improved human resources management

The institutional strengthening of the agricultural sector administration in BiH will require additional human resources. The following is recommended:

- Increase of the presently 25 staff on State level to 276 staff in 2010 in order to carry out the necessary functions on State level. The staffing of the new State MoARD as of 2005 has absolute priority. The necessary staff size of 95 has to be reached at the latest by 2008. The necessary 181 staff in the recommended four State Executive Agencies attached to the MoARD has to be provided as soon as possible, too.
- *Expert staff* has to be substantially increased in both Entity MoAs during the next 2-3 years. In the RS MoA 49 additional staff has to be hired to develop the Ministry into a Development Ministry with a total *expert staff* of 92. In the FBiH 32 new expert staff will be required in the MoA for the same purpose, however total staff numbers in the FBiH MoA can be slightly lower (80 staff, without Forestry Institute) as a number of administrative functions are already carried out by cantonal agricultural administrations.
- Each of the 6 Regional Offices of the RS MoA have to be manned by *experts* from the Ministry. Equally, the RS Extension Service has to increase its staff considerably in due course. RS Municipalities' agricultural sector administration needs to be strengthened by additional staff until 2010, especially to extend extension functions.
- In FBiH, Cantons will have to develop the presently rudimentary cantonal extension services with high priority. For this, Cantons will need additional staff in the next two years. Still weak administrative functions in some Cantons need strengthening, too. FBiH Municipalities will need only very minor increases of agricultural staff.

- The District Brcko is the only administration where a decrease of staff will be possible.

The staff development in BiH agricultural sector administrations can be summarised as follows:

	2004	2010
State	25	276
RS	304	444
FBiH	459	573
District Brcko	57	44
TOTAL	845	1.337

The envisaged total staff of 1.337 for 2010 is a minimum requirement for an effective development of the BiH agricultural sector and an accelerated EU harmonisation process.

Additionally, improved human resource management will be a key requirement for the future. Administrations have to be able to attract young, qualified staff with new qualification and skill profiles (e.g. language, IT and planning skills) as well as with cross-sector know-how (e.g. lawyers, agro-economists). Adequate staff management and *training schemes* focusing on EU agricultural policies will be essential.

10. Increased agricultural budgets and improved budget planning procedures

The implementation of the recommended strengthening of institutional capacities in the BiH agricultural sector over the next 6 years needs additional financial resources. However, as the study proves this increase is modest and mostly due to legal obligations and decisions already taken. The following additional costs can be expected:

- Increase of operational costs in agricultural administrations by a total of 16 Mil KM over the period from 2005 to 2010. These additional operational costs are shared by new State level administrations (plus 10 Mil KM) and the development of administrations in the Entities (plus 3 Mil KM in each Entity). A major part of this increase on State level is the result of decisions already taken, i.e. the transfer of the border inspection control to the State level and the set up of Plant Health and Food Safety Agencies on State level;
- Additional 1,4 Mil KM are estimated as initial setting up costs in 2005 and 2006 for the new State level administrations (premises, equipment, IT, etc.);
- Additional financial resources of 14 Mil KM per year will be needed in Entities to comply with the *legal obligations* of Entities to spend a clearly defined percentage of public budgets on subsidies and support for the agricultural sector (FBiH: 3%; RS: 4%).

Assuming a growth of total public budgets of around 5% per year the implementation of review's recommendations will lead to an increase of the share of agricultural budgets in total public budgets from presently 2,8% to 3,2% in 2002 and 3,3% in 2010. That is a very modest increase of only 0,5%! The agricultural public spending per capita will increase from 18 KM (9 €) in 2004 to 47 KM (24 €) in 2010. This will be an important step forward! However, even these allocations for the agricultural sector will still be well below the spending in EU Member States and previous Candidate Countries in 2003 (e.g. Slovenia: 115 €; Latvia: 43 €).

Apart from increased agricultural budgets budget planning procedures have to improve by

- linking budgeting procedure to policies, strategies and activities and by developing long-term activity-based financial plans together with concerned experts;
- providing more work materials (IT, office equipment, vehicles, etc.) for the practical implementation of administrative and support functions of agricultural administrations;

- providing in agricultural administrations sufficient staff specialised in financing and budgeting matters and by providing training in modern financial management;
 - applying flexible procedures for budgets reallocations, and
 - founding investments on detailed assessments and country wide investment plans.
- I) To implement the review's recommendations an **action plan for the period 2005 - 2010** is proposed:
- ▶ Adoption of a State Law on Agribusiness and Rural Development in 2005.
 - ▶ Set up and development of a State MoARD from 2005 to 2008.
 - ▶ Transfer of the State Veterinary Office under the guidance of the State MoARD in 2005.
 - ▶ Set up and development of a State Plant Health Agency and a State Food Safety Agency under the guidance of the State MoARD as of 2005 and a State Paying Agency as of 2006.
 - ▶ Organisational development of the Entity MoAs into "Development" Ministries and organizational development of District Brcko Department; to be accomplished in FBiH by 2006, in RS by 2008, in District Brcko by 2007.
 - ▶ Development of support structures close to the clients: Regional Offices (accomplished by 2008) and Extension Service Agency in RS (2007); Canton extension services in FBiH (2007).
- J) The provision of the recommended additional human and financial resources is a **minimum requirement for a successful development of the BiH agricultural sector and for future EU accession**. Coming closer to EU accession and finally joining the EU BiH will have to dedicate even more human and financial resources for the agricultural sector. Only a strengthened agricultural sector administration will be able to prepare for the complex EU agricultural and rural development policies and to absorb EU pre-accession funds for agricultural and rural development!

INTRODUCTION

This study is the product of the “Functional Review of the Agricultural Sector” project, Europe Aid/116651/C/SV/BA. The project is based on the “Memorandum of Understanding (MoU) on the Functional Reviews of Public Administration”, signed by the Chairman of the Council of Ministers of BiH, the Prime Ministers of FBiH and RS and the Delegation of the European Union, Sarajevo. The review is therefore a part of the overall Public Administration Reform process in BiH. Review activities started mid of February 2004 and were finalised end of September 2004.

The overall objective of the review was

- to analyse the performance of public agricultural administrations at all administrative levels of BiH,
- to compare this performance with public administration structures in other countries (benchmarking), and
- to elaborate recommendations for increased efficiency especially by avoiding overlapping competencies and by filling present functional gaps.

The recommendations of this review should help BiH agricultural administrations to better support agricultural sector development, and to prepare the agricultural sector for accession to the European Union (EU) and for other international obligations like membership to the World Trade Organisation (WTO). However, supportive and sustainable recommendations can only be elaborated in close cooperation with concerned Ministries, administrations and individual civil servants. Support by the top management of the respective administrations was therefore requested and fully provided. Counterparts had been nominated in each key administration to support the gathering and analysis of data and the drafting of recommendations. In several workshops interim results were discussed intensively with counterparts.

In the following, the terms *agricultural* administration or *agriculture* sector are used in a broad sense as it is common in the EU. Agriculture includes all agribusiness activities (i.e. apart from pure agricultural, forestry and fishery production also the respective input, food processing and marketing industries) as well as the complex and cross-sector area of rural development. Traditionally, in BiH the competency for water management is within the agriculture sector administrations; this sub-sector is therefore also included when mentioning the “agriculture” sector.

To allow an efficient use of this review the following remarks may help to lead the way:

The review will commence by providing some basic information on the administrative, legal and policy background. This chapter A is especially meant for readers with limited or no insight in the specific conditions prevailing in BiH. Readers more acquainted with BiH in general and BiH agriculture in particular may immediately pass over to the detailed analysis of key agricultural sector administrations in chapter B. A summarizing analysis (B.1.8) will be of value to get an overview of the present allocation of functions as well as an evaluation on gaps and duplications of functions. Readers who dare not to go through the following detailed analysis on human resources (B.2) and finances (B.3) may find it helpful to consult at least the summaries at the end of each these chapters. The following chapters C, D and E include a benchmarking analysis, the recommendations and an action plan for 2005-2010. They can not be avoided without missing the essence of this review!

Attached to this review is also a comprehensive *Annex* in which aggregated key data gathered by this review is documented. Given the sometimes problematic situation with regard to access to data and statistics this database should be of help to continue work on developing agriculture administrations in BiH. Additionally attached *working materials* are meant to support the implementation of the review's recommendations.

The review team hopes that it has contributed to a successful future development of the agricultural sector of BiH and - especially - a successful integration process towards EU membership. Bosnia and Herzegovina deserves it!

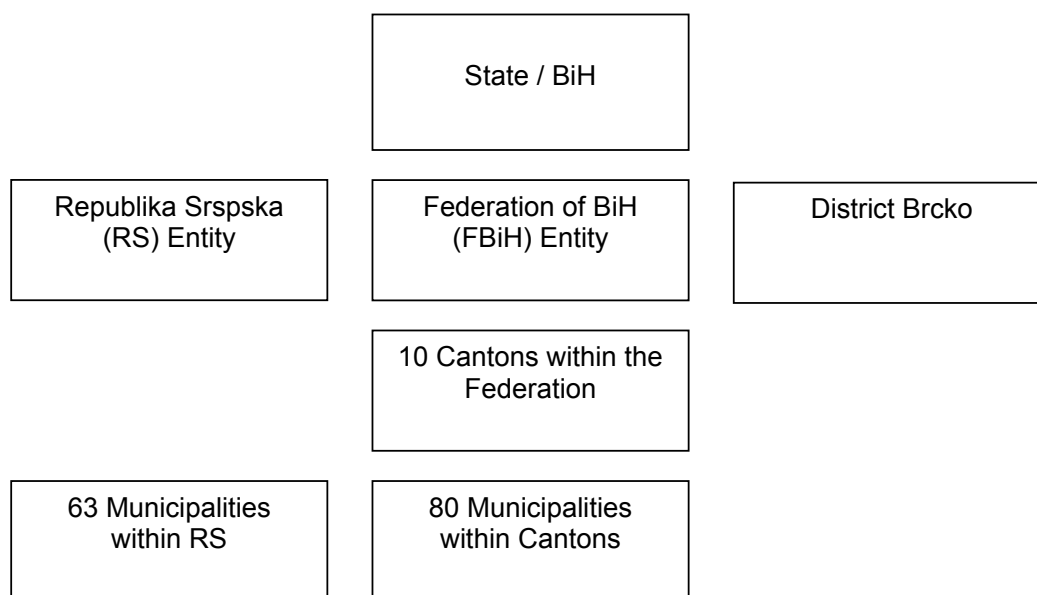
A. ADMINISTRATIVE, LEGAL AND POLICY BACKGROUND

A.1 GENERAL ADMINISTRATIVE STRUCTURES

According to the Dayton Agreement Bosnia and Herzegovina (BiH) is a decentralised state consisting of two Entities, Republika Srpska (RS) and the Federation of Bosnia and Herzegovina (FBiH). FBiH is divided into 10 Cantons. Both, the FBiH as well as the RS Constitution provide for Cities and Municipalities as additional local self-governments. There are a total of 143 Municipalities¹ (80 in the FBiH and 63 in the RS) constituting the lowest administrative structure in both Entities.

In addition, District Brcko was established as a single administrative unit of local self-government and exists under the sovereignty of BiH.

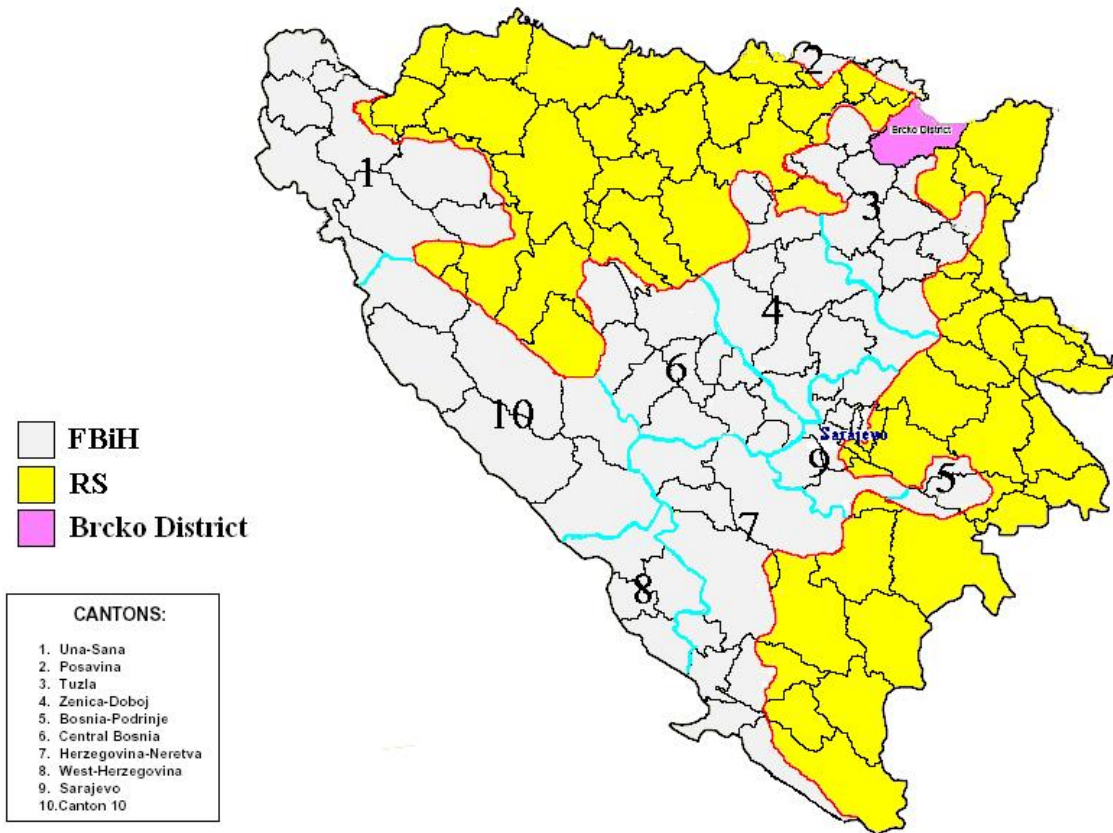
Agricultural administration takes place on all administrative levels in BiH:



The Constitutions follow to a large extent the subsidiary principle in distributing competencies for the agricultural sector. However, as it will be shown in the following chapters most competencies concerning the agricultural sector are allocated to the Entities and (in the FBiH) to Cantons, whereas the State level as well as Municipalities have generally limited competencies concerning the agricultural sector. In the RS (where no intermediate level like the Cantons in the FBiH exists) Municipalities are more involved in the administration of the agricultural sector and have more competencies. In the Federation, Municipalities have only very limited competencies which even differ from Canton to Canton. This generally subsidiary administrative structure of all governmental layers in BiH has to be taken into consideration while reviewing the functioning of the public administration in the agricultural sector of this country.

¹ Due to the merging of 6 former Municipalities in one single Mostar City administration the previous total number of 148 was reduced to 143 Municipalities in BiH.

The following map shows the administrative borders in BiH (black lines are administrative borders of Municipalities, blue lines those of the ten Cantons):



A.2 CONSTITUTIONAL BACKGROUND

The structures of the State, Entity and Canton Governments are regulated by the Constitutions (in total there are 13 Constitutions!). The organisation of the District Brcko is regulated by its Statute. This complex constitutional background is essential for the understanding of the specific administrative situation in the agricultural sector of BiH. Therefore, in the following the constitutional background and main competencies deriving from the constitutions are briefly presented.

The Constitution of **Bosnia and Herzegovina (State or BiH level)** is the fourth of eleven Annexes to the General Framework Agreement for Peace in BiH (GFAP). It came into force upon signature of the General Framework Agreement on December 14, 1995. According to the Constitution Bosnia and Herzegovina (BiH) shall consist of the two Entities: the Federation of BiH (FBiH) and Republika Srpska (RS). The Constitution divides rights and powers between the institutions of Bosnia and Herzegovina and those of the Entities. Competencies with a major impact on the agricultural sector are in the following fields (Article III.1):

- Foreign policy & international agreements,
- Foreign trade policy,
- Customs policy (tariffs, protection of domestic production).

Article III.3. provides that all governmental functions and powers that are not expressly assigned in this Constitution to the institutions of BiH shall be those of the Entities. The Entities have the obligation to comply fully with this Constitution. According to the Constitution, BiH can assume responsibilities for

- other matters if agreed by the Entities,
- the matters provided for in Annexes 5 to 8 of the General Framework Agreement for Peace in BiH (GFAP) ²,
- or matters necessary to preserve the sovereignty, territorial integrity, political independence and international personality of BiH.

Responsibilities have to be carried out in accordance with the distribution of responsibility between the institutions of BiH. Additional BiH institutions can be established if necessary to carry out such responsibilities (Article III.5.a.).

The Constitution of **Republika Srpska (RS)** was enacted in 1992 and has been amended several times. According to the Constitution, RS has all governmental functions and powers, except of those that were by the Constitution of BiH explicitly transferred to BiH institutions. Chapter III of the Constitution deals with the economic and social order. The ownership of farm land shall be guaranteed while the framework of ownership of forests and forestland shall be specified by law. The protection, use, improvement and management of property of general interest shall be regulated by law (Art. 59). According to Art. 64 Republika Srpska shall i.a. protect and encourage the rational use of natural resources and co-operatives. Within its competencies, Republika Srpska shall regulate and ensure property and obligation relations and protect all forms of property, market and planning, main objectives and directions to the development of agriculture and environmental protection.

The Constitution of the **Federation of Bosnia and Herzegovina (FBiH)** was enacted in 1994 and has undergone a number of amendments too. Division of responsibilities between the Federation and Cantons is given in Art.III. Agriculture is not explicitly mentioned anywhere in the Constitution. Responsibilities likely to concern the agriculture sector are the following:

(i) *Exclusive responsibilities of the FBiH* comprise economic policy development, including planning and reconstruction and land use policy (Art.III.1.c).

² E.g. arbitration, human rights and refugees.

(ii) *Joint responsibilities of the FBiH and Cantons* concern i.a. the use of natural resources, health, environmental policy and tourism (Art.III.2). Those responsibilities may be performed jointly or separately by Cantons but have to be coordinated by the Federation (Art.III.3.1). Both, Federation Government and Cantons have the right to develop policies and enact laws concerning each of these responsibilities (Art.III.3.). Cantons generally have all responsibilities not expressly given to the Federation Government (Art.III.4.1).

In June, 2001 the two Entity MoAs signed a Memorandum of Understanding on mutual cooperation. They agreed among others on the following:

- to contribute to the BiH market of agricultural products,
- to harmonise taxes for the trade of agricultural products,
- to work on protection of agricultural products from unfair competition,
- to start with the establishment of a trade information centre,
- to harmonise laws on the BiH level with EU regulations,
- to harmonise the legislation of the two Entities,
- to contribute to the strengthening of the BiH administrations, and
- to cooperate on the establishment of authorised laboratories.

Finally, all 10 Cantons of the Federation have their own **Canton Constitutions**. All Constitutions regulate joint responsibilities between the Federation and Cantons in the fields of environmental protection, tourism and use of natural resources including agriculture. Special responsibilities of the Cantons are:

- regulating local land use,
- regulating and promoting local business and society development,
- establishing and implementing cantonal tourism policy, and
- developing tourism resources.

A Canton may confer or delegate certain responsibilities to a Municipality or a City in its territory, or to the Federation level. If a Canton delegates a competency to Municipalities they are (in most cases) obliged to secure financing sources and they administratively have to supervise the work of the municipal authorities concerning the performance of the delegated competencies. In practice, some Cantons delegate certain competencies for the agriculture sector to Municipalities (e.g. in the field of veterinary administration and land use policy), whereas others are quite restrictive in doing so.

Analysis: As a result of the described constitutional provisions there is a high degree of federalism applied in BiH. As a consequence, the individual governmental layers are characterised by large independency and the subsidiary principle is applied in most cases. In the case of the Federation the subsidiary principle is even more expressed: competencies for the agricultural sector are not only with the Entity Ministry of Agriculture (MoA) but have to be shared with 10 cantons. As a consequence, vertical coordination and cooperation between the different governmental layers depend largely on political willingness. Decisions often take more time than in more centrally organised countries. These limitations apply especially for the agricultural sector where limited competencies are with the State level, making central co-ordination and policy development a challenge.

However, the present constitutions as well as the legal practise and the political process of the last years increased competencies on State level. As we will see in chapter B.1.1 important competencies for the agriculture sector are already with the responsible BiH Ministry presently in charge of agriculture on State level. These competencies and functions for the agriculture sector comprise international relations in general, international agricultural trade, the enforcement of key single economic market and border control measures in the field of veterinary and animal identification as well as Entity coordination functions. Recent decisions of the BiH Council of Ministers have enlarged State level competencies in the field of plant health protection and food safety. In brief, despite a diversified constitutional situation since a couple of years developments to better allocate competencies concerning the agricultural sector are ongoing. Entities agree more and more to allocate certain competencies on State level, competencies which have to be dealt with on State level for the benefit of both Entities!

A.3 AGRICULTURAL POLICIES, STRATEGIES AND OBJECTIVES

A review of functions of public administrations has to be carried out on the background of the objectives of the concerned administrations. Such objectives are normally formulated in policies and strategies which refer to key challenges of the sector. Therefore, it was necessary to identify beforehand major challenges as well as related policies, strategies and objectives of the agricultural sector in BiH. In short, the following picture can be drawn:

The natural conditions of BiH provide for distinct agricultural zones within the country:

- intensive cereals and animal production in the northern and eastern part,
- extensive sheep and cattle production in the central and western part, and
- intensive production of Mediterranean cultures and horticulture production in the southern part of the country.

Of course, the current administrative border lines do not respect these agricultural zones. As a result the conditions of agricultural production can differ very much within individual administrative borders. These diversified agricultural conditions have also implications for the organisation, staffing and functioning of agricultural administrations in BiH.

The situation with regard to agricultural production and the living conditions in rural areas is characterised by a slow recovery process: In 2004 BiH's agriculture is still suffering from the damages of the war which lasted from April 1992 until November 1995. As a consequence of this war agricultural productivity is still depressed and livestock numbers reduced. The large majority of farm holdings are very small (2-3 ha) and their land dispersed into 6-8 plots on average.³ Former state farms are mostly not any more working or in a difficult, often not finalised privatisation process. The countryside serves often as a place of survival for refugee families which returned from foreign countries. By starting agricultural activities on subsistence base people try to secure their daily life. Today, in some rural areas up to 90% of the population has to live from agriculture!

On the background of such challenges agricultural policies to develop agriculture and support rural populations is certainly a key issue. Furthermore, BiH wants to prepare for later EU integration. The necessary process of setting up institutional capacities and to harmonise policies and legislation with the EU needs detailed policies and strategies, too. However, due to lacking institutional capacities the development of such policies and strategies is still not very much advanced in 2004.

End of the 1990ties the FAO formulated two mid-term strategies for the recovery of the agricultural sector in a broad sense - one strategy for each Entity.⁴ These relatively detailed mid-term strategies still form a basis for agricultural discussions in BiH. With the recent publication of the Poverty Reduction Strategy Paper (PRSP) for BiH general goals and recommendations for a country-wide development of the agricultural sector are additionally available.⁵ However, as the PRSP paper is a mid-term development strategy comprising all economic sectors, the respective analysis and recommendations for the agricultural sector cannot replace a specific agricultural strategy for BiH.

Therefore, the Entity MoAs are working since recently on Entity specific agricultural strategies, which were, however, not finalised by mid of 2004. Additionally, a recent initiative on State level should lead to a BiH agricultural strategy. A Council for Agriculture, Food Processing Industry, Forestry and Rural Development of BiH was established as an advisory body to the BiH Council

³ Annex 7 provides detailed data on the agricultural sector of BiH.

⁴ A Medium-Term Agriculture Sector Strategy for the Federation of Bosnia and Herzegovina / A Medium-Term Agriculture Sector Strategy for Republika Srpska, both August 1999.

⁵ BiH Medium Term Development Strategy – PRSP (2004-2007), March 2004.

of Ministers (CoM).⁶ By the end of 2004 the Council will have to draft a National Plan for Agriculture, Forestry and Rural Development, using as a basis the recommendations and requirements of the PRSP paper, the White Paper of the EC⁷ and the Acquis Communautaire of the EU in general.

Generally, one can conclude that the harmonisation with EU standards and later EU accession are major and important objectives of BiH. The country hopes to be able to start soon negotiations with the EU on a Stabilization and Association Agreement (SAA) - a pre-condition to become later on a Candidate Country and to start accession negotiations⁸. The same applies for future WTO membership which is expected for 2005. The objectives for the EU Common Agricultural Policy (CAP) as defined in Article 33 and 131 of the EU Treaty as well as WTO requirements are therefore relevant for BiH agricultural policy. However, to harmonise with the respective policies and instruments necessary institutional capacities have to be developed. An overview of key administrative structures needed for EU integration is provided in the working materials attached to this study (W1).

However, apart from objectives related to EU integration and WTO membership BiH agricultural administrations try also to achieve objectives resulting from the difficult task to develop a sector which suffered much from war and transformation. The review identified the following major objectives:

- support sustainable development of agriculture, forestry and water management,
- overcome the major consequences of the war and the remnants of former state economy system,
- ensure healthy and safe supply of high quality food for consumers at reasonable prices,
- ensure fair international trade conditions for agricultural and forestry products,
- support preservation and rational use of natural resources, protection of landscape, development of tourism and animal welfare, and
- develop efficient administrative processes.

A more comprehensive overview of main policies and objectives of the BiH agricultural sector - worked out by the project team on the basis of existing policy papers and discussions with key counterparts - can be found in Annex 2 of this study.

Analysis: Generally, present agricultural objectives are still relatively general and need further detailing. Especially needed are strategies which are operational and will contribute to the achievement of objectives. Such objectives must be based on comprehensive and - very important - country wide agricultural policies reflecting also the diversified agricultural conditions and agricultural zones throughout BiH. Despite present efforts to advance in this field - by setting up a State Council - a general lack of institutional capacity to develop and co-ordinate policies and strategies prevails. However, clear policies, strategies and objectives are essential to assess the functions and functioning of public administrations!

⁶ The decision to set up the Council was published in "O.G. of BiH", No. 33/04. This Council comprises both Entity Ministers of Agriculture, the Ministers for Industry, Ministers for Refugees and the BiH Minister of Foreign Trade and Economic Relations (MoFTER) as well as the Director of the EU Integration Directorate of BiH.

⁷ White papers were issued by the EC to support the preparation of associated countries of Central and Eastern Europe for integration into the internal market of the Union. The BiH White Paper issue was published in 2000 by the EC Delegation Sarajevo and includes a chapter on agriculture.

⁸ The EC Feasibility Study on a possible start of negotiations for SAA formulated in November 2003 sixteen key requirements to be achieved in 2004 – one of them explicitly for the agricultural sector: the set up of a Plant Health Agency for the whole of BiH which has to be also in charge of plant health border controls.

B. ANALYSIS OF THE AGRICULTURAL SECTOR ADMINISTRATION IN BIH

Since according to the constitutional setting in Bosnia and Herzegovina all existing public administration levels are involved in agricultural legislation and administration, this project consequently reviewed all levels of public administration. The information collected is based on an intensive interview programme which was carried out by visiting all relevant government layers including surrounding institutions and using pre-formulated questionnaires. Models developed by UNDP⁹ gave inspiration for the development of questionnaires adjusted to the conditions in BiH. While BiH (State) and the Entity level (FBiH, RS and Brcko District¹⁰) were thoroughly reviewed in detail, Cantons and the Municipalities in both Entities were reviewed by taking samples. The selection was based on objective criteria with the aim to get a representative overview for different economic, climatic and agricultural situations throughout the country.

The analysis of the agricultural sector administrations and other important sector institutions in BiH was carried out in three steps:

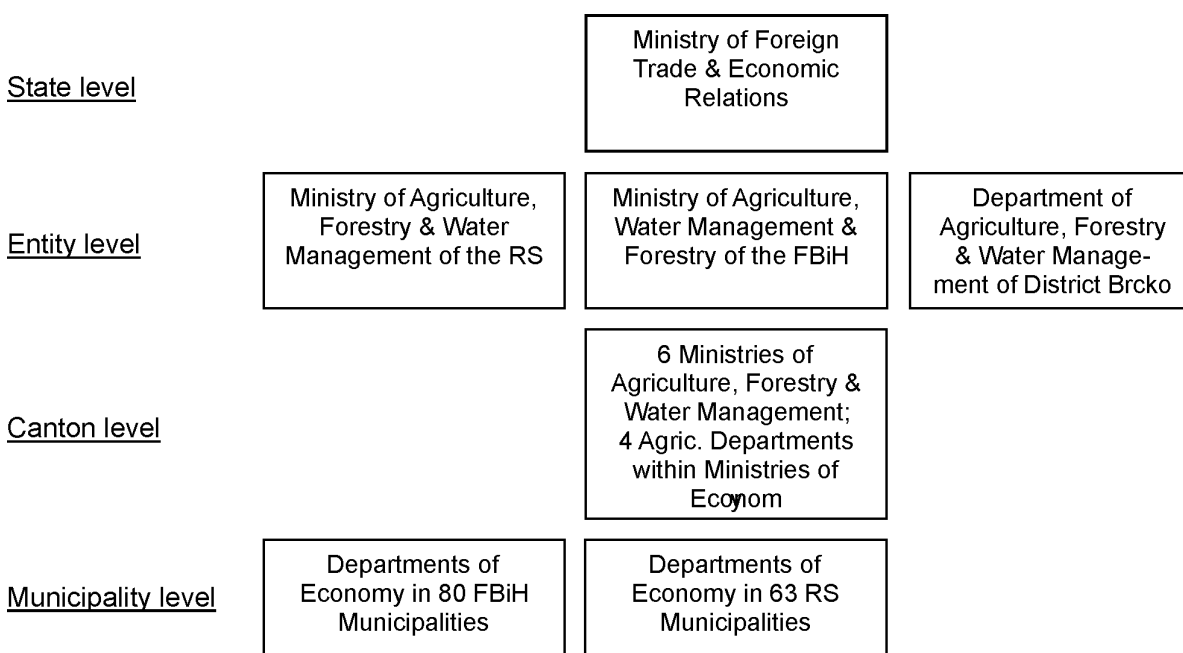
1. In chapter B.1 **structures, competencies and functions** are briefly presented and subsequently analysed. The analysis starts with the key agricultural administrations on State level, followed by the ones on Entity, Canton and Municipality levels. Important semi-public or private institutions providing major contributions to the functioning of the agricultural sector in BiH are briefly presented and analysed, too. A final comparative analysis of key functions summarises major duplications, gaps and inefficiencies.
2. In chapter B.2 the **human resources** situation in the respective agricultural administrations of BiH is analysed. Staff numbers, qualifications profiles and age structures in BiH administrations dealing with the agricultural sector will be reviewed and human resources management methods with regard to their impact on the specific needs of the agricultural sector assessed.
3. In chapter B.3 a **financial analysis** reviews the budgetary allocations for the agricultural sector in general and in key administration in particular. Additionally, financial planning procedures are analysed and the medium- and long-term financial viability of budgets reviewed.

⁹ UNDP/RBEC, Rebuilding state structures: Methods and approaches, the trials and tribulations of post-communist countries, UNDP/RBEC Policy Advocacy Papers, New York 2001.

¹⁰ According to the Arbitration Commission's Decision in 2000 the pre-war area of Brcko municipality was declared as "Brcko District of Bosnia Herzegovina".

B.1 STRUCTURES, COMPETENCIES AND FUNCTIONS OF KEY ADMINISTRATIONS AND INSTITUTIONS

The following key administrations are involved in the agricultural administration of BiH and were analysed by this functional review:



Additionally, semi-public sector institutes and other sector associations are contributing to the functioning of the agricultural sector in BiH. In the following the key administrations as well as major sector institutes and associations are individually presented and reviewed.

B.1.1 State Ministry of Foreign Trade and Economic Relations and the State Veterinary Office

The Ministry of Foreign Trade and Economic Relations (MoFTER) was founded in February 2003, and is one out of presently 10 Ministries on State level.

Legal basis for competencies in the agricultural sector: The Ministry was established by the Law on Ministries and other bodies of administration of Bosnia and Herzegovina (Official Gazette of BiH, 5/03, 42/03). The competencies of the Ministry, listed in Art. 9 of this law, with relevance to the agricultural sector are:

- foreign trade policy and customs tariff policy of BiH,
- preparation of contracts, agreements and other acts in the domain of economic relations and trade with other countries,
- preparation of bilateral and multilateral agreements and other acts related to the reconstruction and recovery of BiH,
- relations with international organisations and institutions in the domain of foreign trade and economic relations,
- preparation and drafting of macro-economic or strategic documents in the domain of economic relations,
- enforcement of the single economic space,
- import and export control of goods and services,
- consumer protection and competition,
- coordination of international economic aid to BiH (except EU aid which is a competence of the EU Directorate),
- veterinary matters: general legislation, international cooperation, inter-Entity coordination, animal registration.

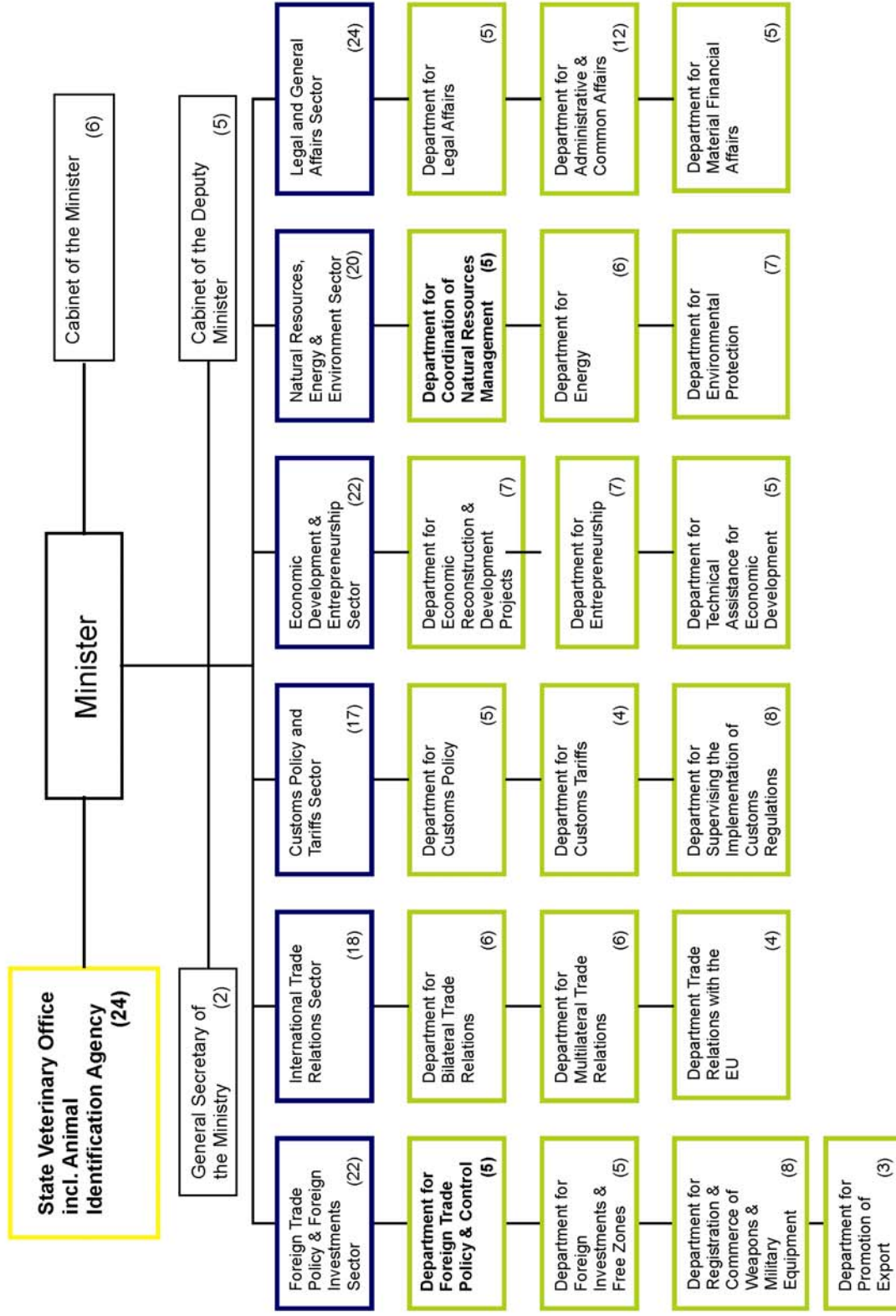
In brief, MoFTER is responsible for carrying out tasks related to defining policies, coordinating activities and harmonising plans of Entity authorities and bodies at international level - among others in the fields of agriculture, energy, protection of the environment, development and use of natural resources and tourism.

The competencies of MoFTER in the agricultural sector are focusing on foreign trade, external relations, general veterinary matters and the coordination of the Entity MoAs. The constitution also gives the obligation to the State level to enforce the single economic space throughout BiH, i.e. the free movement of commodities and services within BiH.

Structural analysis: MoFTER consist of 5 technical Sectors plus a Legal and General Affairs Sector (see organizational structure on next page). The technical Sectors are mainly dealing with foreign trade relations, customs & tariffs policies and the support of economic development and investment. Only the Sector for Natural Resources, Energy & Environment is dealing with other than trade, customs or economic matters. One of the three Departments of the Sector, the Department for Coordination of Natural Resources Management, is partly dealing with agricultural matters. Apart from this Department only one other organisational unit of MoFTER is working on issues related to the agricultural sector. This is the Department for Foreign Trade Policy & Control which is located in the Foreign Trade Policy & Foreign Investment Sector.

Most agricultural resources and competencies on State level are presently located in the State Veterinary Office which forms part of MoFTER and is directly responsible to the Minister. The BiH Animal Identification Agency, which has its headquarters in Banja Luka is an organisational unit of the State Veterinary Office.

The following organigram shows the organisational structure of MoFTER. The units dealing with the agricultural sector are marked with bold letters. The staff figures indicated in brackets are planned figures.



In the following the main functions of the two Departments dealing with agricultural matters in MoFTER and those of the State Veterinary Office as well as of the Animal Identification Agency are described and analysed:

MoFTER: Department for Coordination of Natural Resources Management

Objectives:	<ul style="list-style-type: none"> ◆ Sustainable development of agriculture and forest sector ◆ Participation in international trade with agricultural and forestry products at fair conditions ◆ Effective governance and harmonisation with EU <i>acquis communautaire</i>
Core functions:	<ul style="list-style-type: none"> ◆ Coordination with Entities on single economic space matters ◆ Meetings with international community ◆ Coordination of foreign donor projects in the field of agriculture
Staff resources: - current - planned	<p style="margin-left: 20px;">2</p> <p style="margin-left: 20px;">5</p>
Co-ordination: - Internal - External	<ul style="list-style-type: none"> ◆ No formalised procedures implemented ◆ Good informal cooperation with other Ministries and Entities ◆ Good informal cooperation with farmer organisations and the food processing industry but not as frequent as on Entity level. There is no formalised cooperation with scientific institutions dealing with development of agriculture or protection of public, animal and plant health.

Functional analysis: The Department covers limited supervisory, reporting and sometimes coordinating functions. As staff capacities for the agricultural sector are very limited analytical and policy development oriented tasks as well as coordinating functions can hardly be carried out.

MoFTER: Department for Foreign Trade Policy & Control

Objective:	<ul style="list-style-type: none"> ◆ Development of a coherent and comprehensive trade policy and development of a BiH single economic market
Core functions:	<ul style="list-style-type: none"> ◆ Monitoring and evaluating legislation, by-laws and special acts on activities which are performed in the Departments for foreign trade and foreign investments ◆ Drafting and preparation of legislation ◆ Preparing analytical and information material ◆ Issuing import permits in coordination with Entity MoAs ◆ Running the veterinary early warning (rapid alert) system ◆ Setting up an informal network on food quality, food health, veterinary and plant health control
Staff resources: - current - planned	<p style="margin-left: 20px;">1</p> <p style="margin-left: 20px;">5</p>
Co-ordination: - Internal - External	<ul style="list-style-type: none"> ◆ Cooperation takes place, but agricultural issues are not playing a major role in the work of the Ministry ◆ External cooperation with the Entities on an informal basis is rather good, however no formalised procedure in place

Functional analysis: There is no specialised knowledge about the agricultural sector in the Department which could support the trade negotiation activities for agricultural products. The Department is therefore regularly consulting the Entity MoAs during trade negotiations. However, according to the Ministry, the input from the Entity level is often not of sufficient analytical quality to substantially support the Ministry's negotiation activities. It will be therefore difficult to achieve the intended reduction of import dependency of BiH for processed food (one of the prio-

rities of the BiH Medium Term Development Strategy PRSP). The Department's present organisational structure and poor staffing related to agricultural matters do not allow the development of comprehensive policies concerning plant & animal health and food safety matters.

MoFTER: State Veterinary Office

The State Veterinary Office (VO) is an administrative organization within MoFTER and directly responsible to the Minister. It was established by the "Decision on the Establishment of the Bosnia and Herzegovina Veterinary Office" ("Official Gazette of Bosnia and Herzegovina", 31/00, 10/02). Its work is mainly based on the State Veterinary Law passed in 2002¹¹. This law was a first and important step towards improved quality and efficiency in BiH veterinary control. This framework law determines competent authorities for the implementation of the law and allocates legal competencies to MoFTER to pass by-laws in close cooperation with Entities and District Brcko. It obliges at the same time Entities and District Brcko to harmonise their own Veterinary laws in accordance with the State Veterinary Law, or legislation issued pursuant to the Law. Thus, the Law creates for the first time in the agricultural sector of BiH the possibility to establish a uniform legal situation for the whole of BiH. This will be, of course, one of the prerequisites for further harmonisation to EU veterinary standards. However, most *executive* functions resulting from the State Veterinary Law have to be carried out by Entities and Brcko District.

Objectives:	◆ Protection of animal and public health in BiH
Core functions:	<ul style="list-style-type: none"> ◆ Policy making in the veterinary field for BiH ◆ Preparation of general veterinary legislation covering whole BiH ◆ Running of the BiH animal identification programme ◆ International cooperation (OIE etc.) ◆ Legal harmonisation with EU ◆ Supervision of inspections at Entity level ◆ Coordination of cross-Entity veterinary activities ◆ Veterinary border control (expected to be practically implemented during 2004)
Staff resources: - current - planned	<p>22 (including 9 in the Animal Identification Agency)</p> <p>23 + 26 veterinary border inspectors when take over of veterinary border inspectors from Entities is completed (expected during 2004)</p>
Co-ordination: - Internal - External (with entities, cantons, municipalities)	<ul style="list-style-type: none"> ◆ Unsatisfactory financial coordination between main office and the Animal Identification Agency ◆ A permanent working group coordinating Entity veterinary activities has been established ◆ No coordination structures with Cantons and Municipalities

Functional analysis: The State Veterinary Office has still to optimise its central coordinating role vis-à-vis the Entity MoAs. The impression from interviews with veterinary authorities from the Entities is that the State Veterinary Office does not actively enough perform its coordinating role. One of the core functions of the Office is the preparation of legislation concerning combat and prevention of animal diseases. Fulfilling this legislative function requires either substantial professional experience including ongoing insight into developments in the field represented within the responsible institution *or* a very close and well-structured cooperation with bodies having such knowledge. The Veterinary Office itself is only performing a limited supervisory role with regard to field inspections. The presently dispersed distribution of functions related to veterinary inspections (involving Entities, Cantons and Municipalities) needs much more regular and closer communication and rapid transfer of information and data to the Office. A qualified fulfilment of the legislative and coordinating functions is presently not visible.

¹¹ Published in the "Official Gazette of BiH" , 34/02.

Related to the normative work of the Office is the harmonisation with EU principles and standards. Having in mind the complexity of the EU veterinary legislation, this work requires a considerable and steady input of qualified staff resources being able to follow developments in the EU legislation and to analyse and implement it in accordance with BiH legal and practical conditions. The Veterinary Office is at present not paying much attention to legal harmonisation functions and is not sufficiently staffed to do so.

The present organisational structure and distribution of competencies is not, as such, an obstacle to the fulfillment of the other core responsibilities of the Veterinary Office, i.e. animal registration and coordination of veterinary actions. Fulfilling the coordinating role is not only a question of organisational structure and staffing but also relies on how the process is organised. It appears that the present basis for the coordinating activities of the Office is too weak. This applies for the collection of necessary comprehensive and up to date information about the situation in the field as well as for the set up of properly working coordination platform.

MoFTER, BiH Veterinary Office: BiH Animal Identification Agency

The BiH Animal Identification Agency was established by the "Decision on Establishment of the Animal Identification Agency"¹² in 2003. The establishment of the Agency was substantially supported by assistance from the EU. The Agency consists of a main office in Banja Luka and 9 regional centres (1 in District Brcko, 4 in FBiH and 4 in RS). The Agency has no status as a legal person and performs its activities within the State Veterinary Office. Its activities are based on the State Veterinary Law and the Rulebook on Animal Identification Movement Control Scheme (AIMCS)¹³. The BiH Animal Identification Agency is responsible for BiH wide implementation of the AIMCS which has to be in line with respective EU legislation.

Objectives:	<ul style="list-style-type: none"> ◆ Complete identification of animals in Bosnia and Herzegovina for: <ul style="list-style-type: none"> ▪ creating a basis for subvention systems ▪ combating diseases ▪ herd book purposes ▪ statistical overview of development of animal production and husbandry ◆ First priority: cover all 450 000 head of cattle in BiH and 250 000 BiH cattle breeding holdings; next steps: cover sheep, goat and pig producing holdings (beginning second half of 2004)
Core functions:	<ul style="list-style-type: none"> ◆ Collection of information from regional centres and set up of a reliable database ◆ Data collection, data processing ◆ Training of veterinarians for working in the animal identification program (issuing of training certificates) ◆ Issuing animal passports ◆ Monitoring the development of animal herds
Staff resources: - current - planned	<p>9 10 (1 more IT-expert needed)</p>
Co-ordination: - Internal - External	<ul style="list-style-type: none"> ◆ Cooperation with State Veterinary Office has to be improved ◆ Cooperation with Veterinary Sectors of the Entities and private veterinarians working for the Agency in RS and veterinary stations in FBiH is good

Functional analysis: The Agency is functioning well and its activities are managed according to up-to-date management principles despite limiting staffing. The regional sub-structure of the Agency seems to be appropriate to cover the needs for direct contact with farmers and private veterinarians. The proper fulfillment of the Agency's responsibilities is obviously hampered, however, by apparently persistent delays in transfer and endorsement of budget allocations

¹² Published in the "Official Gazette of BiH", 32/02.

¹³ Published in the "Official Gazette of BiH", 28/03.

from the State Veterinary Office to cover the Agency's running costs. In view of the importance and urgency of improving BiH public control of movements of live animals - and especially of imported animals - attention should be paid to removing any unnecessary procedural obstacles which affect the Agency's activities.

Summarising analysis of MoFTER with regard to its functions for the agricultural sector:

The Ministry's poorly staffed functions and the generally low level of activities for the agricultural sector of BiH must be seen in the light of still limited agricultural legislation at State level mid of 2004 and the equally limited allocations for agriculture in State budgets. Thus, the Ministry is lacking key tools of influence and policy making for the agricultural sector. Only regarding foreign trade policies and veterinary matters the Ministry has at present competencies and (limited resources) to formulate specific policies and to implement them by way of legislation. Even in those fields, however, the Ministry is lacking a deeper professional insight. Additionally, the very poor staffing of the relevant MoFTER Departments sets narrow limits to the level and quality of activities for the agriculture sector.

B.1.2 Key Entity Ministries & District Brcko

On Entity level and in the District Brcko there are three key administrations in charge of agriculture sector:

- (i) the Ministry of Agriculture, Forestry & Water Management of RS,
- (ii) the Ministry of Agriculture, Water Management & Forestry of FBiH, and
- (iii) the Department of Agriculture, Forestry & Water Management of District Brcko.

All three administrations were reviewed in detail. Before this detailed analysis is presented, recent developments affecting the work of the Entity MoAs and District Brcko have to be briefly described in order to give an idea of the general institutional environment of these organisations. A comparative analysis of the organisational structures in both Entity MoAs will subsequently lead to the individual analysis of all three administrations.

Recent developments:

1. Transfer of inspectors: According to decisions on BiH level¹⁴, the State Veterinary Office will take over the veterinary border inspectors from the Entity MoAs and from Brcko District. After implementation of this decision¹⁵ the veterinary border inspection staff will no longer belong to the authority of the Entity MoAs. It is also expected that the present Entity border plant health inspectors will be transferred under the responsibility of the new State Plant Health Agency which is according to a decision of the BiH Council of Ministers (CoM) to be set up by the end of 2004¹⁶. Additionally, plans are already in progress to merge the remaining inspectors (which are presently carrying out agricultural, veterinary, forest and water management inspections in the Entities) with all other Entity inspectors into one single Inspectorate in each Entity. Draft laws on the establishment of such Inspectorates are discussed in July 2004 in both Entity Parliaments. In FBiH it is additionally envisaged to set up a coordinated inspection system which should include cantonal inspections¹⁷. In Brcko District the creation of a separate General Inspectorate has been already accomplished in 2003.

¹⁴ "Decision on the Transfer of the Entity Veterinary Inspectors to the State Veterinary Office", adopted by the Council of Ministers on June 3, 2004.

¹⁵ In July 2004 the FBiH had still to confirm this State level decision, whereas the RS had already done so. Completion of the take over is therefore only expected in 2005.

¹⁶ The establishment of this agency was decided by the CoM with the "Decision on the Establishment of the Plant Protection Administration" published in "Official Gazette of BiH" 23/04 on May 25, 2004.

¹⁷ It is envisaged to establish a joined Inspectorate also in each Canton; a direct line of command from the FBiH Inspectorate to the Cantonal Inspectorates would ensure a more harmonized approach. However, the Cantonal Inspectorates will be also in the future financed by the Cantons.

- Consequences: With the transfer of Entity inspectors to the State level and to Entity Inspectorates the Entity MoAs will loose up to 50% of their present expert staff. Their access to the field - now mostly ensured by the regionally stationed inspectors - will suffer substantially¹⁸.
2. Mid of 2004 forestry policies and administration in FBiH are undergoing a huge change process. New forest legislation was passed only recently.¹⁹ As a consequence, the administrative and commercial functions of the forests in FBiH are separated. Cantons are supposed to establish both, Cantonal Forest Administrations for administrative functions as well as public forest companies for commercial activities. Additionally, the Cantons have to privatise most services connected with forest exploitation as well as saw mills. This would lead to staff reduction possibilities as well as to increased public tendering.
 3. During the course of this review the responsibility for food processing and marketing were about to be transferred in both Entities from other line Ministries to the MoAs. These transfers are assumed to be accomplished soon. Therefore, the respective organisational units with responsibilities for food processing industry are already reviewed in the chapters of the Entity MoAs.

Comparative structural analysis of the two Entity MoAs:

The two Entity MoAs are very similarly organised and have almost the same number of staff (see organigrams in chapters B.1.2.1 and B.1.2.2). An important common feature is a very strong Inspectorate in both Entity MoA. Almost 40% of the total staff in the FBiH MoA and 56% of the total staff in the RS MoA are performing inspectorial tasks. Inspection services are in both Ministries directly under the supervision of the Minister. In the day-to-day work the respective agricultural, veterinary, forestry and water management inspectors are closely cooperating with the respective technical sectors of the Entity MoAs. Apart from a strong Inspectorate both Entity MoAs consist mainly of four technical Sectors (a Sector is the highest administrative unit) for Agriculture, Veterinary matters, Forestry and Water Management. Departments can only be found in the Agricultural Sectors. Generally, there is no significant sub-structure in either of the Ministries, i.e. both administrations consist practically only of the technical Sectors mentioned. In most cases the actual size of Sectors cannot be regarded as viable. Due to lacking staff the span of command for Sector Heads (Assistant Ministers) is often very low. General administrative affairs and legal matters are in both Ministries placed in separate organisational units with sufficient size. More detailed analysis of the individual structures is given in the respective chapters on the Entity MoA and District Brcko.

B.1.2.1 RS Ministry of Agriculture, Forestry and Water Management

RS Ministry of Agriculture, Forestry and Water Management (RS MoA) is one out of sixteen Ministries in the RS Government. It was established in 1992 and performs its activities in accordance with the Law on Ministries of the Republika Srpska²⁰. Exceptionally, it is not - as all other RS Entity Ministries - located in Banja Luka but due to specific reasons²¹ in Bijeljina (4 hours drive from Banja Luka and from Sarajevo). However, the Minister has his main office in Banja Luka and is present in Bijeljina only once a week on average. In Banja Luka the Minister has presently only two support staff, however he is planning to locate new organisational units with priority in Banja Luka. Management processes of the Ministry are due to this separation generally difficult to arrange and efficiency is limited.

¹⁸ As it is envisaged, to keep inspectors for the beginning physically in the technical Ministries (due to lack of office space for the joint Inspectorates) the described loss of communication and information lines between inspectors and technical staff of the Ministries might be not problematic for the next 1-2 years. However, in the longer run a separation is intended and will result in the described loss of field access and communication.

¹⁹ Law on Forestry ("Official Gazette of FBiH", No. 20/02, 20/03).

²⁰ "Official Gazette of BiH" 70/02; 33/04.

²¹ A number of former Ministers came from Bijeljina; presently most staff comes from the Bijeljina area, and flexibility for moving staff to Banja Luka is therefore – due to social reasons – limited.

Legal basis: Basic competencies of the Ministry comprise agriculture, veterinary, forestry and hunting as well as water management. In the field of agriculture its activities are related to the development and improvement of plant production and horticulture, animal production and fishery, protection and the use of agriculture land. Additionally, the Ministry is in charge of plant protection and veterinary measures including related inspection tasks. In the field of forestry and hunting its competencies are mostly related to monitoring of the status of forests, policy design, drafting of legislation and forest inspection. In the field of water management the Ministry has main competencies with regard to the usage and protection of water, water supply, protection against floods, water fees and the financing of water facilities. Mid of 2004 the activities of the Ministry are based on the following RS Entity laws:

- Law on Agriculture Land ("Official Gazette of RS", No. 14/04)
- Law on Plant Protection ("Official Gazette of RS", No. 13/97)
- Law on Seed and Planting Material ("Official Gazette of RS", No. 13/97)
- Law on Measures for Improvement of Livestock Breeding ("Official Gazette of RS", No. 10/98)
- Law on Health Protection of Animals and Veterinary Activities ("Official Gazette of RS", No. 11/95, 10/97, 52/01)
- Law on Forestry ("Official Gazette of RS", No. 66/03)
- Law on Hunting ("Official Gazette of RS", No. 4/02)
- Law on Water ("Official Gazette of RS", No. 10/98, 51/01)
- Law on Agriculture Inspection ("Official Gazette of RS", No. 10/97)
- Law on Providing and Directing of the Funds for the Development of Agriculture and Village ("Official Gazette of RS", No. 43/02, 44/02).
- Law on Medicines used in Veterinary and Veterinary-Medicine Products ("Official Gazette of RS", No. 37/02)
- Law on Fishery ("Official Gazette of RS", No. 4/02)
- Law on Fertilizers ("Official Gazette of RS", No. 35/04)

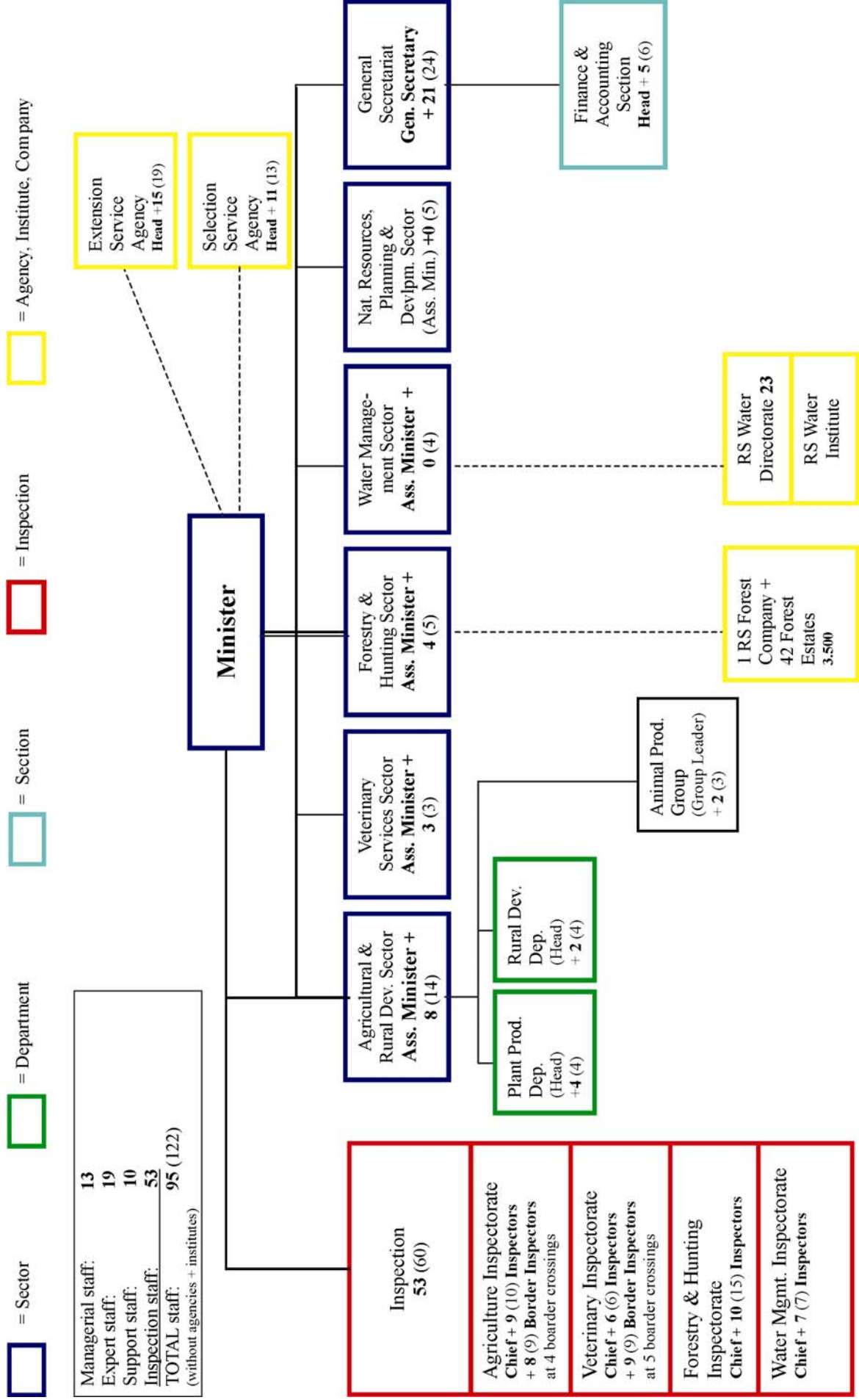
Structural analysis: The organisational structure at the Ministry is relatively compact (see next page). There is no Cabinet or other major support structure on top management level. Most of the Ministry's Sectors have no sub-structures and consist of only a few staff members. With the soon to be established Sector for Food Processing this tendency will be further highlighted (presently, the Sector consists only of the Assistant Minister). However, the Ministry has a strong General Secretariat - which includes even a separate Finance & Accounting Section. In addition to the four technical Sectors for Agriculture, Veterinary, Forestry and Water Management the RS MoA has one more recently established Sector for Natural Resources, Planning and Development. However, mid of 2004 this new Sector still has no clear competencies and no staff is allocated.

The Ministry wants to develop a sub-structure within the Agricultural & Rural Development Sector. However, the set up of a Plant Production and Rural Development Department as well as of an Animal Production Group has still not been fully implemented due to general lack of staff and financial resources. The intended improved separation of functions and competencies could therefore yet not be enforced. The inspectorates of the Ministry are especially strong (56% of staff). This is due to the fact that the RS is centrally organised (contrary to the FBiH with its Cantons). As a consequence, the RS MoA has more inspection obligations in the field. This field work of the RS MoA is organised on the basis of regions: most inspectors of the RS MoA (except the border crossing inspectors) are located in Regional Offices of the Ministry (located in Banja Luka, Dobož, Bijeljina, Sokolac and Trebinje). Recently (April 2004), the RS Extension Service and the RS Selection Service Agency were set up under the authority of the Ministry, thus defining the status of extension and selection units which previously belonged to the Ministry itself²². RS Extension and Selection Officers are also mostly located in the Regional Offices of the Ministry together with the Entity Inspectors. The Regional Offices are therefore crucial for the field access of the RS MoA and for the implementation of its policies.

²² RS Law on Ministries ("Official Gazette of RS", 70/02, 33/04).

Organisational structure of the Ministry of Agriculture, Forestry and Water Management of the Republika Srpska (April 2004)

Note 1: Staff and figures marked in fat letters: existing staff April 2004; () = planned positions according to Ministry's rule book, but not filled in April 2004
 Note 2: Chief inspectors are located in the Ministry (except Chief Forest Inspector), all other inspectors in the field



In the following the main functions in the Ministry's main organisational units are described and analysed:

RS MoA: Agriculture and Rural Development Sector (incl. Inspection, Expert Service Agency and Selection Service Agency)

Objectives:	<ul style="list-style-type: none"> ◆ Development of the farming industry ◆ Increasing efficiency and profitability of primary agricultural production ◆ Support of cooperation between farmers and industry ◆ Increase of market standardisation and better market presentation
Core functions:	<ul style="list-style-type: none"> ◆ Drafting of legislation ◆ Processing subsidy applications ◆ Monitoring and analysing market development in plant and animal sector ◆ Monitoring plant diseases and planning and implementing disease eradication measures ◆ Extension service coordination and field service activities ◆ Monitoring and supporting use of high quality plant materials, seeds and breeding animals
Staff resources: - current - planned	<p>8 in the Sector; 16 in the Extension Service Agency; 12 in the Selection Service Agency; 10 Agricultural Inspectors; 8 Agric. Border Inspectors</p> <p>14 in the Sector; 19 in the Extension Service Agency; 12 in the Selection Service Agency; 10 Agricultural Inspectors; 9 Agric. Border Inspectors</p>
Coordination: - Internal - External	<ul style="list-style-type: none"> ◆ There is a need for better internal communication/information sharing (improvement of internal IT-network). ◆ Communication with the industry is informal but considered to work well. If the Ministry is going to focus more on support for development of farming, the need for a more structured cooperation with NGO's will increase. This cooperation needs to be structured and formalised. ◆ The Municipalities perform important executive functions. More formalised cooperation with Municipalities is necessary.

Functional analysis: The Agricultural & Rural Development Sector is divided into 2 Departments (Plant Production; Rural Development) and one Animal Production Group. A separate Agriculture Inspectorate is part of the Ministry's inspection services. According to the Rule Book the Sector's Rural Development Department is generally responsible for production and marketing of products from rural areas, whereas the two commodity units are specialised on animal and plant production. Competencies are obviously overlapping. The separation of responsibilities between the three organisational units should be better defined.

The Rural Development Department should deal with cross-sector rural development issues whereas the commodity departments should deal with all issues related to production, development and marketing of crops and animal products. Generally, a more clear understanding of rural development policies common in the EU should be acquired.

The Plant Production Department and the Animal Production Group are - besides legal and analytical work - to a large extent involved in processing subsidy applications and also participate in time consuming field inspections to review the eligibility of applications. It should be considered how the policy oriented work of the Departments could be strengthened. The staff of the organisational units should not be directly involved in field inspections. Inspection tasks should be covered by the agriculture inspectors of the future joint Inspectorate of the Entity. The present organisational mix of responsibilities for routine file processing, analytical and policy design tasks creates an obvious risk that day-to-day business on subsidy spending is prioritised higher than the necessary monitoring & evaluation of support programmes as well as policy and strategy development. To counter this problem, a more distinct organisational separation of (routine) file processing from development oriented tasks is necessary.

Besides production development mainly through subsidising seeds, plant materials and related products, the Plant Production Department is also in charge of monitoring the plant disease situation and the elaboration of plant pest eradication programmes. This is problematic as matters related to

protection of plant and public health should organisationally be clearly separated from matters related to production development and support.

Almost 50% of the RS MoA Agriculture Inspectorate's staff is dealing with plant health inspections at the border crossings. The other half of the inspectors works on agricultural inspections within the Entity. Few resources seem to be available for plant health inspection in the field and this kind of inspection is additionally mixed with the checking of applications for relevant subsidies, although organisational separation would be imperative.

Two previous Departments of the Agricultural & Rural Development Sector (the Expert Service and Selection Service) have most recently (April 2004) been transformed into Agencies, in order to provide a more sound and sustainable basis for their future work. Both agencies are organisationally attached to the RS MoA as subordinated bodies and are therefore presented in the following.

The Extension Service Agency is located in 5 regional centres (Banja Luka, Dobož, Bijeljina, Sokolac and Trebinje) with headquarters in Banja Luka. Moreover, there are extension officers in 7 Municipalities in the Banja Luka region. The target groups are primarily commercial farmers but needs of small and medium sized farmers are equally targeted. The broad geographical distribution of extension officers offers a good possibility of being close to the clients. However, the present staffing does not allow sufficient field access. Additionally, extension officers are to a large extent covered by purely administrative tasks related to the subsidy programs. The expected hiring of one extension officer in each Municipality (financed by the Municipalities) seems to be unrealistic as most Municipalities will lack the financial means. Therefore there is a risk that the scarce resources cannot be used in an optimal way. Prioritisation of tasks and allocation of resources will be necessary. This is essential as in the future the extension service will be even more important for the RS MoA to strengthen its development and support activities in the field. More formalised procedures for exchange of information between the Extension Service Agency and the RS MoA's Agricultural and Rural Development Sector would be useful, too.

The Selection Service Agency follows the same organisational structure as the Extension Service Agency. Extension and selection officers are often located in the same Regional Offices. The Agency is mainly working on data collection of animals (performance data on breeding animals, milk control regarding quality and contents), support of artificial insemination and ear tagging activities. Having even less staff than the Extension Service Agency the same problems in terms of full access to the field applies for this agency. Generally, it is questionable why selection and breeding services have to be carried out in the longer run by public administrations. Examples from other European countries show that private associations normally care for these functions.

RS MoA: Veterinary Services Sector (incl. Inspection)

Objectives:	Protection of animal and public health
Core functions:	<ul style="list-style-type: none"> ◆ Elaboration of secondary legislation ◆ Border inspection (expected to be transferred to State Veterinary Office) ◆ Supervision of Municipality inspections ◆ Inspection ◆ Registering authorisations of meat facilities ◆ Monitoring artificial insemination ◆ Planning, coordinating and supervising animal disease eradication programmes ◆ Monitoring private veterinary stations
Staff resources:	
- current	4 in the Sector; 7 Veterinary Inspectors; 9 Veterinary Border inspectors
- planned	4 in the Sector; rest as planned
Coordination:	
- Internal	◆ Good informal internal co-ordination
- External	◆ Good informal co-ordination with FBiH Veterinary Service and with RS Municipalities. As RS Municipalities perform important executive functions in the veterinary field, more formalised cooperation structures regarding the Municipalities are necessary

Functional analysis: The present simple organisational structure and very limited staff number of the Veterinary Sector is to a large extent the result of the general structure of the veterinary administration in the RS, leaving most responsibilities (except border inspection) to Municipalities. Municipalities often contract veterinarians from private veterinary stations to carry out inspections. Despite the involvement of local inspectors, still more than 70% of the total veterinary staff of the RS MoA is occupied with inspection tasks! With the foreseen reallocation of all veterinary border inspectors to the State Veterinary Office and the planned transfer of the remaining veterinary inspectors to a joint Entity Inspectorate, the RS MoA will lose almost three quarters of its veterinary staff including all field contacts. This will have a major impact on the work of the RS MoA in the veterinary field. In addition, several functions of the Veterinary Sector are covered by only one veterinarian, which makes the administration very vulnerable and seriously weakens the professional working environment. Without sufficient staff important tasks (e.g. disease prevention and eradication) can hardly be fulfilled by the Sector. Although one of the existing positions is foreseen for work on veterinary legislation and harmonisation with EU standards no lawyer specialised on veterinary legislation is available. Generally, the present staffing of the Veterinary Sector does not seem to be appropriate for creating a viable professional environment. The lack of staff resources to deal with the very complex harmonisation with EU standards seems to be an obstacle to any substantial progress in this respect at the RS level.

RS MoA: Forestry and Hunting Sector (including Inspection)

Objectives:	<ul style="list-style-type: none"> ◆ Preservation and rational use of natural resources ◆ Protection of landscape, development of tourism and animal welfare and most notably protection of forests ◆ Increase of sustainable economic capacity of forest lands and increase of forest biodiversity
Core functions:	<ul style="list-style-type: none"> ◆ Forest policy design ◆ Drafting of legislation ◆ Forest policy implementation
Staff resources: - current - planned	<p>5 in the Forestry Sector, 11 Forest & Hunting Inspectors, 3.500 in 42 Forest Estates of the RS Public Forest Company, 50 in the Incel company (another public forest company)</p> <p>6 in the Forestry Sector, 15 Forest & Hunting Inspectors, rest like current staffing (in the long run 15 % less personnel in the forest companies might be possible depending on social conditions in the remote areas and technical investments)</p>
Coordination: - Internal - External	<ul style="list-style-type: none"> ◆ Good informal cooperation with Agricultural & Rural Development Sector and the Public Forest Company with its 42 forest estates ◆ Good informal cooperation with MoFTER, Forestry Sector of FBiH MoA and RS Ministry of Environment; often good informal cooperation with Municipalities

Functional analysis: The functionality of the Forestry & Hunting Sector seems to be good. Cutting plans are approved by the RS MoA, cuttings inspected by the forest inspection service, cutting services are tendered as well as the selling of timber from the storing points. The companies are audited, only registered saw mills and buyers are involved in tender procedures. A remarkable reduction of staff took already place in the context of the privatisation of functions in the RS Public Forestry Company. The future staffing of the company depends on the planned merger of the 42 Forest Estates to bigger units that will lead to lay-off of management personnel, which could probably partly be reallocated to the future joint RS Inspectorate. Additional staff reduction depends on technical innovations and can only be done taking into account social considerations playing an important role in the remote regions of the RS. However, compared with other European countries total labour force employed in the forest sector has to be reduced in the medium- and long-term by approximately 15 %. In the Sector, one expert more is needed in the Forestry & Hunting Sector for the planning of forest policies, a

function currently not sufficiently covered. Such a strengthening is especially needed as - like in other Sectors of the RS MoA - the expected reallocation of the Forest Inspectors to the joint RS Inspectorate will have also for this Sector serious consequences in terms of access to the field and loss of expertise.

RS MoA: Water Management Sector (incl. Inspection)

Objectives:	<ul style="list-style-type: none"> ◆ Preservation and rational use of natural resources ◆ Protection of landscape ◆ Especially improvement of water use ◆ Preservation and rational use of water and land ◆ Protection of forestry and agriculture against erosion and flooding
Core functions:	<ul style="list-style-type: none"> ◆ Monitoring the amount of water ◆ Management of equalised water supply allocation ◆ Issuing of licences²³ ◆ Review of water quality²⁴ ◆ Flood protection and care for water facilities ◆ Legislation on water law and by-laws
Staff resources:	
- current	1 Assistant Minister; 8 Water Management Inspectors; 23 in RS Water Directorate
- planned	5 in the Sector; rest planned as current
Coordination:	
- Internal	◆ Very close cooperation between Sector and RS Water Directorate
- External	◆ There is a legal obligation for coordination with the RS Ministry of Health on water quality as well as other RS Ministries; Municipality water companies and regional offices of the RS Water Directorate are linked with IT support
	◆ Coordination with State level e.g. on international agreements difficult

Functional analysis: Water management functions are carried out on three levels: (i) in the RS MoA, (ii) in the RS Water Directorate with its regional offices (organised according to BiH river tributaries) throughout the RS, and (iii) in public companies on municipal level with own budgets (revenues from water supply and sewage). Concerning the legislation there are two main RS laws: Law on Water and Law on Water Protection. It is intended to merge these two regulations into a single State level legislation, however these intentions are still vague. Conclusion: the present staffing of the RS water management is just sufficient for the day-to-day work, but insufficient for future planning obligations, e.g. in the context of reconstructing and extending water supply, sewage and flood protection facilities especially in rural areas. Generally, the planning horizon in the water management sector is 20 years ahead and revisions have to take place all 10 years. Substantial work needs sufficient capacities for planning and monitoring of investments in water management facilities. Such capacities are presently not sufficiently available.

RS MoA: Natural Resources, Planning & Development Sector

This Sector was recently established based on recommendations of UNDP. This new sector is supposed to do policy, planning and development oriented work, however, a clear job description of this new organizational unit is missing. Additionally, the sector has not yet been staffed and physically set up (planned staff number: Assistant Minister + 5). It is foreseen that it should - at least partly - be staffed by moving staff from the Agricultural and Rural Development Sector. This would, however, further weaken the already understaffed Agricultural and Rural Development Sector. Although the establishment of the Natural Resources, Planning and Development Sector shows the general intention of the RS MoA to increase the Ministry's policy

²³ The supply of water to consumers is managed by municipal companies, which get licences according to supply plans from the RS Water Directorate.

²⁴ Together with the RS Ministry of Health and Social Affairs which is carrying out the physical checks.

design, planning and monitoring capacities the actual understanding of the future functions of this new Sector seems to be still vague: due to a general lack of staff experts of this new Sector are already supposed to be also included in basic administrative tasks (e.g. subsidy administration). However, using staff in that way would not sufficiently allow for the development of needed analytical, policy and strategic capacities in the RS MoA.

RS MoA: Department for Food Processing Industry

Note: Until April 2004, this Department belonged to the RS Ministry of Economy, Energy and Development. It was transferred to the RS MoA by an amendment to the Law on Ministries²⁵. However, the transfer has not taken place physically and in the organigram, the rule book and the employee list of the RS MoA this new Department is not yet mentioned. However, as this is expected in due course, this Department is analysed in the frame of the RS MoA.

Objectives:	<ul style="list-style-type: none"> ◆ Sustainable agricultural development ◆ Overcoming major consequences of war and remnants of former state economy system ◆ Ensuring healthy supply of high quality food for consumers ◆ Participation in international trade at fair conditions ◆ More effective governance and approach to EU acquis
Core functions:	<ul style="list-style-type: none"> ◆ Legislation for adjustment to EU food safety regulations ◆ Assistance in the privatisation process of State owned food processing enterprises ◆ Care for food quality and fair competition
Staff resources: - current - planned	<ul style="list-style-type: none"> 1 Assistant Minister 1 (needed: 1 agricultural or food technical engineer + 1 economist + 1 lawyer + 1 support staff)
Coordination: - Internal - External (with Cantons, Municipalities)	<ul style="list-style-type: none"> ◆ The Department has not yet been moved to the RS MoA, therefore coordination with the RS MoA is hampered ◆ Department not satisfied about cooperation with RS Privatisation Agency and Municipalities as food processing plants are not sufficiently integrated in the privatisation process

Functional Analysis: In order to effectively support the agri-food processing industry the Department should be staffed as soon as possible. The Department should especially actively promote the harmonisation of the food processing industry to EU standards. This is urgently needed to increase international competitiveness of the RS agribusiness and accelerate EU harmonization. Additionally, the distribution of competencies between State and Entity level has to be clarified in order to avoid duplication of legislation. It is foreseen in the new State Food Safety Law that the competencies for legal harmonisation with the EU will be the responsibility of the State level. However, the Department will have to contribute to the drafting of legislation and has therefore to develop respective capacities. Another important task will be the support of privatisation of publicly owned food processing firms.

²⁵ Law on Changes and Amendments to the Law on Ministries ("Official Gazette of RS", 33/04)

B.1.2.2 FBiH Ministry of Agriculture, Water Management and Forestry

The **Federation Ministry of Agriculture, Water-Management and Forestry (FBiH MoA)** was established in 1996. It is one out of sixteen Ministries in FBiH. Its activities are based on the Law on Federation Ministries and Other Bodies of Federation Administration, ("Official Gazette FBiH", No. 19/03). It is located in Sarajevo. The competencies of FBiH MoA comprise the use of agricultural land, plant health and animal protection, plant and animal production, food safety, forestry and hunting, water management and respective inspection services. Basic laws regulating the work of the Ministry are:

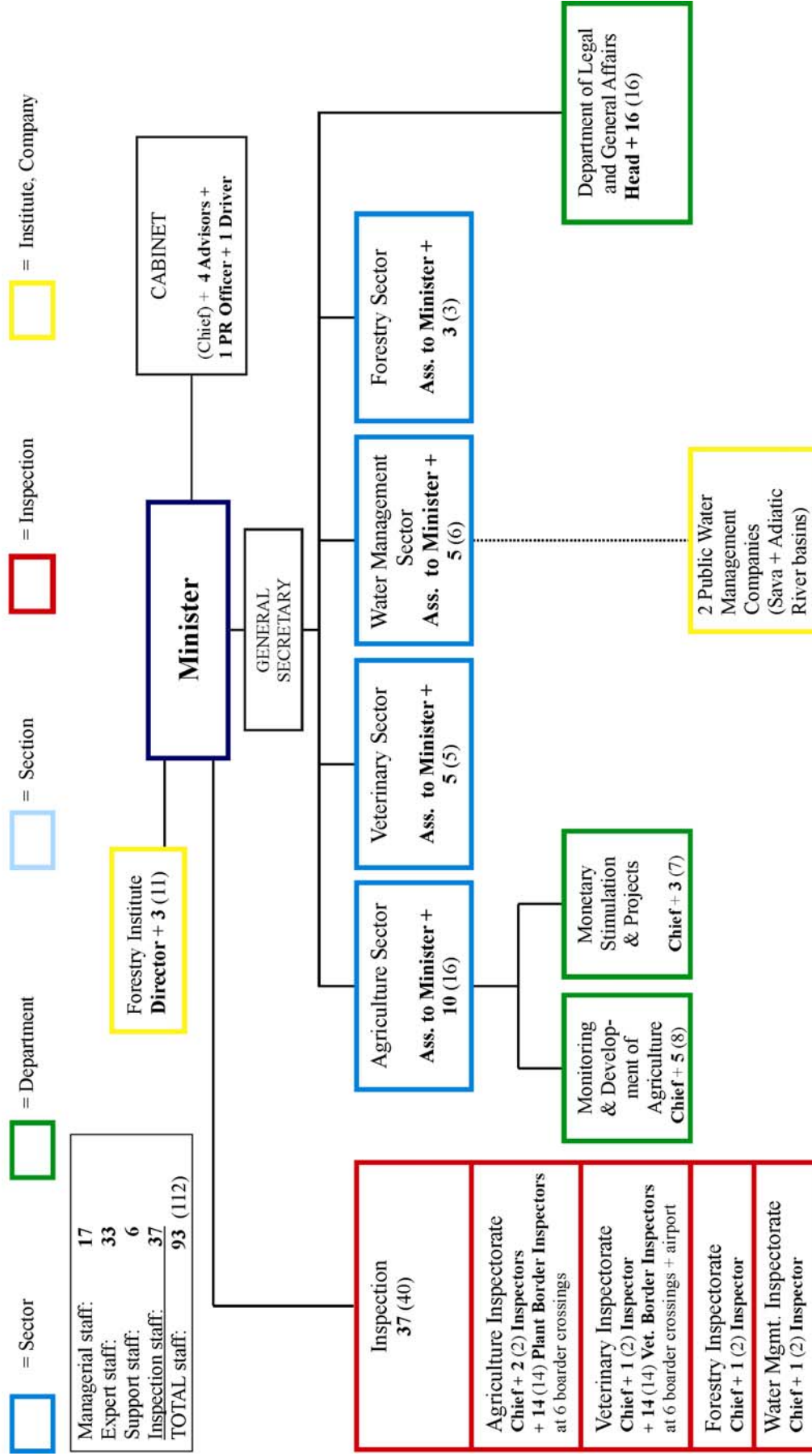
- Law on Agricultural Land ("Official Gazette FBiH", No. 2/98)
- Law on Measures for Improvement of Cattle Breeding ("Official Gazette FBiH", No. 23/98)
- Law on Waters ("Official Gazette of FBiH", No. 18/98)
- Law on Medicaments Used in Veterinary ("Official Gazette of FBiH", No. 15/98)
- Law on Seeds and Seedlings of Agricultural Plants ("Official Gazette of FBiH", No. 55/01)
- Law on Tobacco ("Official Gazette of FBiH" No. 45/02)
- Law on Financial Support to the Primary Agriculture Production ("Official Gazette of FBiH", No. 28/04)
- Law on Veterinary ("Official Gazette of FBiH", No. 46/00)
- Law on Forestry ("Official Gazette of FBiH", No. 20/02, 20/03)

Structural analysis: Differing from the organisational structure of the RS MoA the FBiH MoA has a Cabinet consisting presently of 4 advisors (see organigram next page). The General Secretary has an especially central function in the FBiH MoA and coordinates the work of all technical Sectors. The Inspectorates are the strongest organisational units in the Ministry comprising almost 40% of the Ministry's staff (most of them border inspectors!). There is no sub-structure in the 4 technical Sectors with the exception of the Agriculture Sector which consists of 2 Departments. Given the very limited staff number in all technical Sectors a sub-structure, however, makes no sense at this time. The organisational unit in charge of the Ministry administration (the Department of Legal and General Affairs) is in terms of staffing a remarkably strong unit, however, as a Department it has only an inferior organisational status. This is questionable having in mind the importance of administrative support functions for the overall functioning of a Ministry. Apart from a newly established Forestry Institute the FBiH MoA has no attached executive agencies or institutes for more field based or administrative activities. The Ministry performs only certain supervisory functions with regard to Public Water Management Companies and Cantonal Forest Companies. Due to this lack of executive agencies or institutes access to the field by the Ministry is limited and contacts with Cantons or Municipalities depend very much on the few inspectors not serving at the borders.

The main functions in the major organisational units of the Ministry are described and analysed below:

Organisational structure of the Ministry of Agriculture, Water Management and Forestry of FBiH (April 2004)

Note: staff and figures marked in fat letters: existing staff April 2004; () = planned positions according to Ministry's rule book, but not filled in April 2004



FBiH MoA: Sector of Agriculture (incl. Inspection)

Objectives:	<ul style="list-style-type: none"> ◆ Commercial and structural development of the farming sector ◆ Price support ◆ Development of rural districts ◆ Protection of agricultural land resources ◆ Protection of plant health and public health (pesticides)
Core functions:	<ul style="list-style-type: none"> ◆ Preparing legislation ◆ Monitoring land use ◆ Collecting data on land use from Cantons and Municipalities ◆ Processing applications for financial support ◆ Collecting and analysing information/data on rural structures ◆ File processing of appeals concerning land use and financial support ◆ Planning and implementing plant disease eradication measures ◆ Registering plant producers ◆ Maintaining pesticide register ◆ Approval of import certificates for pesticides
Staff resources:	
- current	11 in the Sector (including two Departments); 3 agricultural inspectors; 14 plant health border inspectors
- planned	17 in the Sector; rest planned as current
Coordination:	
- Internal	<ul style="list-style-type: none"> ◆ Few formal internal coordination mechanisms ◆ Coordination with NGOs is informal. If the Ministry is going to focus more on support for development of farming, the need for a more structured co-operation with NGOs will increase. This cooperation should therefore be structured and formalised ◆ Coordination with Cantons on subsidies and land use is for now informal only. There is a need to develop structured coordination procedures concerning cooperation with Cantons, regarding both financial support measures and land use matters. Direct or indirect (via Cantons) coordination procedures regarding Municipalities should be considered
- External	

Functional analysis: The Sector is divided into a Monetary Stimulation & Projects Department (financial support to farmers) and a Monitoring & Development Department (all other agricultural matters). The Agricultural Inspectorate is under direct supervision of the Minister. Most of the staff resources in the Monetary Stimulation & Projects Department are occupied with the processing of applications for financial support. This leaves almost no resources for sector analysis, evaluation and monitoring of support programmes and policy development. The day-to-day business is absorbing scarce staff resources. Apart from strengthening staff resources it is also critical that (routine) file processing is currently not separated from analysis & monitoring work as well as from policy development functions. Additionally, subsidy administration is not based on multi-annual programmes and sufficiently elaborated guidelines.

The preparation and administration of the present FBiH subsidy programme is complex and time and resource consuming. The preparation process - which is frequently handicapped by delayed decisions on the Ministry's budget²⁶ - involves difficult coordination procedures with Cantons, consultation with NGOs etc. It is necessary to accelerate these procedures by more careful multi-annual planning of subsidy and support schemes. Additionally, the present organisational mix of responsibilities for routine file processing and analytical and policy design tasks creates an obvious risk that day-to-day business on subsidy spending is internally prioritised over the necessary monitoring & evaluation of support programmes as well as basic policy and strategy development. A clear organisational separation of (routine) file processing from policy and monitoring tasks is necessary.

The Monitoring & Development Department is dealing with structural development, land protection, plant and public health (plant diseases and pesticides). This is critical as matters related to protection of plant and public health should organisationally be clearly separated from matters related to commercial or structural development. Additionally, the Department is seriously understaffed which leads to a situation where most functions are either not covered, or

²⁶ In April 2004 the Department had still to wait for endorsement of the FBiH MoA budget to start subsidy spending for 2004!

only covered by one expert. In this way, administration work becomes extremely vulnerable. Consequently, important preparatory work to develop plans and measures for rural development or plant disease eradication cannot be carried out properly. Only limited efforts are devoted to crucial functions like protection of agricultural land and the amendment of relevant legislation. Additionally, there is generally a lack of reliable formal coordinating structures vis à vis Cantons and Municipalities. This leads to not sufficiently coordinated support schemes of the FBiH and its ten Cantons. A coherent support policy for the development of the agricultural sector is therefore lacking in the FBiH.

The Sector has only very few resources for policy development functions. It is necessary to establish an organisational unit dealing with policy development across the two Departments of the Agriculture Sector. Additionally, the Sector does not have a unit for the coordination of the cantonal extension services. Thus, the Ministry - contrary to what was foreseen by the EU funded project on the establishment of a BiH extension service - is presently not performing sufficiently coordination activities related to cantonal extension services. An extension coordination unit has to be established to act as facilitator and coordinator vis à vis the Cantons. Functions, responsibilities and services of this coordination unit have to be agreed with the Cantons.

With regard to analytical activities the Sector depends on respective plant health laboratory capacities in the agricultural institutes in Sarajevo and Mostar. However, these institutes are considered not to be technically fully equipped for complex analysis. The set up of proper laboratory facilities at the State level (reference laboratory) and accredited regional laboratories carrying out day-to-day tests has therefore to be accelerated. The present agricultural institutes in BiH will have to play a key role (see chapter B.1.6).

FBiH MoA: Veterinary Sector (incl. Inspection)

Objectives:	Protection of animal and public health
Core functions:	<ul style="list-style-type: none"> ◆ Preparation of secondary legislation ◆ Supervision of Canton/Municipality inspectors ◆ Inspection in exceptional cases ◆ Monitoring artificial insemination ◆ Border inspection (expected to be transferred to State Veterinary Office) ◆ Registering authorisations of meat facilities ◆ Planning, coordinating and supervising animal disease eradication programmes
Staff resources:	
- current	6 in the Sector; 2 Veterinary Inspectors; 14 Veterinary Border Inspectors
- planned	6 in the Sector; 3 Veterinary Inspectors; 14 Veterinary Border Inspectors
Coordination:	
- Internal	◆ Good informal internal coordination
- External	◆ Good informal coordination with RS, Canton and Municipality level ◆ No formal coordinating structures vis à vis RS, Cantons/ Municipalities or State Veterinary Office. A strong need is felt for better coordination with the State Veterinary Office.

Functional analysis: The present simple organisational structure and very limited size of the Veterinary Sector is to a large extent the result of the general organisation of the veterinary administration in FBiH, leaving most responsibilities, except border inspection, to the Cantons. Large majority of the present veterinary staff of the FBiH MoA is inspection staff, predominantly carrying out border inspection. Only relatively limited human resources are allocated for the work on legal, policy or administrative veterinary issues. As a result several important functions of the Veterinary Sector are covered by only one veterinarian. This makes the administration vulnerable and seriously weakens the professional working environment. Important tasks (e.g. disease prevention and eradication) can therefore hardly be fulfilled properly by the Sector. Furthermore, there is no staff allocated for legal work and harmonisation with EU standards. The allocation of tasks within the Sector is governed by the experience of the individual experts rather than a logical organisational separation of responsibilities related to animal health and public health. The present

staffing of the Sector does not seem to be adequate. The lack of resources to deal with the very complex harmonisation with EU standards is a serious obstacle to any substantial progress in FBiH.

FBiH MoA: Water Management Sector (including Inspection)

Objectives:	<ul style="list-style-type: none"> ◆ Preservation and rational use of natural resources ◆ Protection of landscape and development of tourism ◆ Preservation and rational use of water and land ◆ Protection of forests and agricultural land from erosion and floods
Core functions:	<ul style="list-style-type: none"> ◆ Participation in large hydro projects²⁷ as for example a World Bank project with a grant from Japan ◆ Issuing permits on water management²⁸ and hydro facilities ◆ Operational issues on prevention of flood damages, monitoring of water management by the two companies and the municipal companies
Staff resources:	
- current	6 in the Sector; 2 Water Management Inspectors
- planned	7 in the Sector; 3 Water Management Inspectors
Coordination :	
- Internal	◆ Coordination procedures are foreseen in the Law on water and the Law on water protection as well as in the Law on administration
- external	◆ Hearings with involved citizens and stakeholders are stipulated in the provisions

Functional analysis: The sector is well organised. Most of the practical tasks are outsourced to public companies. Many functions are also allocated on cantonal level. This is not optimal as their cantonal areas and borders are not always identical with the border lines of the main tributaries. However, coordination mechanisms between FBiH and Cantons are working fairly well. High investments necessary to repair war damages and to set up new or develop present hydro-facilities (rain and waste water separation, sewage, fresh water supply including reduction of water losses, water cleaning, flood protection, irrigation) will need considerable financial means²⁹. At least three additional staff for planning, monitoring and administration tasks will be needed in the Sector to plan and supervise the investment works in the future. Additionally, qualified hydro and technical engineers with good command of at least one foreign language are lacking and should be hired as soon as possible - also to be able to contribute to the future implementation of international water agreements. Partly planning capacities could be also outsourced e.g. to specialized institutes and be organised in form of tendered projects. However, necessary project monitoring capacities have to be developed within the FBiH MoA.

²⁷ In the Federation, there are two water management companies responsible for planning and construction of hydro facilities: the Public Company for Watershed Area of River Sava, and the Public Company for Watershed Area of Adriatic Sea.

²⁸ The municipalities mostly have one but sometimes also several water management companies supplying water to the consumers, depositing sewage and sludge and cleaning waste water.

²⁹ 40 % of the Federation population is living in the Bosna river valley. It is estimated that the cleaning facilities and sewage systems in this area will need investments amounting up to 1 Billion KM! The separation of rain water and waste water in the sewage systems is often especially problematic.

FBiH MoA: Forestry Sector (including Inspection)

Objectives:	<ul style="list-style-type: none"> ◆ Preservation and rational use of natural resources, protection of landscape, development of tourism and animal welfare and most notably forest protection ◆ Increasing sustainable economic capacity of forest lands and increasing forest bio-diversity ◆ More effective governance and harmonisation with EU legislation
Core functions:	<ul style="list-style-type: none"> ◆ Drafting forestry legislation and by-laws ◆ Monitoring forest exploitation and sustainability ◆ Monitoring cantonal forestry companies ◆ Approval of cutting plans, inspection of cutting activities ◆ Extension service for private forest owners (18 % of area) ◆ Protection of forests against diseases, wind damages and fire
Staff resources: - current - planned	<p>4 in the Sector; 2 Forestry Inspectors</p> <p>4 in the Sector; 3 Forestry Inspectors</p>
Coordination: - Internal - External	<ul style="list-style-type: none"> ◆ Informal procedures only, however, working fairly well, good cooperation with the FBiH Forestry Institute ◆ Close coordination with Cantons and their forest companies

Functional analysis: The present staffing of the Sector is limited. As the forest inspection is also understaffed control functions to avoid over-exploitation by cantonal forest companies seem to be difficult to carry out. An expert for forest exploitation is missing, too. The tendering procedures introduced by the new Forestry Law are very labour intensive. An additional expert for long-term planning and forest economics is needed in order to ensure sustainability of forest planning. A large proportion of relevant work is presently delegated from the Sector to the FBiH Forestry Institute which forms a part of the FBiH MoA and reports directly to the Minister. Coordination between the Sector and the Institute is still not formalised, however should be made obligatory.

FBiH MoA: FBiH Forestry Institute

Objectives:	<ul style="list-style-type: none"> ◆ Maintain sustainable forests ◆ Good use of natural resources ◆ Protection of the environment
Core functions:	<ul style="list-style-type: none"> ◆ Monitoring FBiH and private owned forests ◆ Forest cutting plans ◆ Development of 5, 10 and 50 year plans ◆ Support to Cantons with regard to the set up of cantonal forest administrations and set up of cantonal forest companies according to the new Forestry Law
Staff resources: - current - planned	<p>4</p> <p>12</p>
Coordination: - Internal - External	<ul style="list-style-type: none"> ◆ Close informal coordination with Forestry sector of the FBiH MoA ◆ Close cooperation with the other Entity and the University colleges of forest science ◆ Good cooperation with Cantons but on informal basis. Forest plans are discussed with cantonal stakeholders

Functional analysis: According to the new Forestry Law the staff of the Institute shall be increased to 12. Presently the Institute as well as the Forestry Sector face serious problems with regard to the implementation of the new Forestry Law as well as with regard to general change processes in the FBiH forest sector:

(i) The foreseen set up of cantonal forestry administrations has by mid 2004 only been completed in the Cantons of Gorazde, Western Herzegovina and Posavina. In most Cantons it

has still to be clarified whether the new cantonal forestry administrations shall also comprise the normally numerous forest guards and how the respective financing can be ensured.³⁰

(ii) The number of employees in the cantonal forest companies is rather high and could be reduced by outsourcing and privatising services as stipulated by the new Forestry Law. A reduction from 4.800 to 3.200 staff seems to be possible. Due to social reasons this can only be realised in the longer run.

(iii) A direct line of command linking the FBiH MoA, the Forestry Sectors of the Cantons and the cantonal forest companies is lacking. The set up of such a direct line of command is necessary at least for certain activities like the design of cutting plans and activities to prevent forest fires, forest diseases and illegal cutting.

The FBiH Forest Institute will have to play a key role in developing relevant technical, administrative and managerial functions and processes. To be able to do this, the Institute has urgently to be provided with the foreseen staff and financial resources to be able to fully develop its institutional capacity.

FBiH MoA: Food Processing Industry Department

Note: Legally, the Department is still part of the FBiH Ministry of Industry, Energy and Mining Sector. However, on FBiH Government level it has been already agreed to transfer the Department to the FBiH MoA³¹. The necessary changes and amendments to the Law on Ministries and other Bodies of the Federation Administration are, however, still pending in July 2004.

Objectives:	<ul style="list-style-type: none"> ◆ Strengthening farm enterprises, producer organisations for marketing and processing of agricultural products as well as co-operation with food industry ◆ Establishing and sustaining extension service for food processors ◆ Ensure healthy supply of high quality and safe food for consumers ◆ Participation in international trade at fair conditions ◆ Clear allocation of competencies in order to achieve a more effective administration
Core functions:	<ul style="list-style-type: none"> ◆ Participation in preparing of legislation (law on agriculture, food safety law, bylaws and secondary legislation on technical and quality regulations) ◆ Monitoring production ◆ Collecting statistical data ◆ Investigating irregularities ◆ Approvals for establishing food enterprises ◆ Support for introduction of ISO and other standards
Staff resources:	
- current	4
- planned	5
Coordination:	
- Internal	
- External	<ul style="list-style-type: none"> ◆ Good with FBiH MoA and FBiH Ministry of Health as well as with Cantons and Municipalities. Coordination tasks could be reduced if legislative tasks are shifted to the State level

Functional analysis: As the functions with regard to food processing are very important for the development of the whole agricultural sector their transfer to the FBiH MoA has to be finalised as soon as possible. With the full integration of the Department into the FBiH MoA the functions should be extended and should also include marketing and promotion of agricultural products. The present staff is generally regarded as sufficient to carry out present functions. Functions concerning the ensuring of a single economic space should not be allocated in this unit but mainly on State level. The planned set up of working groups consisting of experts from universities, associations, etc. will support the drafting of EU harmonised Entity legislation respecting the present situation in the agricultural and food processing sub-sectors.

³⁰ Two possible solutions are presently discussed: either (i) to increase the foreseen contribution of the public cantonal forest companies to the cantonal budget to pay forest guards out of the cantonal forest administration budgets, or (ii) to leave the forest rangers under the authority of the public forest companies.

³¹ FBiH Government decision from 15.07.2004.

B.1.2.3 Department of Agriculture, Forestry and Water Management, Brcko District of Bosnia and Herzegovina

Brcko District is a unique administrative local self-government under the sovereignty of BiH. The Statute of Brcko District regulates its organisation and functions. **The Department of Agriculture, Forestry and Water Management** is one of ten Departments established by the Law on Executive Authority of Brcko District in 1999³². It is in charge of all administrative and regulatory functions related to agriculture, veterinary, forestry and water management. It is also responsible for the development of rural areas including investment development.

Structural analysis: Given the special legal and administrative status of Brcko District, the organisational unit in charge of agriculture, veterinary, forestry and water management is not a Ministry or a Sector, but a Department (highest rank of an organisational unit in Brcko District). The Department consists of three Sections (see organigram on the following page). In order to rationalise the administration, responsibilities for forestry and water management were merged in one Section in an administrative reform in 2003. At that time the technical inspectors previously belonging to the Department were transferred to the General Inspectorate of Brcko District comprising all District inspectors. This caused some problems for the remaining Department staff as close working contacts were not available any more, and inspectors could not be any more used for administrative functions. Additional key structural features are the following:

(i) The Department has no general administrative services (personnel, budget, etc.). These functions are carried out in a specialised Administration Department of the District.

(ii) The Agriculture Section includes three Extension Officers forming the Department's Extension Service.

(iii) The Department has an Office for Analysis & Support focusing on project development, rural development and analytical work. Although this Office is doing some important development work its institutional status is lower than the Department's Sections. Obviously, planning and analysis work is considered as being secondary in comparison to the traditional tasks for agricultural production, veterinary, etc.

(iv) In total the Department has 46 staff members which is - in comparison with the Entity MoAs - a relatively high number. This is mainly due to a high number of veterinary staff.

³² "Official Gazette of Brcko District" No. 1/00, 5/01, 9/01, 12/01, 16/01, 17/02, 8/03, 14/03.

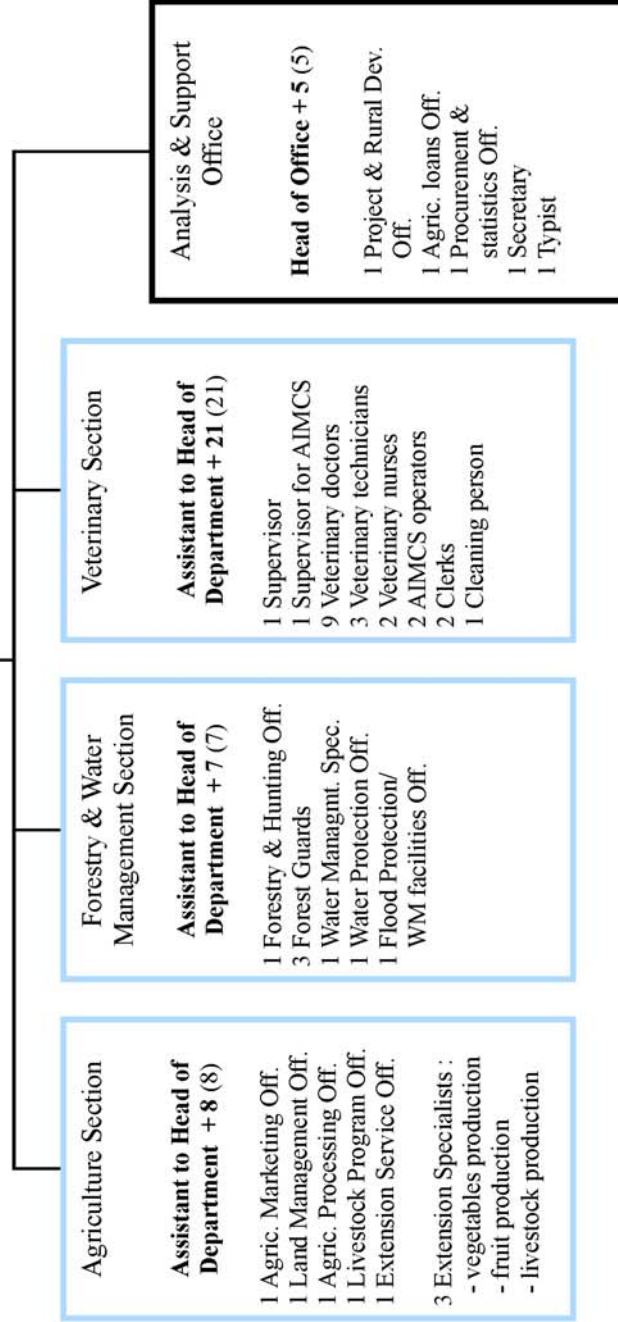
Organisational structure of the Department of Agriculture, Forestry and Water Management of the Brcko District (April 2004)

Note 1: Staff and figures marked in bold letters: existing staff April 2004; () = planned positions according to Department's rule book, but not filled in April 2004

Note 2: Since 2003 all inspection tasks are allocated in the Department for Public Security; there, the following inspectors can be found: 1 Agriculture, 2 Plant health, 5 Veterinary (thereof 3 border inspectors), 1 Forestry, 1 Water Management



Managerial staff:	5
Expert staff:	36
Support staff:	5
Inspection staff:	0
TOTAL staff:	46 (46)



The main functions of the organisational units of the Department are the following:

Brcko District Department of Agriculture: Agriculture Section

Objectives:	<ul style="list-style-type: none"> ◆ Protection of agricultural land ◆ Development of agriculture ◆ Land management
Core functions:	<ul style="list-style-type: none"> ◆ Drafting legislation ◆ Processing applications for financial support ◆ Economic and market analysis ◆ Commercial assistance to farmers and industry ◆ Extension service to farmers (3 Extension Officers)
Staff resources:	
- current	9
- planned	9
Coordination:	
- Internal	<ul style="list-style-type: none"> ◆ Internal coordination especially with Analysis & Support Office seems to need improvement
- External	<ul style="list-style-type: none"> ◆ Informal coordination with NGOs good

Functional analysis: All experts (including the extension officers) are involved in processing applications for subsidies. 50 - 60 % of the Section's resources are tied up with processing and checking of applications. This is considered to be very unsatisfactory and an obstacle to fulfilling the Section's main administrative and support functions, e.g. market analysis and assistance to farmers and support for food processors. The activities of the Section should be focused more on the development of competitive farm structures and processing industries. Given the current situation, the Section is often not sufficiently able to launch initiatives for the further development of the farming industry. Dealing mainly with routine file processing the Section is hindered to work on forward looking strategies for agricultural development. It is necessary to separate more clearly routine file processing from the development and advice oriented work. Agricultural inspectors of the General Inspectorate of Brcko District should perform all field inspections (including the checking of samples of applications for subsidies in the field). The Section has also pointed to a lack of internal coordination with the Analysis and Support Office. Reliable information exchange procedures should therefore be developed and functions and processes better defined.

Brcko Department of Agriculture: Forestry & Water Management Section

Objectives:	<p><u>Forestry:</u></p> <ul style="list-style-type: none"> ◆ Sustainable agriculture and forest sector ◆ Participation in international trade of forestry products at fair conditions ◆ More effective governance and harmonisation with EU legislation <p><u>Water Management:</u></p> <ul style="list-style-type: none"> ◆ Preservation and rational use of natural resources, protection of landscape ◆ Especially, improvement of water use ◆ Protection against erosion and flooding ◆ More effective governance and harmonisation with EU legislation
Core functions:	<p><u>Forestry:</u></p> <ul style="list-style-type: none"> ◆ Planning and monitoring of forest exploitation and sustainability ◆ Forest protection against illegal cuttings, fires and diseases ◆ Approval of forest cutting plans ◆ Supervision of the two forest companies and private forests <p><u>Water Management:</u></p> <ul style="list-style-type: none"> ◆ Planning of water management activities ◆ Maintenance of water facilities like dykes etc. and repair of war damages ◆ Environmental protection (cleaning of rivers) ◆ Flood prevention
Staff resources: - current - planned	<p>8 thereof 4 for forestry and 5 for water management (the two public forest companies of the District employ 75 persons, which is estimated to be too high)</p> <p>8 (one supplementary forest ranger for supervision and advice in private forests would be useful)</p>
Coordination: - Internal - External	<p><u>Forestry:</u></p> <ul style="list-style-type: none"> ◆ Is functioning well ◆ Good cooperation with Canton Tuzla and RS regarding the two District forest companies, which are too small to exist on their own. <p><u>Water Management:</u></p> <ul style="list-style-type: none"> ◆ Water laws envisage procedures for cooperation including public hearings ◆ Fairly well functioning with Entities, could be better with State level

Functional analysis of the forestry part: The administration functions very well. The forest management is outsourced to public forestry companies. Closer cooperation with the Canton Forest Company from Tuzla as well as with the RS Forest Company should be considered in order to further reduce management costs by using economies of scale.

Functional analysis of the water management part: The administrative work is satisfactory, although only basic tasks can be accomplished with current staff resources. With more available staff and financial resources much more could be done for flood protection and cleaning of rivers. Investments are carried out by private enterprises selected in a tendering procedure.

Brcko District Department of Agriculture: Veterinary Section

Objectives:	◆ Protection of animal (and public) health
Core functions:	<ul style="list-style-type: none"> ◆ Monitoring disease situation ◆ Combating and preventing animal diseases ◆ Vaccinations ◆ Administering animal ear-tagging and monitoring of animal registration
Staff resources:	
- current	22
- planned	22
Co-ordination:	
- Internal	◆ Good within the Department and with other District Departments
- External	◆ Good on informal basis with Entities and State Veterinary Office

Functional analysis: At present the Section is only performing animal health related activities, since, presently, there are no meat processing plants anymore working in the District. Veterinary inspections as such are covered by inspectors from the General District Inspectorate. Sanitary food control is the responsibility of the Department of Health and inspections are carried out by the General District Inspectorate, too. The Veterinary Section has 9 veterinary doctors and several veterinary support personnel. This overstaffing is the result of the transfer of staff from three former municipal veterinary stations to the District administration³³. However, the Section should as soon as possible reduce its veterinary staff to the necessary size or should reallocate staff to carry out other functions - if feasible. The establishment of an animal register and related ear-tagging activities are commencing. It is foreseen that veterinarians from the Section will visit farms to carry out ear-tagging. However, this is not a task which ought to be performed by highly qualified veterinarians. The same applies for the improvement of the selection work (improved quality of animal breeding and zoo-techniques), which is, also not a task of veterinarians. Practical selection work should be privatised and the responsibility for selection policies and support should be with the Agriculture Section.

In view of the limited public responsibilities of the Department in the veterinary field, both structure and the presently exaggerated staffing of the Veterinary Section have to be reviewed. The Section should be staffed and organised according to the public veterinary tasks that are required at present and in the foreseeable future. The Section should primarily carry out functions with regard to disease eradication and prevention.

³³ A former, large meat processing enterprise, which was destroyed during the war, may be re-established soon, thus creating possibly employment opportunities for the Section's veterinarians. According to the Section this is the main reason for not having adapted the number of staff to the present needs.

Brcko District Department of Agriculture: Analysis & Support Office

Objectives:	<ul style="list-style-type: none"> ◆ Sustainable agriculture and forest sector development ◆ Overcome the major consequences of war and remnants of former state economy system ◆ Ensure healthy supply of high quality food for consumers ◆ Preservation and rational use of natural resources, protection of landscape, development of tourism and animal welfare ◆ More effective governance and harmonisation with EU legislation
Core functions:	<ul style="list-style-type: none"> ◆ Project and program planning; policy analysis ◆ Support of agribusiness, especially through grants by a revolving fund ◆ Monitoring of supported enterprises ◆ Elaboration of statistics and respective analytical work ◆ Support of rural development ◆ Participation in drafting of food safety legislation
Staff resources:	
- current	6
- planned	6
Coordination:	
- Internal	<ul style="list-style-type: none"> ◆ Internal coordination works well: District Major informs weekly Heads of Departments and Head of Department of Agriculture informs weekly regularly Heads of Sections.
- External	<ul style="list-style-type: none"> ◆ Good informal cooperation with the State level and the Entities.

Functional analysis: This Section deals with project & program planning and monitoring, support of agricultural development and statistical and analytical work. These strategic functions are important and very much forward leading, however, necessary capacities to work on related legal issues are lacking in the Section. The recruitment of specialised lawyers is imperative. Additionally, to make full use the economic potential of the rural areas of the District and to prepare for EU support programmes more staff would be needed to develop and implement rural development programmes. The set up of a rural development planning group consisting of representatives from all Sections would additionally help to accelerate the work on rural development.

B.1.3 Other public administrations on State or Entity level with competencies relevant for the agricultural sector

Certain competencies with relevance for the agricultural sector are located in other than the analysed key agricultural administrations. One important field is the responsibility for food safety and quality. Here, apart from the Entity MoAs and the State Veterinary Office, four other Entity Ministries have also competencies and functions. Generally, cooperation between these Ministries and the MoAs is good³⁴.

In the RS there are two Entity Ministries with competencies in the field of food safety and food quality control:

RS Ministry of Health and Social Welfare, Unit for Sanitary Inspection of Food

Objectives:	<ul style="list-style-type: none"> ◆ Ensure safe and healthy supply of high quality food for consumers ◆ Preparing for accession to EU and WTO membership ◆ Facilitate agricultural and food exports
Core functions:	<ul style="list-style-type: none"> ◆ Inspection of food on the spot covering all relevant sanitary parameters to ensure healthy food supply to consumers (sanitary inspection) ◆ Inspection of traded foods at the borders ◆ Inspection of water quality according to the legislation on drinking water quality ◆ Supervision of municipal and City inspectors

RS Ministry of Trade and Tourism, Department of Consumer Protection

Objectives:	<ul style="list-style-type: none"> ◆ Ensure supply of safe high quality food for consumers by application of reliable labeling
Core functions:	<ul style="list-style-type: none"> ◆ Internal control of food of domestic origin (quality and labeling inspection) ◆ Especially comparison of the labeling with the product ingredients and assessment of the compliance with existing legislation ◆ Contribution to working group on new State food safety law and other work to harmonise with EU legislation ◆ External control of import and export by Entity market inspectors ◆ Supervision of municipal inspectors

Analysis: The general coordination and cooperation of both Entity Ministries with the RS MoA seems to be good. However, one critical point with regard to inspection functions has to be mentioned: all separate inspection services from the RS MoA (veterinary and plant health inspection), the RS Ministry of Health and Social Welfare (sanitary inspection) and the RS Ministry of Trade and Tourism (quality/labeling inspection) are visiting separately the same companies and institutions. Double charging for these services is often the consequence. It would be less costly and more efficient to take one sample and to carry out unified controls on all relevant food safety and quality parameters. In the future this overlapping might be avoided by the intended joining of all inspection services in one RS Inspectorate. The transfer of border inspectors in charge of food safety and quality of both Ministries to a future State Food Safety Agency will be necessary.

Like in the RS also in the FBiH there are two Ministries in charge of health and quality control:

FBiH Ministry of Health, Food Health Inspectorate

Objectives:	<ul style="list-style-type: none"> ◆ Ensure supply of safe and high quality food for consumers (sanitary control)
Core functions:	<ul style="list-style-type: none"> ◆ Supervision of border inspectors and cantonal and municipal inspections with regard to sanitary conditions, poisons, infective diseases, pharmaceuticals, health and radiation

³⁴ The below mentioned Ministries of Health and Trade of both Entities contributed together with the Entities' MoAs to the drafting of the new State Food Safety Law. This law is currently in the parliamentary procedure.

FBiH Ministry of Trade, Department of Quality Control

Objectives:	<ul style="list-style-type: none"> ◆ Secure safe food for consumers (quality and labeling inspection) ◆ Ensure high quality and reliable labeling
Core functions:	<ul style="list-style-type: none"> ◆ Internal control of food of domestic origin ◆ Especially comparison labeling with the product ingredients and compliance with existing legislation ◆ External control of import and export by Entity market inspectors ◆ Support of legislation to adjust to new food safety law and EU legislation

Analysis: Inter-ministerial coordination with the veterinary and plant protection inspectors of the FBiH MoA is generally good. However, the same inefficiencies concerning separated inspections by the different Ministries can be observed like in the RS. The intended joining of all Entity inspectors in one FBiH Inspectorate will - like in the RS - give the opportunity to carry out joined inspections and to avoid inefficiencies. However, in the FBiH the situation is especially with regard to inspection functions more complicated than in the RS as cantonal inspections are involved, too. Presently, the coordination and cooperation with ca. 60 cantonal and almost 100 municipal inspectors in the FBiH is a demanding task which is solved by defining specific fields of responsibility for the different inspectors (e.g. hospitals, schools, canteens etc.). With the future set up of a joined FBiH Inspectorate and Cantonal Inspectorates under the direct control and supervision of the FBiH Inspectorate the situation hopefully will improve and will lead to better coordinated and efficient inspections. The transfer of the Ministries' border inspectors in charge of food safety and quality to a future State Food Safety Agency will be necessary, too.

Apart from food safety and food quality the agricultural administrations share competencies with other public institutions in the field of environment:

Entity Ministries in charge of spatial planning and environment

These Ministries were not reviewed in detail as this will be done by a separate Functional Review covering the environmental sector. However, the Ministries of Spatial Planning and Environment of both Entities have some functions important for the agricultural sector. These functions concern first of all the usage of agricultural land. The Ministries are in charge of (i) defining general principles for the protection, utilisation and regulation of agricultural land, and (ii) approving the spatial planning (in the FBiH: cantonal plans!) which include the planned usage of agricultural land.

The Entity MoAs have to give their consent to the respective plans. Only with the consent of the Entity MoAs are the spatial plans valid. Entity MoAs are especially assessing the compliance of the plans with the general obligation to protect agricultural land. Additionally, they are looking for proper compensation (e.g. re-cultivation of presently unused agricultural land) in case the spatial planning foresees the change of purpose of agricultural land. Agri-environmental issues (e.g. usage of fertilizers, pesticides, etc.) are not covered by the Entity Ministries in charge of spatial planning and environment but are the responsibilities of the Entity MoAs. The distinction of functions with regard to water management and water protection is, however, not so clear: in the RS the relevant Ministry for spatial planning and environment is in charge of water protection, whereas water management belongs to the RS MoA. In the Federation a clear distinction with regard to these functions is still under consideration.

B.1.4 Agricultural administration in Cantons

B.1.4.1 General features

The 10 Cantons in FBiH differ significantly from each other in terms of size, population numbers, climate and agricultural conditions as well as their general development status. An overview of general conditions and cantonal agriculture administrations in all 10 Cantons is available in Annex 4.1. Following, legal basis, functions, administrative structures and available resources as well as coordination mechanisms of cantonal agricultural administrations are analyzed in more detail.

Legal basis

According to the FBiH Constitution both, FBiH and Cantons are responsible for the use of natural resources. This provision was explicitly included in the cantonal constitutions as well. Consequently, all Cantons have established administrations in charge of agriculture, veterinary, forestry and water management. These administrations have to implement the relevant Canton and FBiH legislation and policies. Generally, Canton laws and other regulations addressing these areas must be fully in line with relevant FBiH legislation. In practice, some Cantons are more active in drafting own cantonal legislation whereas most Cantons show relatively limited legislative activities for the agricultural sector.

Functions

Main functions of cantonal administrations in charge of agriculture are:

- Application of laws and other regulations (FBiH, Cantonal and in very few cases State legislation) through various administrative procedures,
- Creation and implementation of respective cantonal agricultural policies (development strategies, cantonal subsidy schemes, credit-lines, projects etc.),
- Direct support to farmers/rural households (extension services/selection & breeding services),
- Preparation of cantonal laws and other regulations,
- Administration of FBiH MoA subsidy schemes in cooperation with FBiH MoA and Municipalities,
- Commenting on FBiH law drafts,
- Gathering of information on the agricultural sector in co-ordination with Municipalities for own purposes and for transfer to FBiH MoA,
- Inspection of law implementation.

Structures

Canton Ministries in charge of agriculture, veterinary, forestry and water management exist in 6 Cantons: Una-Sana, Posavina, Tuzla, Zenica-Doboj, Central Bosnia, and Canton 10 (Livno).

In 4 Cantons these responsibilities are taken care of by Departments within cantonal Ministries of Economy: Bosnia-Podrinje (Gorazde), Herzegovina-Neretva (Mostar), West-Herzegovina, and Sarajevo. Generally, the cantonal agriculture administrations have no sophisticated internal structure. In most cases they consist of a unit for General Administrative Affairs (which consists mostly of only the General Secretary) and Sectors or Departments for Agriculture, Veterinary, Water Management and Forestry with their respective staff. Depending on the specific (financial) situation minor differences between administrative structures occur. In some cases responsibilities for Agriculture and Veterinary and/or for Forestry and Water Management are joined in one unit in order to reduce costs. However, in most of the sector Ministries these responsibilities are separated in four individual units of which the Agriculture Sector usually has most of the staff resources and is perceived as the core part of the sector administration. Cantonal agricultural administrations forming a part of a larger Canton Ministry of Economy (normally Sectors for Agriculture, Veterinary, Water Management and Forestry) have normally no sub-structure of Departments. Functions are delegated to the few specialized experts available in these administrations.

Inspections for agriculture, veterinary, forestry and water-management are differently organized in the 10 Cantons: In two Cantons (Bosnia-Podrinje and Zenica-Doboj), they were taken out of the Ministries in charge of the agricultural sector and included in the newly established General Cantonal Inspectorates which encompass all Canton inspectors. In all other Cantons responsibilities for agricultural, veterinary, water management and forestry inspections are still with the Ministries. However, the upcoming FBiH legislation on the establishment of Entity and Canton Inspectorates foresees the joining of all cantonal inspectors in one Canton Inspectorate in all Cantons³⁵. Like in the Entity MoAs this change will have a huge impact on cantonal agriculture administrations as up to 40% of present staff are inspectors who are also often used in day-to-day administrative work of the administrations.

There are some executive structures also in place which support the work of Ministries or Sectors. As these institutions especially ensure the field access and support measures of Cantons there is a general tendency in Cantons to strengthen these structures.

Firstly, cantonal agriculture administrations tend to set up agricultural zavods (offices). Their purpose is to provide direct support to agriculture producers by providing practical advice, organizing seminars, disseminating relevant information, selection & breeding services, etc.). Agricultural zavods (however, still with very limited staff) already exist in three Cantons (Una-Sana, Tuzla, and West Herzegovina). In two others (Zenica-Doboj and Herzegovina-Neretva) there are plans to establish such extension offices. Apart from extension work, agricultural zavods are also involved in administrative work. They are - for example - closely involved in the administration of cantonal and FBiH subsidies. In Cantons without agricultural zavods the extension work is presently done by the cantonal agriculture administrations themselves - either by a separate sub-unit for the extension services (Zenica-Doboj) or just by individual officers within the respective administrations (Central-Bosnia, Bosnia-Podrinje). The idea of setting up extension services in BiH was promoted by the *Extension Services Project* supported by the European Commission in 2001-2002. According to this project Cantons should be the administrative platform for extension services and cantonal staff was trained and extension equipment delivered. However, the extension concept was not fully implemented in FBiH. During the last 2 years most Cantons reintegrated extension units established during the project lifetime into their agricultural administration (mixing extension with administrative functions).

Apart from agricultural zavods, veterinary zavods as well were established in some Cantons (Zenica-Doboj and Tuzla, Una-Sana Canton will soon establish one). As an exception Sarajevo Canton has a cantonal veterinary station³⁶. The (limited) laboratory capacities of these veterinary zavods are used for basic analysis (biologic/ serologic) of samples taken by cantonal veterinary inspectors or private veterinarians. More complex analysis has to be done in the laboratories of the Veterinary Faculty in Sarajevo. Cantons without veterinary zavods or with limited analytical capacities are using services of one of the veterinary zavods in neighbouring Cantons or they use the capacities of the Faculty of Veterinary Medicine in Sarajevo.

Finally, Cantons are obliged to set up cantonal forest administrations according to FBiH forestry legislation. Although the establishment had to be finished by 2002, in most Cantons the set up is delayed very much due to financial, organizational and political reasons. However, mid 2004 Cantons are finalizing preparations for setting up these new administrative bodies (i.e. appointment of Directors, staff is being recruited or transferred from the respective agriculture administrations, etc). In the medium and long run these additional administrations are expected to be directly or indirectly self financed by commercial cantonal forestry activities.

Resources

Cantonal administrations in charge of the agricultural sector have a staff ranging from 7 in Bosnia-Podrinje Canton to 29 in Tuzla Canton. Although actual staff figures are already on average 15-20% below planned figures further staff reduction is envisaged in a few Cantons due to financial

³⁵ See footnote No 16.

³⁶ Veterinary stations are normally located on municipal level; contrary to RS, in FBiH the privatization of these stations is still pending.

restrictions. However, in most Cantons present staff is hardly able to cover all functions properly and especially to develop the needed extension and support structures. As a consequence, staff for newly created lower-level institutions (e.g. agricultural zavods) is often recruited by transferring ministerial staff, thus weakening the administrative functioning.

As a general tendency Cantons are providing more financial means for the support of the agriculture sector in their budgets. The amount of money allocated for this purpose differs very much from Canton to Canton depending on the importance of agriculture and the financial situation of Cantons. There are two major cantonal support schemes: (i) product related subsidy schemes, and (ii) funds to lower interest rates of credits or Bank Guarantee schemes. The administration of these schemes is done by the cantonal administration including the agricultural zavods (where existent) with support of Municipalities.

Co-ordination mechanisms

Canton administrations in charge of the agricultural sector have to co-ordinate their activities with the FBiH MoA as well as with other Cantons and the Canton's Municipalities. Co-ordination mechanisms are generally more informally organised than based on formal and obligatory mechanisms. However, co-operation and co-ordination between Cantons as well as with the Canton's Municipalities seems to function well in most cases although some Municipalities expressed their wish for more contacts, information and involvement with regard to the administration and support of the agricultural sector³⁷. However, the co-ordination between Cantons and the FBiH MoA seems to be especially problematic, both with regard to legislative work as well as with regard to the implementation of support policies (subsidy schemes, extension service).

Co-ordination of legislative work: Generally, the FBiH MoA is obliged to send draft legislation of the Entity to cantonal administrations for comments. However, most Cantons are not satisfied with the actual process. Cantons often receive drafts at a late stage of legislative work where commenting seems to be more a matter of formality rather than of actual relevance and impact. On the other hand cantonal administrations also often lack legal expertise to competently comment on draft legislation.

Co-ordination of support policies: With regard to the administration of FBiH subsidy schemes for the agricultural sector, the cantonal agriculture administrations are collecting subsidy applications, check them (together with municipal staff) and forward them to the FBiH MoA for decision making. Cantonal inspectors alone or together with inspectors from the FBiH MoA are controlling the process. The whole process is time consuming and inefficiently organized as on-the-spot controls of applications are done for all applications (instead for samples only); additionally, the whole control process encompass a large number of institutions and staff (municipal, cantonal and Entity staff). Despite these control procedures the planning and monitoring of subsidy schemes seems to be much less co-ordinated and developed. Cantons complain a lot about inappropriate subsidy schemes and especially application criteria as well as about very late decisions on subsidy schemes (sometimes, late summer). Cantons do not seem to be sufficiently involved in the design of subsidy schemes. Monitoring and evaluation systems, which would provide Cantons regularly with data on spent subsidies and their impact, are not in place. The very recently enforced FBiH Law on Monetary Support in Primary Agricultural Production³⁸ might bring some improvement with this regard as it describes the process of subsidy co-ordination between Cantons and FBiH MoA.

Although until recently no co-ordination of cantonal extension services was provided by the FBiH MoA it is now trying to develop a co-ordination mechanism and to provide resources in the Ministry for this task. However, there seems to be neither a clear idea of the actual services and

³⁷ Contrary to the situation in RS Municipalities in FBiH are generally involved only in a very limited way in administrative and almost not involved at all in inspection functions. However, the involvement might differ slightly from Canton to Canton.

³⁸ "Official Gazette FBiH", No: 28/04

the value added of such a co-ordination unit nor an agreement with the Cantons on their co-operation. Generally, the FBiH MoA from time to time organizes meetings on an ad hoc basis inviting all cantonal agriculture administrations to discuss concrete issues of mutual interest. However, it seems that the cantonal agriculture administrations would prefer to meet regularly (for example twice a year) on ministerial or top-management level with the FBiH MoA to discuss on a more general level the functioning of their co-ordination mechanisms.

These general features of agriculture sector administration in Cantons will be in the following completed by case studies from three selected Cantons.

B.1.4.2 Case studies from selected Cantons

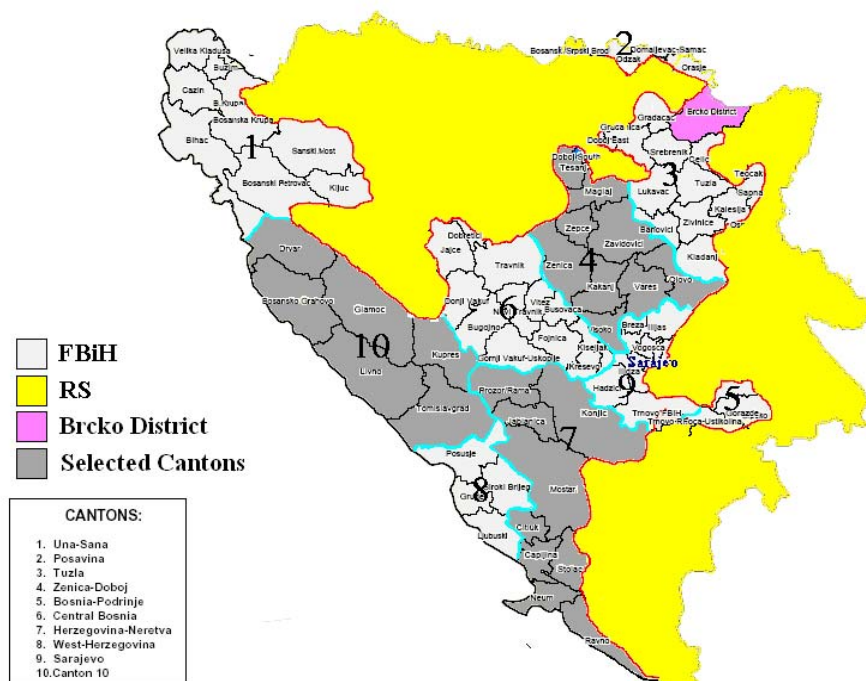
During the data collection phase all ten cantonal agriculture administrations were visited by the review team. The following three canton administrations were selected to be visited for a second time in order to be reviewed more thoroughly:

- Sector for Agriculture and Veterinary of the Ministry of Economy, Entrepreneurship and Agriculture of Herzegovina-Neretva Canton,
- Ministry of Agriculture, Water Management and Forestry of Canton 10 (Livno),
- Ministry of Agriculture, Water Management and Forestry of Zenica-Doboj Canton.

These Cantons were selected in order to appropriately represent

- different climatic zones, fertility of soils and landscape in BiH,
- different major agricultural zones in BiH with their main agricultural products,
- less favoured as well as favoured agricultural areas, and
- different organisational structures of agriculture administration (independent Ministry or Sector with a Ministry of Economy).

In the following map the three selected Cantons are indicated (black lines: administrative borders of FBiH Municipalities):



(i) Herzegovina-Neretva Canton: The Sector for Agriculture and Veterinary Services

Herzegovina-Neretva Canton is located in the south of FBiH. It consists of 8 Municipalities and the City of Mostar. Due to its Mediterranean climate this area has considerable agricultural potential especially in its southern part whereas in the north traditional livestock breeding activities are dominant. Before the war the region used to have a large processing industry (vine, fruits, vegetables).

Sector for Agriculture and Veterinary Services is part of the Ministry of Economy, Entrepreneurship, and Agriculture of Herzegovina-Neretva Canton, which is one of the 8 Ministries in the government of this Canton. In former years an independent Ministry of Agriculture, Forestry and Water Management existed. Due to budgetary reasons in 2003 the Canton was forced to reduce the number of Ministries from 12 to 8. Four Ministries were merged into the Ministry of Economy - among them the Ministry in charge of the agricultural sector. The present inferior status as a Sector causes sometimes problems as information flows are not always optimal and budgets for the agriculture sector do not reflect the importance agriculture has for the Canton.

As can be seen in the organigram of the Ministry (see Annex 4.1), the Sector does not have any administrative sub-units. However, the Zavod for Extension Service and Plant Protection (Agricultural Zavod) and the Zavod for Land Preservation are about to be created. They will be attached to the Sector but will concentrate on extension and development work in the field. The Sector is not in charge of forestry or water management. Related functions are handled in inferior administrations of the Ministry like the Cantonal Forestry Administration (not yet established) and the Directorate for Water Management. Both are directly under the responsibility of the Minister of Economy, i.e. the Sector has no technical supervision over these two administrative sub-structures.

The future Agricultural Zavod is supposed to provide direct support to farmers and rural households. Several staff members of the Sector trained in previous years in an EU financed extension project are planned to be transferred to the Zavod to initiate its work. Additionally, the Ministry of Economy has an Inspection Sector where all cantonal inspectors related to competencies of the Ministry are joined (thereof 2 agriculture, 2 veterinary, 2 water management, 1 forestry inspector). The Inspection Sector too is directly responsible to the Minister.

As for the staff resources, there are 8 persons in the Sector for Agriculture and Veterinary Services. This number includes the Assistant Minister leading the Sector and 7 experts. All positions foreseen in the rulebook are filled. It is planned that the new Agricultural Zavod will have 9 employees, whereas the Zavod for Land Preservation will consist of 7 employees.

The cantonal budget 2004 foresees support funds for agriculture, economy and veterinary of 500.000 KM. The same amount of money was allocated in 2003 for this purpose. However, it is not clear how much of this amount will be reserved for agriculture and veterinary measures. Additionally, the cantonal budget for 2004 comprises considerable sums to be invested in the water management and forestry area in order to comply with FBiH legislation.

Last but not least, the Sector is preparing a draft cantonal strategy for agriculture development in co-operation with the Colleges of Agriculture of the Universities in Mostar and Sarajevo and the Agronomic Institute for Mediterranean Products, Mostar.

(ii) Canton 10 (Livno): Ministry of Agriculture, Water Management and Forestry

Canton 10 (Livno) is located in the south-west of FBiH and consists of 6 Municipalities. Although especially the northern part of this rural Canton suffered much during the war, it has favorable natural conditions for extensive livestock breeding and forestry.

The Ministry of Agriculture, Water Management and Forestry is one of 8 Ministries in the government of this Canton. The Ministry is divided into 3 Sectors (organigram, see Annex 4.1): Agriculture (including a sub-unit for veterinary issues), Water Management and Forestry. Additional organizational units are: Minister's Cabinet, the Cantonal Forestry Administration and the Extension Service Unit.

Cantonal Forestry Administration was recently established, the Director was appointed and initial staff is about to be recruited. The Extension Service Unit is supposed to provide advice and support concerning breeding and selection issues. However, due to lack of staff the unit is mainly concentrating on administrative tasks on the expense of field work and supports especially the weakly staffed Agriculture Sector. The same mix of functions is seen in the water management administration where one officer from the Agriculture Sector carries out certain tasks. With regard to inspections no organisational separation of inspection tasks has yet been implemented: cantonal inspectors (1 agriculture, 2 veterinary, 1/2 water management and 4 forestry) are directly attached to the respective Sectors of the Ministry.

The total number of staff is 17 whereas the number of positions planned in the Ministry's rule book is 31. This large discrepancy is due to financial constraints. The veterinary sub-sector is especially understaffed, but also several key positions are not filled in the Sectors for Water Management and Forestry. The staffing problems will increase when inspectors leave the Ministry to join the Cantonal Inspectorate which is expected to be established.

In 2004, Canton allocated a remarkable sum of 507.000 KM in its budget for support of the agriculture sector. This is a considerable increase compared to 2003 when the budget allocation for this purpose was 100.000 KM. This money is planned to be spent especially on product related incentives (milk premiums) and for lowering of interest rates of investment loans. However, 100.000 KM are also allocated to provide external expertise for the preparation of a cantonal strategy for agriculture development.

(iii) Zenica-Doboj Canton: The Ministry of Agriculture, Water Management and Forestry

Zenica-Doboj Canton is located in the central part of FBiH and consists of 12 Municipalities. Agricultural activities have a significant socio-economic importance due to the fact that major parts of the former dominant heavy industry are not working any more. As is typical for the central parts of BiH livestock breeding, milk production and production of vegetables (potatoes) are important in this Canton. Zenica-Doboj Canton has considerable potential in terms of milk processing, too.

Ministry of Agriculture, Forestry and Water Management of Zenica-Doboj is one of 10 Ministries in the government of this Canton. The Ministry consists of 4 Sectors (Agriculture, Veterinary, Water Management and Forestry) and a General Secretariat (see organigram in Annex 4.1). Additional subordinated organizational units are Veterinary Zavod and Cantonal Forest Administration. There is a plan to reduce the number of Sectors to two with only two Assistant Ministers in order to reduce costs.

The Agriculture Sector has two sub-units for field work, one for extension services and the other for selection and breeding services. The role of the Veterinary Zavod is to carry out laboratory analysis (biologic/ serologic) of samples taken by inspectors (and private veterinarians). Ministry of Agriculture of the neighbouring Central Bosnia Canton is using the services of the Veterinary Zavod. Samples requiring complex analysis are sent to the Veterinary Institute of the University Sarajevo or to the Cantonal Veterinary Institute in Tuzla.

For the coming years the Ministry plans to set up an Agricultural Centre combining the already existing Veterinary Zavod with a new Agricultural Zavod including laboratories in order to provide services and advice for farmers. It is expected that the Agricultural Centre would in the long run be partly self financing through fees for delivered services. Extension service staff presently still located in the Ministry would be transferred to the new Zavod. Additional extension staff should be hired, financed by the Canton budget and located in 6 key Municipalities of the Canton in order to strengthen the field access of the cantonal extension services. However, until now due to severe financial restrictions, it has not been possible for the Ministry to come close to a realization of this plan.

In Zenica-Doboj Canton all cantonal inspectors are already merged into one Canton Inspectorate. Inspectors for the agricultural sector (1 agricultural, 2 veterinary, 2 water management and 1 forest inspector) are gathered in one of the Inspectorate's five organizational units.

Although the number of planned positions is 31, mid of 2004, the Ministry has only 19 staff employed which is due to severe financial restrictions imposed by the Cantonal budget. For the same reason, a general staff reduction in all Ministries of the Zenica-Doboj Canton is presently considered.

In 2004, Zenica-Doboj Canton allocated 1.050.000 KM in its budget for the support of agriculture mostly for product related incentives (milk premiums) but also for selection, breeding and veterinary measures as well as the lowering of interest rates of investment loans. Additional budget funds will be available for earmarked purposes with regard to re-cultivation of agriculture land, water management and the preservation of forests.

Summary analysis of agricultural administration in Cantons:

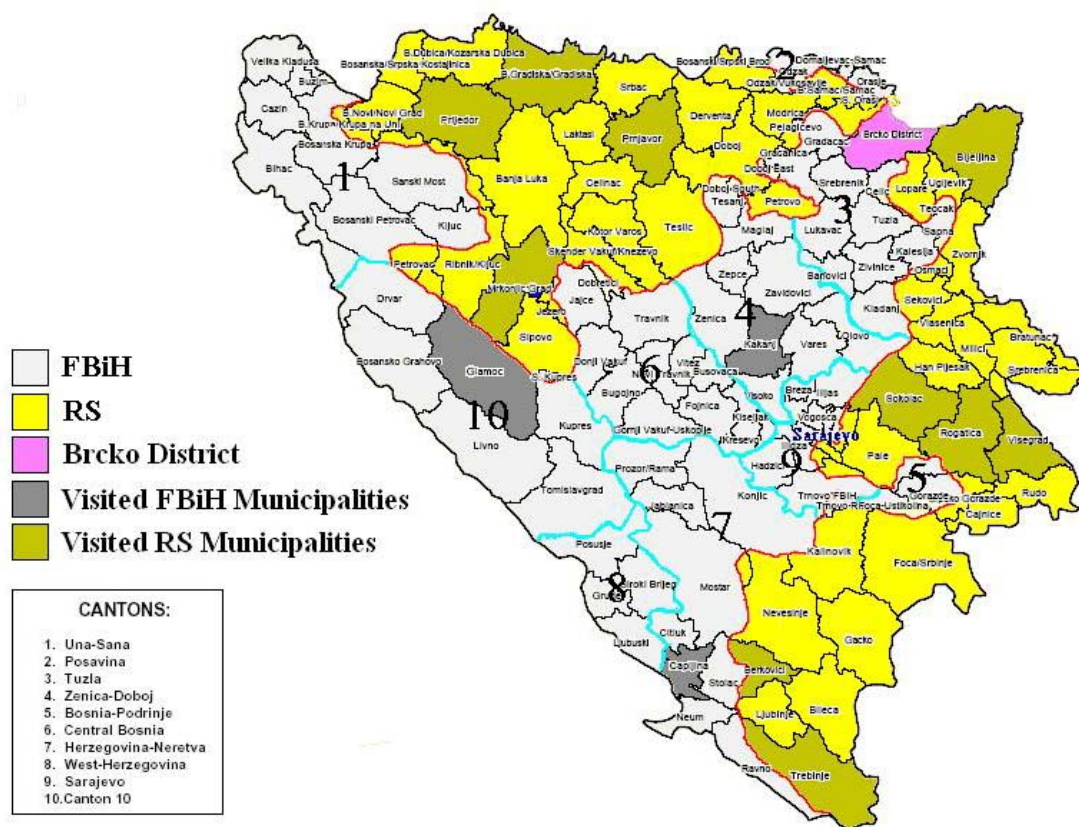
- Cantonal agriculture administrations form a very important part of the agriculture administration in FBiH. They are the main implementation bodies for policies and legislation prepared by the FBiH MoA. However, Cantons are presently neither appropriately involved in the preparation and monitoring of support and development policies on Entity level nor do they have own sufficient planning, programming and implementation capacities for support measures.
- Co-ordination mechanisms with the FBiH MoA are not sufficiently formalized and do not function in an appropriate manner. As a consequence, Cantons have a lot of room for independent activities, sometimes even with regard to the issues which *per se* should be decided in co-ordination with the FBiH MoA or solely by the FBiH MoA. Cantonal agriculture administrations have developed rather autonomously and their respective policies are not properly co-ordinated. In the longer run - if this process continues - it might lead to a substantially non co-ordinated development of the agriculture sector throughout FBiH.
- To avoid this, FBiH-wide policies and strategies for the agricultural sector have to provide for better and harmonized agriculture development. Cantons have to be involved in the elaboration of respective policies, strategies and implementation plans. These planning activities should be based on the State level policies and strategies which should be a pre-condition for such work on Entity and Canton level.
- In most cantonal agriculture administrations the development of institutional capacities is planned for better and direct support of agricultural producers (set up of agricultural zavods or agricultural centers). Such extension services are urgently needed to better support the agriculture sector. Several Cantons have already worked out detailed plans as could be seen especially in the case studies of the Zenica-Doboj and Herzegovina-Neretva Cantons. Additionally, such institutional capacities are needed to avoid the present mixing of administrative and extension functions which is visible in all Cantons. Administrative tasks mostly have priority to the detriment of extension work. However, necessary financial resources are not available in most cases. Plans to shift present administration personnel to the extension functions will most probably endanger cantonal administration work if they are not replaced.
- In general, Cantons face severe financial shortages and a lack of human resources if one considers their responsibilities and tasks. Staff numbers in cantonal agriculture administrations are usually well below planned figures. However, many cantonal agriculture administrations are presently in danger of further downsizing. The envisaged transfer of inspectors into Cantonal Inspectorates will further weaken cantonal agriculture administrations if respective positions are not filled either by administration or extension personnel.

B.1.5 Agriculture administration in Municipalities

In April and May 2004 the review team visited ten Municipalities in RS. Three Municipalities located in the 3 selected Cantons of FBiH (see previous chapter) were also visited and reviewed. Municipalities were selected according to almost the same selection criteria as were applied to Cantons, i.e. selected Municipalities should as much as possible represent

- different climatic zones, fertility of soils and landscape in BiH,
- different major agricultural zones in BiH with their main agricultural products, and
- less favoured as well as favoured agricultural areas.

The visited Municipalities are indicated in the following map. A comprehensive overview of data and information from these Municipalities is additionally presented in Annex 4.2.



Municipalities represent the administrative layer closest to farmers and rural households. There are 80 Municipalities in FBiH and 63 in RS, bringing the total number to 143³⁹. This is a considerably high number. The size of Municipalities is therefore in terms of population often relatively low except from the limited number of more urban centers and Cities. District Brcko is not divided into Municipalities. As natural conditions differ considerably throughout BiH Municipalities often face very diverse conditions for the development of agriculture. This results in significant differences between favored and less favored Municipalities. Legal basis, functions, administrative structures and available resources as well as coordination mechanisms of municipal agriculture administrations are analyzed in more detail.

³⁹ Due to the merging of 6 previously separate Mostar Municipalities into 1 City of Mostar administration the total number of FBiH Municipalities was reduced from previously 85 to 80, thus also reducing the total number of BiH Municipalities and Cities from previously 148 to 143. There are 3 Cities in BiH: City of Sarajevo and the City of Mostar in FBiH as well as the City of Banja Luka in RS; they are comprised in the numbers of Municipalities.

Legal basis

The FBiH Law on Local Self-Government⁴⁰ provides Municipalities with certain - although, very limited - competencies with regard to the agriculture sector. Within their scope of work, Municipalities shall merely ensure local needs concerning animal and plant health protection. Furthermore, some technical FBiH laws delegate minor responsibilities for administrative tasks to Municipalities. As Cantons have their own laws on local self-government the specific situation of Municipalities might slightly differ from Canton to Canton.

The RS Law on Local Self-Government⁴¹ provides that Municipalities are obliged to execute RS laws and other regulations when assigned to do so. RS laws of the agriculture sector generally delegate considerable administrative and inspectorial responsibilities to RS Municipalities which form the legal basis of their activities in the agriculture sector.

Functions

Due to the different organizational settings in the two Entities (FBiH: Entity, Cantons and Municipalities; RS: only Entity level and Municipalities) there is a big discrepancy between the Entities with regard to the level of involvement of Municipalities in agriculture sector administration. As FBiH Entity and Cantons already share responsibilities for the sector, very few competencies are left for FBiH Municipalities. It is very rare that relevant FBiH legislation delegates competencies directly to Municipalities⁴². In some cases FBiH legislation empowers Cantons to delegate certain functions to Municipalities (e.g. FBiH Law on Waters). However, in reality only some Cantons delegate tasks to Municipalities, whereas most Cantons tend to concentrate competencies on the Canton level. This is especially true for inspection functions which are almost completely concentrated on cantonal level⁴³.

Unlike the situation in FBiH, in RS the MoA relies on the Municipalities to implement laws for the agricultural sector. This usually happens in close cooperation with the six Regional Offices of the RS MoA. RS laws and other legislation in most cases clearly describe implementing tasks for municipal administrations. Additionally, RS Municipalities are generally tasked with considerable inspection functions especially in terms of agriculture (plant health, seeds controls, control of agricultural input shops, etc.) and veterinary inspection. The municipal inspectors carry out their tasks in close co-operation with the field inspectors of the RS MoA located in the Regional Offices. Only if individual Municipalities are unable to carry out these inspections the RS MoA inspectors will take over these functions.

RS Municipalities are generally more involved in delivering direct support to farmers than is the case in FBiH Municipalities. However, this of course depends on the staff resources of the individual Municipality. Privileged RS Municipalities with own extension and/or selection officers are able to provide more support than Municipalities in less favoured areas with often as limited staff as is the case in FBiH Municipalities .

Although functions of municipal administrations generally very much differ in the two Entities, there are also some functions which can be found in all BiH Municipalities. As Municipalities have the necessary field access all Municipalities have to provide support to the higher agricultural administrations (Entity, Canton) by e.g.

- gathering field information (e.g. data on land use, plant and animal health status, natural disaster impacts, etc.),
- registering farmers and issuing of relevant certificates, and
- assisting the administration of subsidy applications.

⁴⁰ "Official Gazette of FBiH" No. 6/95

⁴¹ "Official Gazette of RS" No: 35/99 and 51/01

⁴² A rare example is e.g. the FBiH Law on Agricultural Land No: 02/98 which entitles Municipalities to administer minor issues related to the use of pastures.

⁴³ Only for very few areas the FBiH Municipalities can be assigned by the Cantons to assist or perform certain inspectorial functions. A rare example is the veterinary inspection which partly is delegated in some Cantons to the municipal level.

Finally, a large number of Municipalities in both Entities seem to have considerable success in acquiring and implementing projects financed by international donors.

Structures

In Municipalities no special administrative structures or sub-structures are available for the agricultural sector administration. Agricultural, veterinary, water management or forestry officers and inspectors are located in municipal Departments of Economy (and Social Affairs) or - if the Municipality is too small - just attached to the general municipal administration. Exceptionally, some Municipalities have set up a separate Department of Agriculture (Capljina, Laktasi).

In FBiH, veterinary stations still belong to the Municipalities and are supposed to work on a self-financing basis. However, plans to privatize the municipal veterinary stations in FBiH are advanced and expected to be finalized in due course. The veterinary stations in RS used to belong to the Municipalities, however, almost all of them have been already privatized.

Resources ⁴⁴

Due to the limited agricultural competencies of the Municipalities in FBiH there is usually only a small number of staff in charge of agriculture (mostly only one or two). The agriculture staff in the FBiH Municipalities very often has multidisciplinary tasks, i.e. apart from agriculture assignments this staff has also other non-agriculture tasks to deal with. In reality, this means that in a certain number of the Municipalities (especially in the poorest ones) agriculture is taken care of by just one person on a part time basis hardly covering the mandatory administrative tasks. In some Cantons (e.g. Zenica-Doboj, see chapter B.1.4.2) there are plans to strengthen cantonal extension work and field access by placing extension officers at least in key Municipalities and financing them from Canton budgets. However, due to severe financial restrictions these plans can not be realized at present.

The RS municipal agriculture administrations are on average also small in terms of staff numbers (two to three persons). However, Municipalities that are better off provide their agriculture administrations with up to 6 - 7 or more staff including extension and selection officers (e.g. Banja Luka, Prijedor, Gradiska, Bijeljina, Prnjavor). Generally, Municipalities in the north-west of RS (Banja Luka area) have more agriculture staff due to their more favorable economic and agricultural conditions. In some of these Municipalities even special staff to carry out extension and other support tasks (e.g. selection and breeding services) can be found⁴⁵. Originally it was planned to locate an extension officer in each RS Municipality to form the field basis of the RS Extension Service. However, these plans are not implemented and especially the poorer Municipalities do not have the necessary resources.

Contrary to the relatively favorable situation in the North-Western part of RS, the Municipalities in the rural and remote Eastern and South-Eastern parts (border to Serbia and Montenegro) have mostly very limited staff resources at hand for the agricultural sector (1-2 staff). However, even if Municipalities are small and economically not well off at least an agricultural officer can be found working probably part-time for the agricultural sector.

Generally, the most frequent type of sector staff in all Municipalities are agricultural officers, inspectors or technicians which have either a university education as agricultural engineers or a lower level secondary education. As a tendency, in FBiH Municipalities there are more staff positions for officers whereas in RS Municipalities inspectors are dominating (see Annex 5.3).

⁴⁴ A detailed overview of present staff resources in FBiH and RS Municipalities is provided in Annex 5.3. Also included are foreseen funds in municipal 2004 budgets for support of the agriculture sector.

⁴⁵ However, it is still not fully clarified in all concerned Municipalities whether extension and selection officers belong to the RS Extension and the RS Selection Agency, respectively including a clear line of command. Equally, the future financing of this staff - presently mostly included in municipal budgets - seems to need final clarification.

A diverse situation can also be found when looking at the financial support Municipalities are dedicating to the agricultural sector. Municipalities with more favorable conditions spend generally more funds to support agriculture. In some Municipalities this support can amount up to 300.000 KM (Laktasi in RS) or even 700.000 KM (Konjic in FBiH) per year. Such funds are usually project related and support of affordable credit lines for local agriculture producers is especially common. However, most Municipalities do not have any special support funds for the sector. Some of the Municipalities visited (e.g. Bekovici, Kakanj) managed in the past to get included in international projects (e.g. IFAD) supporting the agricultural sector.

Co-ordination mechanisms

With regard to coordination mechanisms the situation differs between the Municipalities of the two Entities.

As we have already seen, in FBiH Cantons depend to a large extent on field information and contacts from Municipalities - at least to implement cantonal or Entity subsidy schemes. However, often the information flow is regarded as one-sided. It is felt that only little information is coming back from Canton and Federation level (e.g. aggregated and comparable Canton and/or FBiH data on spent subsidies, land use, plant and animal health situation, etc.). Direct contacts to the agricultural administrations of Cantons are in some cases rare and mostly non-existent with regard to the FBiH MoA. Co-ordination procedures with regard to drafting of cantonal legislation are often considered as being insufficient, as well.

In contrast, RS Municipalities in most cases closely coordinate and co-operate with the RS MoA and its Regional Offices as well as with the RS Agencies for Extension and Selection Services⁴⁶. Additionally, the RS MoA is organizing field seminars on an ad hoc basis to discuss the implementation of new laws for the agricultural sector. Draft laws are delivered by the RS MoA to Municipalities for comments - however, in some cases on very short notice leaving Municipalities insufficient time. Some Municipalities feel that their comments given during the drafting procedure are not taken into consideration. Municipalities complain also that they are not sufficiently involved in the development and implementation of subsidy schemes, and that subsidy criteria are often not properly adjusted to the situation in specific Municipalities.

Summarizing analysis of agricultural administration in Municipalities:

- Municipalities in BiH represent the administrative level closest to farmers as well as to rural population in general and their specific problems. Municipalities are interested in the efficient use of natural resources in their respective territories. Agricultural and rural development is in most Municipalities the only or one of the rare possibilities for economic development. There is substantial need for agricultural and rural development and Municipalities represent the administrative bodies where this work has to take place.
- Presently, Municipalities are neither involved much in the development of the agricultural and rural development strategies and policies nor do many of them get sufficient information and support from higher administrative levels. However, such support is particularly needed for the numerous rural and remote Municipalities in BiH which have also in most cases suffered the most during the war.
- Agricultural administration in FBiH Municipalities is generally small-scaled. This is a direct consequence of the fact that cantonal agriculture administrations are dominating the administration and especially the inspection functions. However, as FBiH Municipalities are - quite contrary to their RS homologues - practically not occupied with inspection and other time consuming administrative work, FBiH Municipalities are well positioned to focus on direct support functions for local producers and rural households.

⁴⁶ Whilst most RS Municipalities visited stressed the good and uncomplicated relations with the RS MoA, there were also some who are not satisfied with present communication procedures and information flow.

- Agriculture staff in the FBiH Municipalities could therefore be used for strengthening extension work in the field which has to be coordinated by the Canton extension services. First positive examples (Una-Sana Canton, Zenica-Doboj and Tuzla Canton) of such coordinated cantonal-municipal extension work prove the excellence of this idea. However, Municipalities especially poorer ones would need financial support to employ extension staff as their present staff resources are not at all sufficient.
- RS Municipalities have quite a number of responsibilities in the agricultural sector - especially with regard to inspection work. Consequently, especially the richer Municipalities have considerably more staff dedicated for the agricultural sector, and this staff is more diversified in terms of qualifications, too. On the other hand there is a large number of poorer Municipalities with very limited staff resources for the agricultural sector.
- Generally, RS Municipalities provide considerable support to the RS MoA with regard to the implementation of RS legislation and policies. The RS MoA will in the future also rely very much on this support. However, especially disfavoured rural RS Municipalities often lack the staff resources necessary to perform their administrative and inspection functions. The envisaged strengthening by additional extension officers and probably also selection officers in the poorer RS Municipalities especially would be therefore also a considerable improvement. However, financial sources necessary to implement such plans have yet to be identified.
- Due to the general scarcity of staff administrative, inspectorial and extension functions are often not properly distinguished in Municipalities. Although this certainly can not be totally avoided due to the limited size of municipal administrations such functions should be in the future less mixed and more priority has to be given to extension and support tasks.

B.1.6 Specialized institutes and sector associations

In the previous chapters this functional review has focused on public administrations. Apart from public administrations a considerable number of public, semi-public and private institutes, associations, etc. also carry out important functions for the agricultural sector in BiH. Without these institutions many important functions would not be available to the agriculture sector. Although it is not possible to provide a complete picture of all such institutions and organisations at least the most prominent ones are presented in the following (see also more detailed overview in Annex 4.3).

One can distinguish four main groups:

- Institutes for standard setting and accreditation
- Agricultural/Veterinary Institutes
- Institutions covering land issues
- Sector associations

(i) Institutes for standard setting and accreditation

Functions with regard to standardisation, intellectual property rights and accreditation procedures are of high importance for the agricultural sector. There are two main public institutes covering these functions. Both institutes are financed and controlled directly by the BiH State government.

BiH Institute for Standards, Metrology and Intellectual Property

The Institute has three Departments (Standardisation, Metrology and Intellectual Property) and directly reports to the BiH Council of Ministers. It was originally founded in 1992 and re-

established after the war in 2000. Activities and functions of the Institute are based on the BiH Law on standardisation. This law is in line with EU regulations. Among 65 persons working in the Institute only 11 are engaged in the Standards Department and nobody is directly responsible for agricultural matters. In the rulebook of the Institute 2 persons were planned for agribusiness issues; however, at least four standardisation experts would be necessary to accelerate the needed harmonisation with EU standards in the field of agribusiness. The main work consists of the translation of relevant EU standards and their publication in BiH. Necessary resources to accelerate the work are relatively modest, however, agricultural and agribusiness standards have been until now very much neglected.⁴⁷ This is problematic as the transfer of EU standards especially in the export related sectors (e.g. processed fruits, vegetables, berries) could very much improve the export position of BiH and generate substantial export revenues. On the other hand standards are also helpful to protect BiH agribusiness from unfair (low quality) competition and can in this way support high quality supply for BiH consumers. Therefore, the Institute is an important organisation for the agricultural sector of BiH. Much bigger priority has to be given to agribusiness standards and staff for agribusiness standards has to be employed.

BiH Accreditation Institute

This institute is in charge of accrediting certification institutions. These institutions are in charge of certifying processing companies among others (e.g. dairies, meat processors, etc.) as well as laboratories (e.g. veterinary, plant health, etc.) according to agreed procedures. This institute has therefore a key role for the agriculture sector of BiH. Processing companies urgently need to be certified according to EU procedures in order to be able to export their products. National laboratories have to get accreditation from the institute to control the quality of imports of foods and agricultural products according to national and international standards. However, currently the Accreditation Institute still lacks substantial staff resources to further develop the necessary accreditation procedures. This will be necessary in order to be able to fully comply with relevant EU accreditation regulations. Given the economic importance of reliable accreditation procedures for BiH its immediate improvement and international accreditation (recognition) is imperative.

(ii) Agricultural and Veterinary Institutes

Agricultural and veterinary institutes are fulfilling key functions in support of the agriculture sector in BiH. The following institutes are the “key players” in BiH:

FBiH Agricultural Institute, Sarajevo⁴⁸

Before the war the Institute was a part of State owned agro-industrial complex which worked on innovations in the agriculture sector (new food products, new varieties, new techniques etc.). After the war the Institute started to rebuild its activities from scratch. The Institute consists of five Departments plus laboratories employing 20 persons (thereof 7 experts) and 11 Interns⁴⁹. The Institute is almost fully market-oriented and earns 85% of its budget through market activities. Main functions and services are:

- ◆ *Innovations and research*: development of new seeds and application techniques as well as involvement in development of organic agricultural production in BiH;
- ◆ *Regulatory functions*: control of plant health status of plant material, virus free testing and sporadic food quality control;

⁴⁷ The demanded national budget position for translation of standard texts in 2004 was 50.000 KM but only a budget of 40.000 KM was endorsed last year. Up to now 150 EU standards have been translated leaving the bulk of standards still to be translated.

⁴⁸ FBiH legislation is close to being passed by the FBiH Parliament which will define the Agricultural Institute in Sarajevo as well as the Agronomic Institute in Mostar and the FBiH Institute for Pedology in Sarajevo as “Independent administrative organizations within the FBiH administration”; this will link these institutes closer to the FBiH MoA.

⁴⁹ Interns are young experts and apprentices having completed their exams and being supported by the Sarajevo Canton. They form a pool for future recruitment.

- ◆ *Planning and policy making*: involved in strategy development for agriculture for some Cantons and Municipalities; contributed to PRSP paper;
- ◆ *Transfer of knowledge*: training skills and information to farmers through its Centre for Education which will be developed and equipped with the help of international donors;
- ◆ *Consultancy services*: advice for food industry;
- ◆ *Laboratory services*: soil and water quality analysis, plant and fertilizer analysis, food quality analysis;
- ◆ *Production and selling of seeds*.

Comparing these functions and services with the existing staff resources shows that the Institute is presently understaffed. Laboratories are not fully equipped, although some modern equipment exists. Mixing of functions with regard to guaranteeing seed quality and the production and supply of seeds is a problem. Here the Institute obviously has a conflict of interest endangering an appropriate and impartial seed quality control. Additionally, no clear line of communication towards the FBiH MoA has been yet established. For the future the Institute expects up to 50 % of its budget to come from the FBiH government in order to be able to sufficiently develop and maintain its services and functions.

FBiH Agronomic Institute of the University of Mostar

The Institute is presently part of the University of West Mostar and consists of 6 Departments, two field stations plus laboratories. It employs 15 persons (thereof 10 experts) and 10 others on a temporary basis. This fully market-oriented institute (100% of budget is realised through selling of services) specialises on Mediterranean products and also has a wide range of functions and services:

- ◆ *Innovations and research*: research especially on Mediterranean products and produce (vine, tobacco, etc.);
- ◆ *Regulatory function*: control of the plant health status of plant material and selection services, milk control, keeping vineyard cadastre;
- ◆ *Transfer of knowledge*: Training skills and information through seminars and conferences;
- ◆ *Consultancy services*: strategy development for Cantons and FBiH government; advice for food industry (especially wine and milk producers);
- ◆ *Laboratory services*: analysis and certification of wine and tobacco production.

Comparing functions and services with the existing staff resources shows that this Institute is also presently understaffed. A clear line of communication towards the FBiH MoA has not yet been properly established, either.

RS Agricultural Institute, Banja Luka

Established in 1947, the Institute successfully developed new plant varieties suitable for BiH agro-environmental conditions (especially corn hybrids). Today, it is registered as an Institute for Science and Research under supervision of RS Ministry of Science and Technology. The Institute consists of 9 Departments plus laboratories employing a total of 72 persons (thereof 33 experts). Main functions and services are:

- ◆ *Innovations and research*: development of new seeds of corn, wheat, industrial crops, vegetables and advanced application techniques;
- ◆ *Regulatory functions*: development of plant variety import lists, testing of plant variety performance on behalf of the RS MoA, analysis of the plant health status of imported plants, development of laboratory procedures for GMO detection forming the basis for import decisions;
- ◆ *Transfer of knowledge*: Training and information for farmers and food industry;
- ◆ *Consultancy services*: policy advice for RS government; advice to agriculture input industry;
- ◆ *Laboratory services*: soil and water quality analysis, plant and fertilizer analysis;
- ◆ *Production and selling of seeds*.

Although the Institute officially belongs to the Ministry of Science and Technology, in reality the RS MoA finances all major programmes of the Institute. Close co-operation takes place with two smaller agricultural institutes in Bijeljina and Dobož and also with the RS Extension Service to implement government programmes. The Institute receives no basic financing from the RS government. The Institute charges for its services (e.g. laboratory checks, etc.), however, almost 60% of the Institute's income is generated from selling seeds developed by the Institute. Problematic is - like in the Agricultural Institute in Sarajevo - the mix of functions with regard to guaranteeing seed quality and the production and supply of seeds. Appropriate and impartial seed quality control is endangered.

RS Veterinary Institute, Banja Luka

The Institute is registered as an institution for science and research under the supervision of the RS MoA. It consists of 3 Departments plus one small branch office in Bjeljina and employs a total 49 persons (thereof 37 experts). The Institute is relatively well equipped and recently even acquired modern analytical equipment for milk control. The Institute applies annually for government programs on disease eradication and additionally offers services to private clients. The Institute's main functions and services are:

- ◆ *Innovation and research*: development of animal health programs for the RS MoA, research work on animal diseases;
- ◆ *Regulatory functions*: - control of zoonoses and parasites, animal diseases, safety of animal origin food, milk and milk products;
- ◆ *Consultancy services*: advice of the RS government (RS MoA) on animal health policies; advice of food industry on sanitary programmes;
- ◆ *Transfer of knowledge*: training of farmers and private/public veterinarians, organisation of conferences;
- ◆ *Service functions*: analytical and consultancy services for slaughterhouses and dairies; milk control (quality parameters).

A clear chain of command between the RS MoA and the Institute and good communication structures also with Municipalities and privatised veterinary stations facilitate very much effective RS-wide programs for disease eradication. The Institute is part of a RS food safety system working on the better coordination between veterinary and sanitary inspections.

RS Agriculture Institute for Potato Breeding, Sokolac

The Institute has been developed by a FAO project with the main purpose to produce high quality potato seeds and to develop new suitable varieties of potato seeds. The Institute was not damaged during the war. However, the Institute suffers from lack of investment capital, limited staff and generally very limited resources to maintain activities. It is presently in very bad condition using only a small part of its capacity. Support, coordination and control by the RS MoA are insufficient.

(iii) Institutions covering land issues

The creation of a reliable basis for land property and usage is of a high importance for the BiH agricultural sector. In addition, land issues are rather sensitive as they are linked to a number of other policies. A reliable database consisting of cadastre (technical information on land parcels), land-books (ownership and encumbrances) and a proper evaluation of soils is a basis for the identification of property on land, agricultural taxation, land consolidation, land lease markets, future direct payments to farmers and many other important functions.

In both Entities specialised Institutes are carrying out functions like

- ◆ Development of digitalized real estate cadastre
- ◆ Land quality and value assessments / development of digitalized land quality maps

- ◆ Chemical analysis of land, detection of land contamination
- ◆ Development of land management plans / Zoning of less favoured areas
- ◆ Advice on land use and change of purpose of land use / Environmental impact assessments

In FBiH two Institutes have specialised on specific functions, whereas in RS only one single Institute is in charge of all the mentioned functions:

RS Administration for Geodetic and Legal Property Issues, Banja Luka

The Administration is directly subordinated to the RS Government and its activities are based on several RS laws⁵⁰. Its central organisation consists of a Directorate in Banja Luka and ca. 400 field officers located in the Municipalities. Co-ordination with the RS MoA, courts and Municipalities is good. There is a formal co-ordination regulation and a line of command to the regional units in the Municipalities to ensure professional standards. Services of the Institute are charged and revenues can be kept by the Institute. Staff numbers have already decreased as services of some land surveyors have been privatized. Future reorganisation is presently being discussed. The two options are to (i) either keep the present centralised structure but reduce staff numbers by almost 50%, or (ii) to transfer field staff under the authority of Municipalities which would include that Municipalities would have to pay the salaries. An ongoing international project covering these issues is in favour of the first, i.e. a centralised solution including staff reduction⁵¹. It is expected that 160 persons could be spared by extending regional responsibilities to more than one Municipality.

FBiH Geodetic Institute, Sarajevo

The Institute is a legal entity reporting directly to the FBiH Government and its activities are based on several FBiH laws⁵². The Institute consists of a Directorate in Sarajevo and cantonal and municipal offices employing 400 field officers. Competencies are not as comprehensive as of the Geodetic Administration in the RS. Work on cadastre and Land Book are not yet as advanced as in the RS. Responsibility for the Land Book is with the FBiH Minister of Justice. The Institute coordinates its work closely with the Geodetic Administration in RS and District Brcko. Concerning the coordination with Cantons and Municipalities, however, no line of command exists, which makes cooperation difficult. The already mentioned international project (GTZ) suggests therefore a development of a centralised model like in RS including staff reduction in the long run.

FBiH Institute for Pedology, Sarajevo

The Institute is also a legal entity registered to provide all services concerning land management and research (land quality, chemical analysis of land, land use assessments, environmental impact assessment, etc.). The Institute employs 12 persons. Important equipment was provided by a FAO project (Development of GIS) but equipment as well as staff still needs completion and upgrading. Funding by government sources was until now scarce and unreliable. Although it is expected that the Institute's financial needs will be included into the coming FBiH MoA budget a clear line of command and cooperation with the FBiH MoA and the FBiH Ministry of Physical Planning and Environment does not exist as yet.

(iv) Sector Associations

In addition to public or semi-public institutes there are also numerous associations working for the agricultural sector in BiH. It would take a separate study to review them in a comprehensive manner. This review selected only three major associations in order to provide at least a rough impression. All selected associations are working country-wide. They represent farmers and cooperatives as well as the BiH food processing industry.

⁵⁰ Cadastre Law, Law on Construction Land, Law on Cadastre Income Tax Establishment.

⁵¹ The Land Registry Project in BiH, a multi-annual project financed by German GTZ.

⁵² Law on Cadastre (for technical side) and Law on Land-Book (for ownership); a new Law on Cadastre is presently in procedure.

BiH Farmers Association

The BiH Farmers Association consists of the RS and FBiH Farmers Associations. These two associations consist of 96 (RS) and 99 (FBiH) associations. About 28.000 farmers are members of these associations. The BiH Farmers Association has its office in Sarajevo and employs a Secretary and a Presidential Steering Board consisting of Association Presidents from RS, FBiH and Brcko chaired by the BiH Farmers Association President. Main goals of the association are the strengthening of agricultural and forestry production, lobbying for appropriate agricultural legislation and ensuring proper education and training of (young) farmers. This only recently established Association is one of the most active ones in the agricultural sector. It already organised some protests against governmental decisions (e.g. free trade agreement). Additionally, the Association is supporting the set up of a MoA on State level and is lobbying for some major legislative initiatives⁵³.

BiH Association of Cooperatives

The Association is comprised of member associations from both Entities. In total, it has some 400 cooperatives of all kinds and goals as members (thereof 250 presently not active). Out of this total figure 100 are agricultural cooperatives, having some 60.000 farmers as members. The headquarters in Sarajevo is managed by one permanent employee. The association wants to represent BiH cooperatives internationally and to develop partnership and cooperation with similar foreign associations. The Association was actively involved in the drafting of the new BiH Law on Cooperatives which entered into force 1st of July 2003. The Association does not have appropriate contacts to State level administrations in charge of agriculture. Apart from general support for development of the agricultural sector the Association lobbies among others for better certification and standard setting for agricultural products, employment in rural areas (especially for returnees), increased domestic agricultural (primary) production and food supply, support of small farmers in securing subsistence income from farming and improved subsidy administration.

BiH Association of Food Processors within the BiH Chamber of Foreign Trade

Chamber of Foreign Trade was founded two years ago on the basis of the Law on Chambers of Commerce and presently has a staff of some 50 persons, thereof 3 dealing with agricultural and food processing issues. Members of the Foreign Trade Chamber are mainly companies engaged in import- or export trade. Voluntary membership contributions and fees on internationally traded commodities secure the financing of the Chamber. The Chamber is very engaged in supporting the set up of associations of food producers and traders (e.g. milk, meat, fish, tobacco, medical herbs, beer, mineral water and soft drinks) which are to be associated to the Chamber. Associations of the food processing industry as well as of producers and traders of cereals are in the process of being set up, too. The Chamber is especially lobbying for reduction of imports and support of domestic production, better coordination between different partners of the agricultural sector and improved non-tariff controls at the BiH border.

⁵³ The Association is lobbying especially for a State Law on Agriculture, a law on the status of farmers and a law on agricultural land (especially to solve the problem of unused agricultural land).

Summary analysis of major institutes and associations of the BiH agricultural sector:

- Having been part of a state-governed system in Yugoslav times agricultural and veterinary institutes had during the last 10 years to recover from war destruction and to re-establish their position in the sector. Although institutes are legally defined as public institutions governments often did not precisely define their functions, responsibilities and tasks and were hesitant in providing sufficient financial means.
- As a consequence, institutes developed in a more or less uncoordinated way sometimes competing with market-oriented services and functions in order to generate profits to invest in equipment and staff. However, these revenues are often not sufficient to maintain expensive laboratory and analytical equipment and consequently quality of services is always endangered and often not in line with international standards. The quality of services for public administrations is therefore not sufficiently reliable and sustainable. Additionally, present staff expertise and skills have to be upgraded to comply with international developments and standards.
- Payments from agricultural administrations (especially Entity MoAs) became more frequent and reliable during the last years, however, they are mostly project or program related and always on annual basis. Most institutes are formally or informally closely linked to the respective Entity MoAs and depend on them. At the same time these institutes provide important services and functions for the agricultural administration and the administration depends equally on these services and the expertise of the institutes. Generally, the situation in RS is characterised by a higher degree of central coordination and support by the RS MoA than is the case in the FBiH.
- Institutions dealing with land issues are generally less market-oriented and more clearly regarded as part of the government system fulfilling public functions with regard to cadastre and Land Book. However, presently they are in a challenging transformation process with regard to their structure (centrally vs. decentralised) and future staffing. In FBiH the still pending finalization of basic activities on cadastre and Land Book and the fact that two institutions are involved in land issues additionally complicates the situation.
- A concise and forward leading strategy for the overall future development of agricultural and veterinary institutes as well as for the institutions dealing with land issues is not yet available. Such a strategy would have to look for the needs of the whole BiH to avoid duplications and misallocation of scarce resources (especially for laboratory equipment!). To better utilise the existing capacities it is necessary to better define functions needed by public administrations, to decide on locations where these functions should be carried out and to secure appropriate mechanisms of public financing, supervision and monitoring.
- Associations working for the agricultural sector on State level already represent an astonishingly high number of farmers, agricultural cooperatives and food processing industries. Especially during recent times these lobby groups seem to have become stronger, also being able to organise demonstrations. However, these organisations are still in a developing phase and their large number weakens them further. Nevertheless, it can be expected that their role as counterparts and discussion partners will rapidly increase. They are especially looking for better representation of agriculture on State level including appropriate counterparts in State level administrations working for the agriculture sector of BiH.

B.1.7 Veterinary & Food Safety and Plant Health administration

Regulatory functions in the field of veterinary, food safety and plant health are of key importance for further association to EU. During the coming years EU will especially assess progress of the functioning of the veterinary, plant health and food safety administration in BiH. Therefore, in the following the respective administrations and their functions will be reviewed.

(i) Veterinary & Food Safety Administration

The basic problem of the Veterinary and Food Safety administration in BiH is the number of administrative levels and public bodies involved and the lack of organised and mutually recognised laboratories to support inspections⁵⁴. Moreover, there is a lack of resources both at State and Entity level to work with policy development, EU integration and co-ordination of inspections. The situation on the different administrative levels is as follows:

State level

Due to lack of staff in the relevant Departments of MoFTER - the Ministry itself is unable to develop future-oriented common policies concerning veterinary and food safety matters in BiH. The Ministry is fully dependent on the State Veterinary Office to draft policies and legislation, thus leaving the State Veterinary Office without sufficient ministerial guidance and control. The State Veterinary Office also has a key role to play in coordinating activities with Entities and District Brcko in legal and technical preparation for EU integration. However, because of weak coordinating structures, insufficient focusing on EU integration and limited staffing, the State Veterinary Office can not properly fulfil these key functions.

FBiH

The administrative structures concerning veterinary and food safety matters are particularly complex in the FBiH. Three horizontal governmental levels (State, Entity, Cantons) with separate constitutional competencies are involved in executive and regulatory activities. This complex structure - together with the lack of sufficient veterinary staff both in the FBiH MoA and the Cantons - is a serious impediment to an efficient and well co-ordinated veterinary and food control. This applies for the control and certification of processing plants as well as for disease prevention and -eradication. First of all, the absence of a clear, undisputed command line from top to bottom is problematic. Not only in cases where urgent action is needed (e.g. in case of an outbreak of animal diseases or food poisoning), but also for day-to-day efficiency and the application of harmonised standards. Furthermore, the dispersed structure and the absence of coordinating functions are obstacles to an efficient and target-oriented use of scarce staff resources allocated for planning and performing disease eradication and food inspections. Canton authorities - responsible for almost all veterinary and food safety inspections - are understaffed. This has created serious bottlenecks for the approval of meat processing plants. Additionally, in FBiH present laboratory analysis capacities and structures to support inspections are uncoordinated and dispersed as well as of very unequal quality: e.g. diagnostic and product analysis is presently offered by the Veterinary Institute of the Veterinary College in Sarajevo as well as by cantonal laboratories in Sarajevo, Tuzla, Mostar, Zenica and Bihac. However, quality and type of services offered by cantonal laboratories vary. Analysis by FBiH laboratories is not recognised by RS authorities.

⁵⁴ Accreditation of laboratories according to the State Veterinary Law will solve the problem of mutual, cross-Entity recognition in due course, however, a satisfactory laboratory structure for the whole of BiH needs still to be defined and implemented.

RS

The veterinary and food safety administration in the RS is less complex and the main problem here - apart from limited staff resources - is the high number of local authorities (Municipalities) involved in performing inspections. The common involvement of veterinarians from privatised veterinary stations is making the situation additionally complex. These structures need strong co-ordination and monitoring at central level in order to ensure that standards are applied in a uniform and harmonised manner all over RS. However, despite a clear line of command between the RS MoA and Municipalities provided by RS legislation such central coordinating functions are still weak in the RS Veterinary Service. Additionally, full laboratory analysis support is only provided by the Veterinary Institute in Banja Luka leaving remote parts of RS (Eastern parts) without appropriate analytical capacities. A sub-office (zavod) of the Veterinary Institute was recently established in Bjeljina, however, without full analytical capacities. Analysis of RS laboratories is not recognised by FBiH authorities.

Inefficiencies in food inspections

As described in chapter B1.3. a number of other Ministries in both Entities are equally responsible for (sanitary or quality) inspections of food: FBiH Ministry of Health, FBiH Ministry of Trade, RS Ministry of Health and Social Welfare and RS Ministry of Trade and Tourism. The inspections are carried out by municipal inspectors. As a consequence, food products of animal origin are submitted to three uncoordinated inspection systems (veterinary, sanitary, quality & labeling inspection), each charging fees for their inspections.

Implications of the creation of Entity Inspectorates

The intended creation of Entity Inspectorates⁵⁵ (which will include all Entity inspectors) may help to avoid such inefficiencies. The exact content of such a reform and especially the distribution of responsibilities between the Entity Inspectorates and the MoAs is, however, not yet known. But the reform apparently still foresees the involvement of Cantons in inspections (through Canton Inspectorates), thus not radically enough modifying the present complex structure of the veterinary and food safety administration in FBiH. Transfer of inspection tasks to Inspectorates will - if a corresponding number of veterinary staff is moved away from the Entity MoAs - leave the MoAs with non-viable Veterinary Sectors. However, with Entity Inspectorates in place, Veterinary Sectors of the Entity MoAs will still have important functions, even if they are changed in some respects: Veterinary inspectors of the Inspectorates can not fulfil the necessary policy, administrative, regulatory and support functions of the Entity MoAs. Neither can they be Entity counterparts for the State Veterinary Office. Nevertheless, it will be necessary to establish a very precise distribution of responsibilities between the General Inspectorates and the Veterinary Sectors of the Entity MoAs.

State Food Safety Agency

A State Food Safety Law is in preparation. According to drafts, the Law will provide for the establishment of a State Food Safety Agency. The Agency shall perform scientific and technical tasks to ensure safety of food and animal feed stuff and support inspections. The Law is intended to apply to all stages of production, processing and distribution of food and feed stuff. The State Food Safety Agency is not supposed to be responsible for inspection activities other than border inspections. At the present stage it is too early to ascertain whether the establishment of the Food Safety Agency with the said responsibilities could entail overlapping public competencies and activities in the field of animal health and food safety. Strong attention should be paid to avoiding any additional overlaps or legal ambiguities.

⁵⁵ The idea behind the establishment of Entity Inspectorates is that they should be able to better coordinate inspections according to different legislations and be less exposed to possible corruption. A disadvantage of this model is the institutional separation of inspection functions from technical Departments in Ministries. It is crucial for the veterinary authorities in Ministries to be closely informed about inspection results in order to adjust policies and administrative functions. Communication mechanisms will have to be set up to ensure necessary information flows and technical co-operation between veterinary inspectors and the Veterinary Sectors in the MoAs.

(ii) Plant Health Administration

Plant health is - like veterinary matters - administered at all administrative levels: State, Entity/District Brcko, Cantons and Municipalities. At State level, MoFTER has no resources directly dedicated to the work on development of policies concerning plant health protection and their implementation by respective legislation, programmes etc. However, with support from external specialists MoFTER has recently prepared a number of draft State level legislation (i.a. laws on seeds and seedlings, plant variety rights, mineral fertilizers) which is close to being approved. It is planned to establish a State Plant Health Agency before the end of 2004 with responsibilities similar to those of the State Veterinary Office⁵⁶. The new State Agency will also be in charge of plant health border inspection including a transfer of respective inspection staff from Entities to the Agency.

Main responsibilities concerning practical plant health protection are, however, still with the Entity MoAs and the Department for Agriculture of District Brcko. But Entity MoAs and the District Brcko Department of Agriculture have no separate administrative units for plant health. Regulatory and administrative activities related to plant health are taken care of by the Sectors (Section) for Agriculture. In these organisational units only very few staff resources are allocated to deal with policy development, plant disease eradication programmes, plant health inspections, etc. In FBiH inspections are mainly carried out by cantonal inspectors supervised by only few agricultural inspectors from the FBiH MoA. In RS plant health inspection work is done by agricultural inspectors of the RS MoA and Municipalities.

Additionally problematic is the mixing of functions: in Entity MoAs and District Brcko plant health administration is mixed organisationally with functions related to commercial market development, support schemes etc. To avoid conflict of interest, matters related to plant health should be organisationally separate from market measures and production support. They should be located in different organisational units. This general principle also applies for veterinary and food safety functions.

Finally, it has to be mentioned that there is no accredited plant health reference laboratory at the State level. Such capacities are, however, urgently needed. Analytical support of plant health inspections is presently delivered by (limited) laboratory capacities of the Agronomic Institute in Mostar, the Agricultural Institute in Sarajevo (FBiH) and by the Agricultural Institute in Banja Luka (RS). The total need of regional capacity for day-to-day analysis has not yet been sufficiently assessed. Investments in laboratory capacities are not sufficiently based on a country-wide plan. There is a clear need for a more comprehensive analysis of needs and possibilities in this field.

⁵⁶ In August 2004 the position of the future Director of the Agency was tendered and MoFTER had already submitted a draft budget for 2004 for Plant Health Agency.

Summary analysis of veterinary, food safety and plant health administration:

- Veterinary and food safety standards and inspections are presently not applied and carried out in a uniform and harmonised manner throughout BiH. A Food Safety Agency is still lacking and a food residue monitoring system has no sufficient financing and administrative structures at hand. The already established State Veterinary Office does not have the necessary competencies and administrative instruments to efficiently perform the present tasks (especially the takeover of responsibility for veterinary border inspections as well as issuing import certificates) as well as to generally ensure uniform standards and inspections throughout BiH.
- However, an equal level of animal and public health protection and equal conditions for trade in animal products are of utmost importance. Uniform application of veterinary and food legislation is a key precondition for further EU integration. Access of animal products to the EU Single Market is closely connected to efficient, transparent and reliable organisational structures for veterinary, food safety and plant health guaranteeing the safety of BiH products. To meet these requirements the future veterinary and food safety administrative structure in BiH should be more centralised, i.e. based on a reduced number of administrative levels and inspection bodies.
- Veterinary and food safety administrations need to have access to professional and high quality analytical laboratory capacities. Presently, laboratory support of inspections is - particularly in FBiH - depending on a relatively large number of laboratories of varying capacity and quality. Laboratories are not located in accordance with general considerations about logistic requirements seen from an animal production point of view. There is an immediate need to establish a fully qualified and equipped animal health and food safety reference laboratory at the State level. The total need of regional laboratory capacity for day-to-day analysis has still to be assessed. Ongoing investments in upgrading laboratories in order to obtain accreditation are not sufficiently based on country-wide planning. There is a clear need for a more comprehensive analysis of needs and possibilities in this field.
- In view of the importance of plant production in BiH and with a view to EU integration more attention has to be given to plant health protection. At State and Entity level plant health units are presently missing that can properly deal with policy, legislative and administrative functions. With the planned establishment of the State Plant Health Agency, resources to work on policy development, international co-operation and EU integration have to be allocated within the State Ministry in charge for the Agency. Also co-ordination, monitoring and drafting of legislation would be tasks of the State Ministry in close cooperation with the Agency and the Entity MoAs. To increase quality and efficiency of plant health administration more centralised procedures should be established and the number of administrative levels and inspection bodies generally reduced. Presently lacking laboratory capacities to properly enforce plant health administration and inspection have to be developed, too.

B.1.8 Summary analysis of present allocation of functions in the agriculture sector administration of BiH

Having described functions of individual administrations and institutions this comparative analysis will have to show the main lines and features of the present allocation of functions in the BiH agricultural sector. By this, possible functional duplications, gaps and inefficiencies should be better identified. Chapter D.2 later on will recommend an improved allocation of functions and competencies needed to develop BiH agriculture and to accelerate the EU harmonization and integration process. The analysis is structured according to general administrative functions as follows:

- Policy & strategy development,
- Policy coordination and monitoring,
- Inter-governmental coordination,
- Drafting of legislation,
- Regulatory and administrative functions,
- Inspection,
- Support and development.

With regard to policy & strategy development functions special focus is placed on EU integration policies and international agricultural trade policies, thus reflecting the importance of such policies for BiH. The analysis of support and development functions especially focuses on subsidy administration, extension services, rural development and food processing/marketing. These functions are crucial for further development of underdeveloped rural areas, in general and agricultural production in particular. Annex 8 provides a more detailed overview of present distribution of functions on different administrative levels.

(i) Policy & strategy development: There is an urgent need to develop common and coordinated policies and strategies concerning the economic and structural development of the BiH agricultural sector. Sufficient capacities are presently not available neither on Entity nor on State level. Especially the State level almost has no resources for this important task. This is especially problematic for the agricultural sector, as the lack of country-wide agricultural policies and strategies leads to distortions and unbalanced development. The weaknesses can not be compensated by setting up executive agencies on State level (such as the Veterinary Office or the planned future Plant Health Agency or the Food Safety Agency). Executive Agencies have to concentrate on administrative, coordinating and inspectorial tasks; they need strong ministerial attention, supervision and guidance, which is presently not available. The absence of sufficient policy and strategy development capacities on Entity and especially on State level is particularly problematic with regard to EU integration and international agricultural trade policies:

Functions to develop **EU integration policies** are almost non-existent in BiH agricultural administrations. Limited capacities can be found in the State Veterinary Office and the Animal Identification Agency. However, the importance of the agriculture sector for future EU integration of BiH is obviously not sufficiently recognized yet - neither by MoFTER nor by the Entity MoAs. Co-ordinated policy planning with regard to necessary steps for EU harmonisation in the agricultural sector is almost not existent as yet. For certain *key* policy fields of the EU Common Agriculture Policy (like Rural Development or Agri-Environment) policies are not available at all. The intended further approach to the EU and the objective to gain access to the EU single market for agricultural products requires a much stronger institutional involvement especially on State but also on the Entity level. Necessary institutional capacities to develop, guide and monitor EU integration policies and strategies have to be set up almost from scratch. This applies especially for the State level which has to fulfil important co-ordination functions with regard to EU harmonisation and integration.

Development and negotiation of **international trade policies** are key functions of MoFTER. However, clear agricultural trade policies, which take into account the vulnerable position of the BiH agriculture sector and food processing industry are missing. Fair trade conditions for domestic agricultural products obviously do not have the priority they deserve. As a

consequence, Free Trade Agreements concluded with main neighbouring countries by MoFTER a couple of years ago created substantial disadvantages for the BiH agriculture sector. Foreign agricultural commodities (mostly in processed form) are dominating the BiH food market, thus creating huge trade deficits for BiH. Efforts to compensate the negative impact of these agreements by subsidy schemes for farmers can not succeed and only cover up the actual problem: the absence of seriously developed and implemented long-term agricultural trade policies for BiH. Agricultural trade policies are key issues which are traditionally managed by Ministries of Agriculture - not by Ministries of Trade as it is currently the case in BiH.⁵⁷ For future negotiations with the EU and WTO professional negotiation partners on State level familiar with the agricultural sector as well as appropriate policies are a prerequisite to avoid further deterioration.

(ii) Policy coordination and monitoring: The ability to carry out coordination and monitoring functions is very weak on all government levels. Informal coordination dominates, which cannot, however, replace formalised and obligatory coordination mechanisms. Only the State Veterinary Office has set up certain structures for coordination and monitoring in order to ensure rapid reaction in case of outbreaks of animal diseases. Additionally, also in the area of water management and with regard to subsidy policies co-ordination procedures are laid down in relevant technical Entity laws and are practised to a certain extent. However, policy coordination on State level is almost non-existent.⁵⁸ Development of *countrywide* coordination and especially monitoring capacities for agricultural policies is urgently needed to ensure balanced development and efficient use of resources. Especially problematic in this respect is the present, almost total absence of institutional capacities and technical know-how for *monitoring* policy implementation on all administrative levels. Additionally, the concept of monitoring policies seems to be unclear, and monitoring functions are partly mixed with inspection functions. However, as first considerable sums are made available in Entity and Canton budgets for supporting the agricultural sector through subsidy schemes, such monitoring capacities are urgently needed. They are needed to review the impact of support policies and to further develop such policies and instruments.

(iii) Inter- governmental coordination: Although State and Entity Laws on Administration⁵⁹ prescribe coordination obligations to be applied between different administrations involved in common issues precise formal mechanisms are often lacking. This leads to a general tendency in the agricultural sector administrations to give preference to informal co-ordination mechanisms. As a result, there is lack of feed-back about provided information or proposals. Regular structured inter-governmental discussion meetings are the exception rather than the rule while exchange of written comments dominates. However, this might also be a result of lack of resources (staff, transport, etc.): coordination needs resources, too! Consequently, inter-governmental coordination of agricultural sector administrations is generally rather slow and not sufficiently efficient. This especially applies to *vertical* co-ordination between all governmental levels. Newly established State level agricultural administrations like the State Veterinary Office have especially serious problems to ensure reliable coordination mechanisms with Entities, Cantons and Municipalities.

The present coordination mechanisms between different Ministries of the same governmental level (*horizontal* coordination) seem to be weak and also need strengthening. Co-ordination with Ministries in charge of environment especially needs to be strengthened as the agricultural sector is the most prominent "user" of landscape and environment in rural areas⁶⁰. Generally, a more clear distinction of functions between MoAs and other line Ministries is needed. The

⁵⁷ The EU legislation defines clearly agricultural products and processed products in the ANNEX I and Non-ANNEX I lists. Trade issues concerning these products are in the responsibility of DG Agriculture; also in EU Member State agricultural trade issues are covered by Ministries of Agriculture.

⁵⁸ E.g. in the case of water management there are currently no competencies on State level; however this is felt to be urgently needed in order to better co-ordinate country-wide policies and to achieve a co-ordinated implementation of international agreements.

⁵⁹ O.G. of BiH, No. 32/02; O.G. of RS, No. 16/02, 62/02, 38/03; O.G. of FBiH, No. 28/97, 26/02.

⁶⁰ Here, the absence of State Ministry of Environment makes the coordination of agro-environmental issues with other environmental areas problematic.

presently finalised transfer of competencies for food processing industry to the Entity MoAs is an important step in the right direction. Additionally, improved division of responsibilities and functions of MoAs and other line Ministries in charge of environment, food safety and quality as well as consumer protection will have to be achieved, too.

(iv) Drafting of legislation: There are very limited capacities to fulfil this function on all government levels of the agricultural sector administration. Although Municipalities normally do not produce own municipal legislation, they nevertheless establish certain provisions for their special situations and have to comment on either Canton or Entity legislation. However, Municipalities often lack legislative expertise, especially when it comes to specific agricultural legislation. Almost the same applies for Cantons where in most cases not more than one or two lawyers are available who are acquainted with sector matters. Additionally these lawyers also cover administrative work. In Entity MoAs as well as in Brcko District specialised lawyers are also missing - especially in the technical Sectors of Agriculture, Veterinary, Water Management and Forestry. This very much hampers legislative work, the quality of drafts is sometimes doubtful and does not always sufficiently reflect the conditions in the agricultural sector (leading to necessary amendments very soon after a new law has been enacted)⁶¹. Better co-ordination with other agricultural administrations and sector representatives during the drafting process would improve the quality of legislation, as well. However, although first encouraging examples of better coordination are available⁶² due to lack of resources and experience co-ordination procedures for the drafting of agricultural legislation are far from optimal.

On State level (MoFTER) capacities to draft legislation for the agricultural sector are almost non-existent. As a consequence, working groups consisting of experts from Entity MoAs and other experts as well as expertise from EU projects are used to draft respective State level legislation. Only the State Veterinary Office has some limited capacities to draft laws and by-laws for the veterinary sector.

A special situation with regard to the drafting of agricultural legislation can be found in FBiH as Cantons are also entitled to draft legislation. The actual activities with regard to drafting legislation depend, however, on the number of available legal staff. This can differ very much from Canton to Canton. In some Cantons there are almost no legal activities whereas other Canton administrations are actively carrying out such functions. As co-ordination between the FBiH MoA and Canton administrations is not always optimal, duplication, repetition and even contradictory legislation on FBiH and Canton level can be the result. An obligatory notification system on planned legal work which would help to avoid this situation is not available.

Due to the generally weak capacities of the present agricultural administration to draft legislation, considerable input of legal expertise comes from international organisations, including the OHR. However, draft legislation proposed by these organisations often refers to foreign laws which are not always suited for the special situation in BiH. Additionally, proper discussion process on draft legislation involving all relevant groups can not be sufficiently ensured. Of course, international expertise can not replace local capacities to carry out this important function.

(v) Regulatory and administrative functions: Except for the State Veterinary Office there are no major regulatory/administrative functions presently allocated on State level. Additional regulatory and administrative functions are about to be allocated on State level by setting up executive agencies for plant health protection (2004) and food safety (2005). However, these functions mostly focus on border control and coordination tasks. Regulatory functions with direct impact in the Entities and Cantons are still very limited. Direct lines of command sufficiently linking State executive agencies to the respective administrations in Entities and Cantons do not exist. This will cause major problems with regard to further EU integration of BiH for veterinary, plant health and food safety functions.

Contrary to the weak situation on State level, the Entities and District Brcko generally have a solid basis to carry out regulatory and administrative functions. However, staff resources for

⁶¹ A most recent example is the RS Law on Land which had to be amended shortly after coming into force.

⁶² The RS MoA successfully organized meetings with Municipalities and representatives from sector associations to discuss and explain draft legislation.

administrative functions are limited which often leads to mixing of administrative and inspection functions. Additionally, employees often lack relevant administrative experience and sometimes have problems to perceive themselves as administrators. However, with the support of related executive agencies and technical institutes, and by delegating tasks to Municipalities (in the RS) or partly delegating administrative tasks to Cantons (in the FBiH) Entity MoAs are presently able to carry out key administration work. Nevertheless, present tight staff resources on all administrative levels will not be sufficient to cope with increased administrative workload which will be the consequence of further harmonisation and accession to the EU. 40% of all EU legislation is agricultural legislation and agricultural administrations have to be sufficiently staffed as soon as possible for the related numerous regulatory and administrative functions.

(vi) Inspection: Presently most agricultural administrations are dominated by inspection functions. This applies especially for the two Entity MoA but also for many RS Municipalities. However, inspection functions are spread out on all administrative levels, and- presently - in a relatively un-coordinated way. High number of inspection authorities on State, Entity, Canton and Municipal level especially complicates the areas which depend on a more centralised inspection structure with clear lines of command (veterinary, plant health and food safety). Two recent developments will improve the situation: the transfer of veterinary border inspectors (as well as plant health border inspectors later on) from the Entities to the State administration is providing for more efficient allocation of inspection functions. The same applies for the intended merger of all the remaining Entity or Canton inspectors in a single Entity/Canton Inspectorate. By implementing these Inspectorates it will be possible to plan and carry out inspections in a more harmonised way. There will also be a chance to avoid present inefficiencies with regard to veterinary, sanitary and food quality control. However, serious efforts will be needed to ensure proper communication mechanisms between the Inspectorates and the respective Ministries, as the latter depend on the results of inspections in order to adjust and further develop their policies and administration. Additionally, efficient work of these Inspectorates will need a high degree of professional management based on international inspection standards.

(vii) Support and development: Contrary to dominating inspection functions support and development functions are generally underdeveloped. Special organisational units to carry out the necessary planning, programming and monitoring either do not exist at all (RS MoA, State level) or are understaffed (FBiH MoA).

The organisation of subsidy programs is organised in an inefficient way as concerned lower level administrations are not sufficiently involved in planning and monitoring as well as due to the fact that too many administrations are involved in handling the application files. Additionally, inefficient and insufficiently harmonised application control systems contribute to mounting administrative work. Most harmful is the absence of multi-annual support programs based on a secure financial basis as well as on agricultural strategies. Therefore it cannot be expected to have planning security for farmers and rural population nor a real assessment on impact of support programs. As subsidy and support schemes are not sufficiently coordinated throughout BiH Single Economic Space of BiH might also be in danger.

Support and development functions are usually performed by specialised extension services. However, although extension services are much needed there are no structures on State level, poor ones in the Federation and fairly professional ones in the RS. Extension services generally need a regional approach. Cantonal extension services (agricultural zavods) as well as the regionally organised RS Extension Service Agency will therefore have to play a major role to provide such functions - in close cooperation with strengthened extension capacities in Municipalities. Present support functions mainly concentrate on support of agricultural products (product related subsidies). Cross-sector support programs with an emphasis on supporting agricultural producers as well as rural development in general can hardly be found. However, the EU agricultural policy since a number of years ago has moved from product related subsidy programmes to comprehensive rural development programmes and measures where pure agricultural production is just one part of support schemes. Capacities are needed to develop and implement complex rural development programs to harmonise with EU policies and to comply with urgent needs of the BiH agricultural sector and the (still) numerous rural population.

B.2 ANALYSIS OF HUMAN RESOURCES

Human resources (HR) are essential for administrations. Size, quality and management of these resources decide on their functioning, efficiency and achievement of objectives. The financial analysis (next chapter, B.3) will show that human resources “produce” the larger part of the operational costs of administrations.

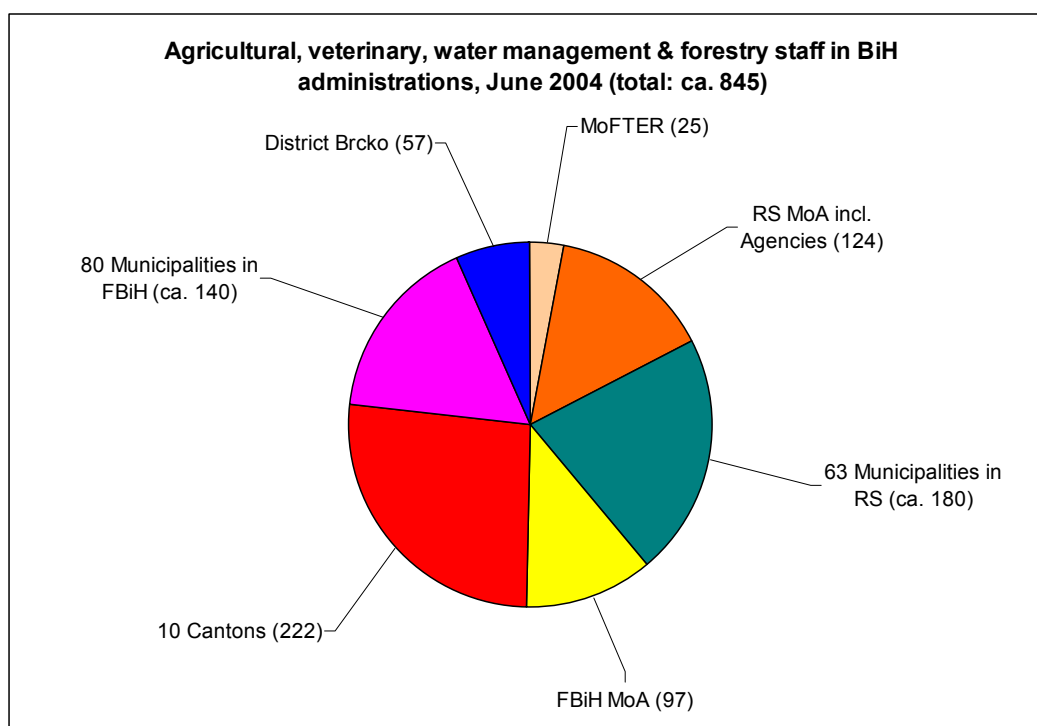
In the following analysis

- present and planned staffing,
- age, gender structures & qualification profiles, and
- HR management methods

in public administrations dealing with the agricultural sector in BiH will be reviewed. Finally, staff reduction potentials will be estimated.

B.2.1 Staffing in agriculture administrations

The total staff resources for agriculture, veterinary, forestry and water management on State, Entity, Canton and Municipality level in BiH in June 2004 are shown in the following chart⁶³ (more details on the distribution of staff resources in all agricultural administrations of BiH in Annex 5.1):



Not included in these staff figures is the staff employed in diverse public or semi-public water or forest companies or Directorates on municipal, cantonal and Entity level. These organizations are in most cases self-financed. Also not included are the staff of the cantonal forest

⁶³ RS MoA and FBiH MoA staff numbers include also the staff dealing with food processing industry which has yet to be fully transferred from other Entity Ministries (1 for RS MoA; 4 for FBiH MoA); RS MoA staff numbers include staff from the RS Extension Agency as well as from the RS Selection Agency; Brcko District numbers also include 11 inspectors from the District Inspection Department. Canton figures include staff from existing cantonal agriculture and veterinary zavods (28), but no staff from new cantonal forest administrations.

administrations which yet have to be set up in most Cantons and which will lead to a considerable increase in forest staff to be paid out of the Canton budgets. As the exact settings and financial arrangements of the set up of these new administrations are not yet quite clear, these additional staff figures are therefore not included. Finally, not included is staff from still to be privatized veterinary stations in FBiH presently financed out of Municipality budgets (ca. 1 station with 2-3 staff per Municipality, i.e. a total of ca. 200 staff). It is expected that their privatization will soon take place (as it has already happened in RS).

Despite these uncertainties and necessary estimations⁶⁴ there is relatively clear evidence that mid of 2004 a total of ca. 845 staff is available in all administrations of BiH. This staff carries out all core functions in order to guide, administer, inspect and support agriculture, veterinary, water management and forestry in BiH. This is at first sight a remarkably high number which is primarily a result of high degree of federalism in BiH. However, in comparison to neighbouring countries which have successfully joined the EU these staff figures have to be reviewed in a more detailed way⁶⁵.

A closer look at these staff figures reveals further details of interest:

(i) Distribution of human resources between different administrations

The present allocation of agricultural, veterinary, water management and forestry staff on State level, in both Entities and in the District Brcko is shown in the following table:

	MoFTER	RS	FBiH	District Brcko	Total
No. of staff	25	304	459	57	845
Percentage of total Agric., Vet., WM and Forestry staff in BiH	3%	36%	54%	7%	100%

Most striking is the very weak staffing on State level (only 3% of all staff). Considering that ministerial staff of MoFTER only has 3 staff members dealing with the agricultural sector (all other staff belongs to the State Veterinary Office) this weakness is even more visible. In practical terms there is almost no qualified ministerial staff available on State level to work for the agricultural sector of BiH. The only (still weak) staff resources can be found in the first executive agency set up on State level, the State Veterinary Office.

With 36% of all staff RS has considerable resources to serve the sector. However, most of this staff is found in a quite dispersed manner in the 63 RS Municipalities (ca. 180). RS Municipalities have to carry out a large number of regulatory, inspectoral and support functions on local level. However, the ability of the RS MoA to guide and supervise these activities is not always optimal and seems to depend on political will as Municipalities have a high degree of independence as well (Law on Municipal Self-Government!). Municipalities in the RS on average have 3-4 staff members working for the agriculture sector. However, presently there are huge discrepancies between favored and less favored Municipalities especially in the RS (see Annex 5.3): Municipalities in areas with very good agricultural and economic potential have up to 14 staff members (Banja Luka) whereas less favored (and often less populated) Municipalities - especially in mountainous or hilly areas - have to work with only 1 or maximum 2 persons⁶⁶.

⁶⁴ Absolute figures of total staff are not available, as staff figures from Municipalities are only estimations; however, these estimations are based on data from 52% of all RS Municipalities and 93% of all FBiH Municipalities. In addition, it has to be recognized that municipal agriculture staff in many cases also covers other non-agricultural tasks, so that only ca. 70% of the mentioned municipal staff resources are actually available for the agriculture sector.

⁶⁵ Slovenia, a country of roughly half the size of BiH in terms of population and with a centrally organised administration has in 2004 a total staff of 947, thereof 248 in the Slovenian MoA itself, 216 in the Agency for Market Intervention and Rural Development (thereof 201 for market intervention and 15 for rural development), 324 in the Veterinary Administration, 17 in the Plant Health Administration and 159 in the Inspection Services (see also chapter C).

⁶⁶ Staffing of Municipality administrations in RS is presently bound to the number of inhabitants according to RS Self-Government Law; an amendment to this provision is, however, currently discussed with the aim to give more flexibility for Municipalities. In FBiH the connection between staff numbers and population is not as strict.

The RS MoA itself at present has 95 staff available (also see organigram of the RS MoA in chapter B.1.2.1). Additional 28 staff members are working in the RS Extension Agency and the RS Selection Agency. Most of RS MoA staff is not located in the headquarters in Bijeljina or Banja Luka but in one of the 6 Regional Offices of the Ministry. As a consequence, headquarters are weakly staffed making guidance and supervision of field activities not an easy task. The present staff allocation gives priority to field activities in general and to inspection and support (extension) services in particular. The staffing of core functions in headquarters such as policy planning, monitoring and supervision as well as legislative functions obviously has much less priority.

With 54% FBiH has by far the highest staff resources for the agricultural sector at hand. This is mainly due to the fact that responsibilities for the agriculture sector are shared between Entity and Cantons. As a consequence, relatively large cantonal agriculture administrations have been set up amounting to a total of 222 staff (including cantonal zavods, but without the new cantonal forest administrations still to be set up). However, in practice only 10-15 staff on average are available for the whole range of practical planning, administrative, legal and support work in each of the 10 Cantons (see individual staff figures in each Canton in Annex 4.1). Additionally, there is a strong tendency to move current administrative staff into support and development functions located outside the Canton Ministries or Departments in cantonal zavods for extension services. Although this is regarded as a positive and necessary development it would lead to a severe weakening of core planning, monitoring and regulatory functions the Canton administrations have to fulfil.

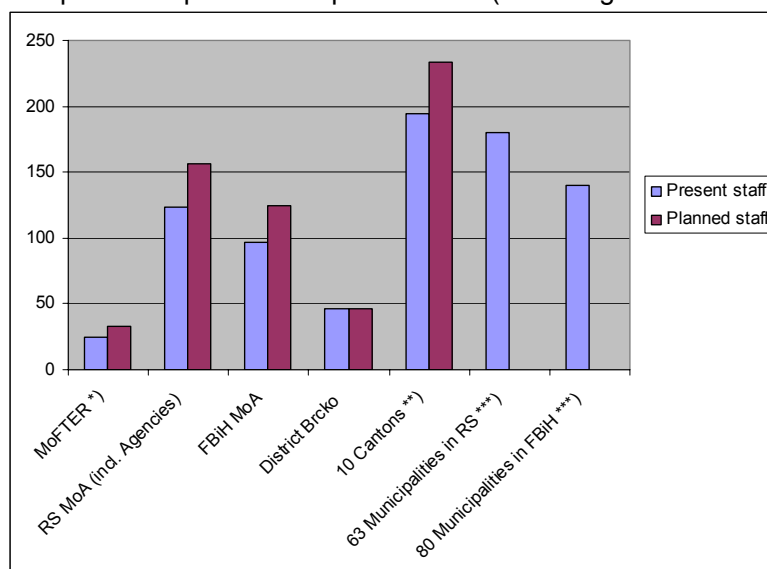
Another large staff number (ca. 140) is allocated in the 80 FBiH Municipalities - again in a rather dispersed manner and often without very clear responsibilities and competencies. This number is much lower than in RS as FBiH Municipalities are much less involved in regulatory, inspection and support functions. In FBiH most of these functions are carried out by Canton administrations. Municipalities in FBiH have on average 1-2 staff members for the agricultural sector (see Annex 7.3). In the Federation as well, Municipalities in favored areas have more staff than in less favored Municipalities. However, discrepancies are not as expressed as in the RS.

In the FBiH MoA itself 93 staff can presently be found (also see organigram of the FBiH MoA in chapter B.1.2.2). Although this staff number is almost the same as in the RS MoA staff here is not partially allocated in decentralized regional offices but centrally located at the headquarters in Sarajevo. The only (important) exception are the 28 FBiH plant health and veterinary border inspectors which are located at border crossings. A regional office structure is, however, not necessary nor feasible as FBiH Canton administrations (including inspection services) are available as mid-level administrations. As a consequence, in comparison to the situation in RS, inspectors are less numerous in the FBiH MoA. The few inspectors dealing with intra-Entity inspections only have supervisory and guidance functions.

The administration of the agricultural sector of District Brcko has 57 staff members (or 7% of the total staff), including inspection staff. Compared to the limited geographical size of the District (like a larger Municipality in an Entity) a considerably high number of staff are presently available for the agricultural sector (approximately half of Entity MoA staff!). This is due to the specific status of the District, its presently favorable economic situation as well as to exceptionally high staff number in the Veterinary Section (22). However, apart from this veterinary staff and the inspection staff (11) from a separate District Department, the Department of Agriculture, Forestry and Water Management consists of only 24 staff, which is quite reasonable.

(ii) Comparison of present and planned staff

Comparison of present and planned staff (according to rule books) is shown in the following figure:



*) Only agricultural and veterinary staff from MoFTER (mainly State Veterinary Office incl. Animal Identification Agency)

**) Canton staff without staff in cantonal zavods or cantonal forest administrations

***) Number of planned municipal staff in both Entities not available

Only in District Brcko staff has been hired according to the provisions of the rule book. In all other administrations present staffing reaches on average just 80% of the staff numbers foreseen in the respective rule books of these administrations (see Annex 5.1). As a result, especially the Departments in MoFTER dealing with the agricultural sector as well as most technical Sectors of both Entity MoAs (especially the Agriculture Sectors) are quite understaffed and often cannot properly carry out their functions. Organisational sub-structures under the Sector level cannot properly be set up due to the lack of staff. In contrast, inspection positions are in most cases filled as planned.⁶⁷ Obviously, in the past priority was given to recruitment of inspectors. Completing staffing according to the numbers foreseen in the rule books is in most cases not possible due to sometimes severe budgetary restrictions imposed by the respective Ministries of Finance (in contrast, most administrations are even under continuous pressure to further reduce staff numbers!)⁶⁸.

Comparison with planned staff numbers of Entity MoAs with planned staff of other Ministries on Entity level reveals that staff numbers of the RS MoA are comparable with several other RS Ministries:

RS	MoA (without Agencies)	Ministry of Trade	Ministry of Finances	Ministry of Economy	Ministry of Justice
No. of staff	122 (95)	153	121	63	40

() = present staff numbers

In FBiH the MoA is a large Ministry if planned staff is compared with planned staff of other FBiH Ministries:

FBiH	MoA	Ministry of Energy	Ministry of Environment	Ministry of Trade	Ministry of Health
No. of staff	112 (93)	90	79	75	75

() = present staff numbers

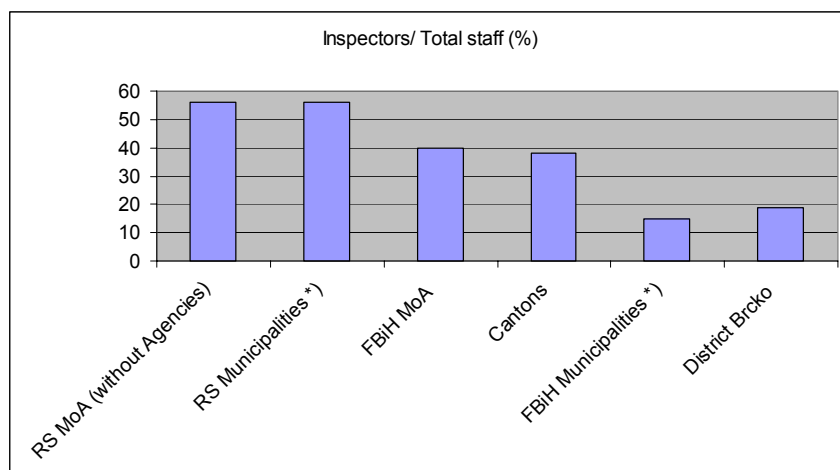
⁶⁷ The same applies for the administration units which are astonishingly well staffed in both Entity MoAs.

⁶⁸ However, some Cantons do not increase their staff to rule book numbers as they believe that present staffing is sufficient (e.g. Tuzla and Livno Canton).

The relatively high present staff numbers in both Entity MoAs are primarily due to a high percentage of inspection staff in both administrations. In the following, therefore, the special role and importance of inspection staff in BiH agricultural administrations is reviewed in more detail:

(iii) The importance of inspection staff

The following chart shows the percentage of the total staff of agricultural, veterinary, water management and forestry inspectors in different administrations:



*) Estimates

Especially in RS administrations presently there is a priority placed on inspection tasks: more than 50% of their staff consists of inspectors. Also in FBiH some 40% of the staff still fulfil inspection functions. Only the FBiH Municipalities have a relatively low percentage of inspectors as they are only to a very limited degree involved in inspection tasks.

The expressed share of inspectors in the staff total becomes especially visible by comparing inspection staff with other staff in the Entity MoAs:

	Management staff	No. of Inspectors	No. of Experts/ Officers	Support staff *)	Total staff **)
RS MoA (without Agencies)	13	53	19	10	95
FBiH MoA	17	37	33	6	93

*) mostly without university education

***) without food processing industry staff from other Entity Ministries

The table confirms the huge importance of inspection staff in both Entity MoAs. It also shows the general lack of expert staff needed for planning & monitoring, administrative, legislative and support/development functions. This weakness of the expert level is more expressed in the RS MoA, but the FBiH MoA also suffers from the dominance of inspection staff: In the RS MoA only 20% of the total staff are available for functions other than inspection, and in FBiH some 36%⁶⁹. As a result, in practice inspectors are often also used for administrative and support functions (e.g. administrations of subsidy schemes), or experts have to carry out different, sometimes non-compatible functions. This often leads to conflicts of interest and inefficiencies.

⁶⁹ The dominance in the FBiH MoA applies only for border inspectors, whereas FBiH inspectors in charge of guiding and supervising inspection services of the Cantons are relatively weakly staffed.

A closer look at the distribution of inspection staff among the agriculture, veterinary, water management and forestry sub-sectors draws the following table (see Annexes 5.2 and 5.3):

Sub-Sector	State	Entities & District Brcko	Cantons	31 RS Municipalities	73 FBiH Municipalities	TOTAL
Agriculture	0	38	16	10	15	79
Veterinary	4 *)	35	35	23	2	99
Water Management	0	11	14	11	1	37
Forestry	0	17	18	7	1	43
TOTAL I	4	101	83	51	19	258
TOTAL II (incl. estimation for all RS and FBiH Municipalities **)	4	101	83	ca. 100	ca. 20	ca. 308

*) The foreseen transfer of Entity Veterinary Border Inspectors (FBiH: 14; RS: 9) to the State Veterinary Office will increase this number considerably. An amendment to the Rule Book of the State Veterinary Office already foresees 28 staff positions for veterinary inspectors.

**) Municipal inspectors normally do not dedicate 100% of their working time for inspectorial functions but also partly for administrative tasks. The actual share of inspectorial work on municipal level is probably 70% of the resources.

The table reveals the huge importance especially of veterinary but also agriculture inspectors (mainly plant health inspectors). It shows again that core inspection functions carried out in RS mainly by municipal inspectors are done in FBiH mainly by Cantonal inspectors⁷⁰. In total some 37% of the overall staff involved in BiH agriculture sector administration is charged with inspection functions!

Historically, exaggerated inspectorates are often relics of state-economy dominated system. However, EU policies are predominantly based on financial incentives as well as sample based ex post controls. That allows for inspection services which - in comparison to policy, programming, planning and support functions - are much less dominant. The dominance of inspection functions may also lead to misuse of inspectorial power, inefficiency and lack of transparency.⁷¹

B.2.2 Age & gender structures and qualification profiles

A review of age & gender structures as well as qualification profiles in agricultural administrations will give a clearer picture of the potential of these administrations to cope with challenges like the intended EU integration as well as to achieve other objectives.

(i) Age structures

The following table illustrates present age structures in key agricultural administrations (in % of total staff, source: staff lists of administrations):

Public Administration	20-35 Years	35-45 Years	45-55 Years	55-65 Years
MoFTER *)	33 %	38 %	25 %	4 %
RS MoA	6 %	47 %	37 %	10 %
FBiH MoA	17 %	53 %	19 %	11 %
District Brcko	11 %	57 %	21 %	11 %
Canton 10 / Livno	23 %	47 %	24 %	6 %

*) Only staff from the 2 Departments dealing with the agricultural sector and the State Veterinary Office/ Animal Identification Agency

⁷⁰ The relatively high number of FBiH agricultural inspectors is most probably due to an inconsequent differentiation between inspectorial and administration/support functions. In practice, municipal inspectors in FBiH seem to be mostly charged with administrative or support functions (including support to Canton administrations).

⁷¹ See also: PRSP study, page 69.

In all administrations a majority of staff is between 35 and 45 years of age. In the FBiH MoA as well as in District Brcko more than half of the staff belongs to this category. This strong basis of still relatively young staff mainly carries out the expert work of the administrations. After the war administrations were obviously able to attract relatively young staff which nowadays forms the core working force of most administrations and which unites most of the organisational experience.

A strong representation of staff aging from 20 to 35 can be found in MoFTER. An explanation for this situation could be that recently established administrations like the State Veterinary Office and the Animal Identification Agency had the chance to select younger staff as a priority who also have foreign language skills. Additionally, it can be expected that the service in these new State institutions (with normally higher salaries, see following chapter) is especially attractive for younger, skilled staff.

In the RS MoA an exceptionally high percentage (more than 1/3) of staff members are in the third category ranging from 45 to 55. This relatively unfavourable age structure might be caused by the remote location of the RS MoA in Bijeljina, thus probably creating difficulties to attract skilled young staff for service.

Generally, age structures do not seem to be sufficiently balanced in order to ensure sustainability. Administrations need to attract younger, however, qualified staff resources. That especially applies for the RS MoA but also for all other agricultural administrations. Assuming that younger staff has more proficiency of foreign languages and better IT skills such “fresh” resources are also needed to support key functions with regard to EU harmonisation and modernisation of administrations in general. To rely fully on the present core working force in their 30-40-ties would mean that in some 10 years administrations would have to function with a quite “old” working force most probably not anymore as flexible to fully cope with the huge challenges of EU accession.

Additionally, younger staff would also be needed (especially in higher positions) to support changes in the agriculture administration in the future. Present leading staff was mostly educated and acquired their basic working experience during Yugoslav times focusing more often on technical and engineering skills rather than on economic and administrative issues.

(ii) Gender structures

Male and female staff is divided in agricultural administrations as follows (in % of total staff, source: staff lists of administrations):

Public Administration	Male	Female
MoFTER *)	55 %	45 %
RS MoA	66 %	34 %
FBiH MoA	59 %	41 %
District Brcko	72 %	28 %
Canton 10 / Livno	58 %	42 %

*) Only staff from the 2 Departments dealing with the agricultural sector and the State Veterinary Office/ Animal Identification Agency

Male staff is dominant in all administrations, however, in the FBiH MoA, MoFTER and the selected Canton this dominance is less visible. Looking at the two Entity MoAs as relatively large institutions an average share of female staff of some 35% - 40% seems to be generally representative. In comparison with Western European administrations this share is relatively high. Additionally, in some administrations like in the FBiH MoA women’s share in top management positions (General Secretary, Head of Sectors and Departments) as well as in expert positions (especially extension!) are astonishingly high. However, presently no female Minister is serving in BiH!

(iii) Qualification profiles

An assessment of the qualification profiles provides the following picture (in % of total staff, source: staff lists of administrations and data collected by review team):

Public Administration	Agric. Engineers	Veterinarians	Forest Engineers	Civil or other Engineers	Economists	Lawyers	Others ⁷²
MoFTER *)	4 %	46 %	0 %	4 %	4 %	4 %	38 % ⁷³
RS MoA	31 %	20 %	10 %	8 %	2 %	2 %	27 %
FBiH MoA	20 %	34 %	9 %	8 %	2 %	6 %	21 %
District Brcko	24 %	24 %	2 %	7 %	6 %	0 %	37 % ⁷⁴
Selected Cantons:							
Canton 10 / Livno	47 %	29 %	12 %	0 %	0 %	6 %	6 %
Zenica-Doboj	39 %	28 %	6 %	11 %	0 %	5 %	11 %
Herzegovina-Neretva	89 %	0 %	0 %	0 %	0 %	11 %	0 %
RS Municipalities **)	52 %	25 %	6 %	8 %	2 %	1 %	6 %
FBiH Municipalities **)	61 %	2 % ⁷⁵	8 %	3 %	1 %	1 %	24 % ⁷⁶

*) Only staff from the 2 Departments dealing with the agricultural sector and the State Veterinary Office/ Animal Identification Agency

**) Data from 50% of all RS Municipalities and, respectively 95% of all FBiH Municipalities

Generally, qualified staff with university education dominates in all administrations. Other staff with secondary education or equal qualification forms in all cases a minority and fulfils supporting functions. Sometimes (MoFTER, District Brcko) these supporting functions are more expressed as veterinary or animal production activities need more technical support staff for laboratory or analytical tasks. In FBiH Municipalities the high share of lower education staff might be explained by generally less responsible functions of FBiH Municipalities in the agricultural sector.

The percentage of *veterinarians* in administrations is astonishingly high. This applies especially to the FBiH MoA. Here veterinary positions have a share of approximately ¼ of all staff positions. However, presently additional 10% of staff has an educational background as veterinarians. On the other hand: the closer one comes to the "field level" the higher is the percentage of *agricultural engineers*. In Cantons and Municipalities (of both Entities) agricultural engineers are by far the dominant group. Qualifications for the other technical sub-sectors like water management (*civil engineers*) or forestry (*forest engineers*) play only a minor role and differentiations between administrations reflect only the diverse natural conditions throughout BiH.

Very problematic is the weak representation of lawyers in all administrations. Most administrations have to be satisfied to have a General Secretary with lawyer qualifications. Additional lawyers combining technical and legislative knowledge thus enabling professional work on laws and other legislation is almost completely lacking in all administrations. Especially poor is the situation with regard to this on State level, in the RS MoA, in District Brcko⁷⁷ and in Municipalities of both Entities. However, also in the FBiH MoA and Cantons legal know-how is especially lacking in the technical Sectors of these administrations. Also technical Sectors or Departments have to be able to judge administrative activities against legal provisions and to draft legislation.

Equally problematic is the almost total absence of (agro) economists in agricultural administrations. However, economic know-how combined with technical agricultural knowledge, will be an important asset to foster presently weak planning and programming capacities especially in State, Entity and Canton administrations.

⁷² Mainly support staff without university education, i.e. with secondary school education or equivalent.

⁷³ Technical support staff with secondary school education is especially numerous in the State Veterinary Office.

⁷⁴ In the Veterinary Section of the Department for Agriculture, Forestry and Water Management of the District Brcko a relatively high number of veterinary support staff with secondary education can be found, too.

⁷⁵ Veterinary staff is in FBiH Municipalities mainly employed by municipal veterinary stations, which are in the FBiH still not privatized. Staff from veterinary stations is not included in these staff figures (1 station per Municipality with 2-3 staff on average).

⁷⁶ Mainly agricultural or forestry technicians.

⁷⁷ General Legal Services in District Brcko can not replace legislative know-how in the technical Department.

B.2.3 Applied HR management methods

HR management is a cross-sector task which is important for all public administrations. One major segment of the cross-ministerial PAR *System Review* will therefore review the HR management in all public administrations of BiH. Consequently, this review will focus on the specific implications of the HR management methods applied in agricultural administrations on the agricultural sector development and future EU integration.

(i) Availability of HR policies and organisational structures for HR management

Due to the difficulties Bosnia and Herzegovina has faced in the last decade, agricultural administrations had to be developed from scratch. Thus, it is obvious that the administrations predominantly concentrated on setting up an administration fit for work. There was obviously no room for developing sound staff policies. Although the administrative staff of agricultural administrations is generally familiar with personnel issues (number of staff, leave days, salaries etc.) comprehensive HR management policies are not available. There is a general lack of long-term HR policies which are in line with the formulated objectives and policies of the administration: although rule books foresee that staff has to fulfil respective (yearly) working plans, scarce resources prevent administrations to employ planned number of staff. Obviously, planning of agricultural policies, budgets and human resources necessary to implement policies and strategies is not sufficiently fine tuned and adjusted.

Additionally, in most of the agricultural administrations no specific unit for human resources / personnel exists. Without a special unit exclusively responsible for HR, professional management of staff is difficult, if not impossible. A more professional HR management based on sound HR policies and implemented by specialised organisational units will be, however, needed in the future to secure and develop staff for the challenges ahead and here especially for EU integration. This work has to be done in close cooperation with the new Civil Service Agencies (CSA)⁷⁸ on State and Entity level. However, the CSAs cannot replace the practical work in individual administrations with regard to HR management.

(ii) Recruitment of qualified staff

According to the Laws on Civil Service recruitment of staff for public administrations has to be done in close cooperation with the CSAs on State and on Entity level. Since April 2004 an amendment of the State Civil Service Law⁷⁹ allows the transfer of civil servants from Entities to State administrations. This amendment was, of course, a precondition for implementing the already agreed transfer of veterinary border inspectors to the State Veterinary Office. Generally recruitment seems to function well in most agricultural administrations, although budget problems in combination with undifferentiated and (for especially qualified staff) too low salaries make it obviously difficult to hire staff with special qualifications (e.g. lawyers, economist) and skills (languages, IT, etc.). Recruitment problems are also observed in Cantons. Here, lacking mobility of applicants as well as job advertisements which are only published in the Canton often reduces recruitment potential to persons living in the Canton.

⁷⁸ CSAs were set up for the State level administrations as well as for the Entity governments based on respective State and Entity Laws on Civil Service (District Brcko acts according to the respective State law); they are centrally in charge of supervising rules and procedures for public recruitment, position classification, training in administrative affairs, etc.. The CSAs on State level and in RS are already working since 2003, whereas in FBiH the CSA is, mid 2004, about to be physically set up.

⁷⁹ "Official Gazette of BiH", No. 17/04.

(iii) Staff management

Generally, delegation of responsibilities is not sufficiently practised. Often Ministers and Assistant Ministers and/or the General Secretary dominate the decision process; the top management level even deals with minor decisions (e.g. General Secretary in the RS MoA can only sign travel documents and annual leave requests, everything else is decided by the Minister). This applies also to the recruitment of staff where in most cases the Minister makes the respective decision. However, provided that a professional organisational unit is dealing with HR management issues, qualified middle management staff is available and a sound chain of command is established, the Minister should concentrate on recruitment decisions only on top management level.

Competencies and functions especially on expert/officer level do not seem to be sufficiently clear either. From the formal point of view things are well done: job descriptions are written in the rule books, tasks and duties are described in the job announcement and after recruitment they are orally transferred to the future civil servant. However, in practice the competencies and functions do not always seem to be clear. Due to a considerable lack of staff often a clear assignment of specialised functions like policy making, legislative and inspection tasks as well as administrative functions and direct services and support to farmers is not possible.

There is also no uniform procedure when it comes to staff performance reports and appraisal. Staff is normally not actively involved in the appraisal process. In some administrations bonus systems are applied to honour exceptional performance; however, these systems usually do not function due to lack of financial resources. Also the relatively undifferentiated salary systems on Entity and Canton level do not provide sufficient room for motivation by salary increase based on performance.⁸⁰

(iv) Workload and size of organisational units

Agricultural administrations often lack qualified experts/officers capable of developing, implementing and monitoring agricultural policies and strategies. As a consequence of such understaffing there is a relatively high number of top management staff (Minister, Assistant Ministers, General Secretary, Advisors, etc.) relative to only few experts/officers on working level. As a consequence, the workload for the expert staff is often too high and tends to be unbalanced. The size of organisational units is normally very limited and the span of command reduced to an unfavourable size (often only 3 to 5 staff per Assistant Minister; the optimal span for staff managers is normally 7-11). Often only one expert/officer deals with specific matters. If this person leaves the administration the experience is gone. In case of sick leave activities can hardly continue.

(v) Staff development / training

According to the Laws on Civil Service civil servants have an obligation to make permanent efforts with regard to their on-the-job and further training. They are entitled and obliged to participate in training and educational activities and seminars. However, although the recently established CSAs are supposed to offer training on general administrative issues, specialised training for staff of the agricultural sector administration hasn't been offered by now.

Additionally, no agricultural administration has any short, medium or long-term planning with regard to training and development of their staff. Consequently, the limited staff training carried out so far happens on an ad hoc basis and not by a systematic approach. Furthermore, the reputation and esteem of training differs considerably. Most agricultural sector staff does not see the need for special training and majority believes that everybody is trained by his work,

⁸⁰ Salary differentiation seems to be more elaborated in District Brcko and on State level. Generally, salary levels on Entity, Canton and Municipality level are ranging between ca. 500 and 700 KM per month plus a range of special allowances whereas on State level and in the District Brcko salaries are almost double.

learning by doing, etc. Proposals and decisions on training are again mostly organised from top-down with the Minister taking decisions. Only a minority of agriculture administrations see specific and urgent need for training (e.g. Sarajevo and Orasje⁸¹).

Identified training topics concerned mainly the future EU integration and training on legislative matters are as follows:

- European administration system (functioning of the control of agricultural imports),
- Administrative structures of the EU in general,
- Organisation of agricultural ministries in the EU,
- Agriculture laws and general legal training.

Training on technical agricultural, veterinary, plant health, water management or forestry issues was almost seen as unnecessary (exception: training on animal diseases and their prevention). Obviously, the interviewed staff (mostly agricultural, veterinary or forestry engineers) believes that their technical know-how is still up-to-date and in accordance with international standards. This is astonishing given the fact that university education suffered much from the war and is still in the recovery phase. Additionally, substantial further education and training is not sufficiently available for most staff.

However, some agricultural administrations have already discovered that staff feels more inclined to leave the administration after accomplishing qualified training (especially language training) as better-remunerated jobs are available outside the administration. A HR policy which reflects on this effect and grants successfully trained staff either higher positions/more responsibilities and/or higher salaries is in most administrations almost completely absent.

⁸¹ In Canton Orasje one working hour per day is dedicated to computer training. In the future the Minister is planning to offer English language training too, especially to be better able to work with the internet.

B.2.4 Analysis of staff reduction potentials

While this review identified the urgent need to strengthen the staffing of agricultural administrations on all government levels some potential for future savings of staff was also found. However, this potential is in most cases not discovered in the agricultural administration with need for additional staff but mostly in related institutes or executive administrations. Therefore potentially reduced numbers can not directly be compared with the needed supplementary personnel. Additionally, qualifications are in most cases rather different; savings of personnel can only be realized over a period of 3-5 years while the needed additional personnel in agricultural administrations has to be recruited as soon as possible. The following staff reduction potential is estimated in the Entities and in the District Brcko:

Institution	Staff reduction potential		Reasoning
	Experts	Workers/ Technicians	
RS			
◆ Inspectors (all sectors, including agriculture sector)	50	---	Ca. - 7,5 % total reduction by creating Entity General Inspectorates and avoiding overlap; for agriculture sector: reduction potential of ca. 3 staff (reduction of Chief Inspectors) By merger of some of the 42 Forest Estates and technological progress By extending responsibility from presently one to two or three Municipalities & by privatizing geodetic functions (surveyors)
◆ Forest Company	56	500	
◆ Administration for Geodetic and Legal Property Issues	60	100	
FBiH			
◆ Inspectors (all sectors, including agriculture sector)	70	---	Ca. - 7,5 % total reduction by creating Entity and Canton Inspectorates and avoiding overlap; for agriculture sector: reduction potential of ca. 3 staff on Entity level and ca. 10 in Cantons (reduction of Chief Inspectors) By privatizing parts of former municipal forest companies (saw mills, transport, services) as well as by technological progress After having completed digitalization of cadastre and land book data & by privatizing geodetic functions (surveyors) By privatizing municipal veterinary stations (ca. 1 station with 2-3 staff in each of the 80 FBiH Municipalities)
◆ Forest Companies	50	1.600	
◆ Geodetic Institute	30	90	
◆ Veterinary Stations	100	100	
District Brcko			
◆ Forest Companies	7	10	By technological progress and transfer of functions to private sector. By privatization of veterinary services of former veterinary stations or transfer to private sector (meat processing industry, etc.)
◆ Veterinary Section of Department of Agriculture, Forestry & Water Management	6	7	

The realization of these estimated potentials depends on (sometimes difficult) political decisions and is therefore difficult to predict. Further reduction of staff in the public forestry companies of FBiH (mostly forestry engineers) will be achieved by the ongoing merger of municipal companies into one cantonal forest company (according to the new Forestry Law FBiH); additionally, forest workers will leave the public sector since parts of the public forestry companies will be outsourced to the private sector (e.g. privatisation of saw mills and some forestry services like cutting and hauling of trees). In

RS privatisation of such functions is already accomplished, i.e. further reduction can only be realised by merging some of the 42 Forestry Estates in RS. However, generally forest workers in remote areas can most probably only be laid off if the social situation in BiH recovers and other job opportunities emerge.

The Geodetic Institutes in both Entities might be able to privatize some of their functions. After completion of the ongoing digitalisation of cadastre and land book data - in FBiH still a huge task - surveyors presently working for the Geodetic Institutes could perform their services on a private basis. The RS Administration for Geodetic and Legal Property Issues could become leaders in this process. Possible reductions in the veterinary sector would mainly be based on specific situations (District Brcko) and not yet accomplished privatisation of veterinary stations in FBiH.

B.2.5 Summary of the human resources analysis

Staffing in agricultural administrations

- The present total staff numbers in public administrations dealing with the BiH agriculture sector (ca. 845) are not too high having in mind the size and importance of the agricultural sector in BiH as well as the decentralized character of BiH administration. Present staff resources form a good basis for future work on harmonization and alignment with complex and extensive EU standards.
- Staff resources need to be gradually strengthened in agricultural administrations during the coming years. A comparison with staff resources of former Candidate Countries shows that present staff figures have to be considerably increased in order to meet requirements for EU harmonisation and further integration (see chapter C and D.11).
- Especially problematic is the weak staffing in the few State level administrations dealing with the agricultural sector. Immediate strengthening is needed to enable BiH to further align with EU standards, develop coordinated policies and successfully negotiate international agricultural agreements. A future State Ministry of Agriculture and Rural Development will have to be comprised of limited but highly qualified staff (see chapter D.3).
- Staff available in Entity MoAs is well behind planned staff figures. In the past priority was given to filling planned inspector positions. As a result administrations are generally dominated by inspection staff, which makes up more than 1/3 of all staff resources working in the sector. On the other hand, planned expert/officer staff positions could not be filled appropriately in Entity MoAs. As a result, key functions such as policy planning, coordination and monitoring as well as drafting of legislation and appropriate implementation of needed development policies and EU harmonization activities cannot be carried out in a sufficiently professional way.
- The present staffing of the agricultural sector in District Brcko is too high with regard to its Veterinary Section. However, staff for analysis & planning, rural development, food processing industry as well as for legislative tasks needs to be strengthened to professionalize work.
- Core staff in cantonal agricultural administrations consists of hardly more than 10 - 15 persons. Currently, most Cantons are trying to set up or develop extension and other direct support services for farmers, however, realisation is hampered due to lack of financial resources. In several Cantons it is planned to transfer present staff to these extension functions, but leaving staff has to be replaced in full scale in order to be able to fulfill planning and administration functions.
- Municipalities in RS have on average 3-4 staff members, in FBiH 1-2. In-balances in staff resources between favoured and less favoured Municipalities will most likely contribute to even greater differences in their development. However, the present staffing in Municipalities provides a good basis for future rural and agriculture development activities in the field. As EU policies put a strong focus and considerable funds in these policies, the present staff will be very much needed to support the implementation of these EU policies in the future and has to be strengthened.

Age & gender structures, qualification profiles

- Age structures in all agricultural administrations are presently very much dominated by middle aged staff. There is a serious danger that without sufficient recruitment of young staff age structures will deteriorate over the coming decade. To ensure sustainability in the longer run and to be prepared for accelerated work on harmonization and later accession to the EU present staff resources have to be “refreshed” with younger, well qualified staff.
- Present gender structures are not fully balanced, i.e. male staff is dominating administrations in most cases. However, compared to Western European agricultural administrations the share of female staff is already relatively high.
- Agricultural administrations are dominated by (well qualified) agricultural engineers and veterinarians specialized in technical issues like plant and animal production and animal health. However, engineers are often not satisfied with administrative work but want to work with farmers in the field (e.g. in extension services). On the other hand (Agro-) economists and lawyers are lacking. For future work on rural and agricultural development, administrations will need staff with extensive economic, legal and cross-sector knowledge in order to be able to cope with EU accession work.

Human resources management methods

- Human resources management in agricultural administrations is characterised by
 - lack of HR policies which are in line with agricultural policies, strategies and objectives as well as with financial planning and available budgets,
 - difficulties to recruit and retain qualified staff (especially lawyers, economists)
 - low degree of delegation of decisions and responsibilities (top-down),
 - general mismatch of the positions foreseen in the Rule Book often resulting in unclear and mixed competencies and functions, and
 - lack of systematic staff training based on individual staff development plans and connected with staff evaluation and promotion/career schemes.
- Agricultural administrations tend to underestimate training needs for future challenges with regard to EU integration and WTO membership and to over-estimate their technical engineer know-how.
- Newly established Civil Service Agencies (CSAs) are according to the respective Laws on Civil Service major actors with regard to basic HR management procedures (e.g. recruitment, performance evaluation, etc.) and are also supposed to offer training on administrative issues. However, specialised HR management units which could sufficiently cooperate with the CSAs, implement the procedures and coordinate training of staff are mostly lacking. Specialised training with regard to topics important for the agricultural sector and future EU integration as well as WTO membership (e.g. Common Agricultural Policy and Structural Policy of the EU, agricultural legislation and administration in the EU, WTO negotiations and regulations, veterinary, food safety, plant health standards, etc.) can be, however, not expected from the CSAs.

Staff reduction potential

- Staff reduction potential in the reviewed key agricultural administrations could not be identified. Reduction potential is limited to a small number of related institutions, executive administrations and public companies on Entity and municipal level. However, to a large extent this potential for staff reduction can be realised only in the long run and after taking sometimes-difficult political decisions. It is therefore not possible to predict the realisation of identified staff reduction potentials and to include precise staff numbers into an overall calculation.

B.3 FINANCIAL ANALYSIS

The financial analysis of the agricultural sector administration in BiH comprises the following main review chapters:

- Review of 2002, 2003 and 2004 budgetary allocations⁸² per administration,
- Review of financial planning procedures in administrations and viability of these institutions.

This analysis will form the basis for recommendations on future budgets and financial planning procedures needed to match needs of agricultural administrations in BiH. These recommendations will be presented in chapter D.10.

B.3.1 Budgetary allocations 2002 - 2004

Budgets from 2002, 2003 and 2004 have been reviewed for key administrations at State, Entity and Canton level as well as for the District Brcko⁸³. This review is based on data from these administrations (for aggregated data, see Annex 6). With regard to data from Municipalities various approaches for collecting budget data have been tried out but none with total coverage. Therefore, financial figures from Municipalities are mainly estimations based on extrapolations of collected data.

B.3.1.1 Comparison of total public spending with spending on agriculture

The following macro-level analysis compares the costs of the public agricultural sector in BiH with total public spending. The following key figures can be generated:

Administrative level	Institution(s)	Total public budget FY 2003 (KM)	Agriculture Budgets FY 2003 (KM)	Spending per capita 2003 (KM)	Percentage 2002	Percentage 2003	Percentage 2004
State level	MoFTER (only agriculture) + State Veterinary Office	324.374.540 **)	1.394.827	0,4	0,2%	0,4%	0,8%
Republika Srpska	RS MoA + related institutions *)	999.748.012	31.724.900	21,9	2,6%	3,2%	4,6%
Federation BiH	FBiH MoA	1.217.400.000	14.965.310	6,5	1,6%	1,2%	2,5%
10 Cantons incl. related institutions *)	Bosnia-Podrinje	19.625.423	644.222			3,3%	
	Posavina	23.185.000	1.093.750			4,7%	
	Canton 10 (Livno)	37.560.000	696.000			1,9%	
	Sarajevo	428.613.917	3.828.656			0,9%	
	West Herzegovina	48.500.000	425.280			0,9%	
	Zenica	170.371.750	3.790.200			2,2%	
	Una-Sana	117.336.641	1.200.530			1,0%	
	Herzegovina-Neretva	113.300.000	1.466.416			1,3%	
	Central Bosnia	83.371.900	1.246.581			1,5%	
	Tuzla	190.000.000	2.401.600			1,3%	
	Total Cantons	1.231.864.631	16.793.235	7,4	1,3%	1,4%	2,4%
Total Federation		2.449.264.631	31.758.545	13,9	1,4%	1,3%	2,4%
Brcko District		224.393.000	3.393.369	35,7	2,4%	1,5%	1,7%
Total		3.997.780.183	68.271.640	18	1,7%	1,7%	2,8%

Table 1: Public costs in budgets for agricultural sector in percentage of total budgets for financial year 2003⁸⁴; FY = Financial Year;

*) related institutions = lower-level agencies, administrations, institutes, zavods, etc. related to public administrations and (at least partly) financed by them.

**) Budgets before rebalancing.

⁸² Budgetary allocations comprise the following categories: (i) operational costs (wage bill & material costs), (ii) transfers/subsidies, and (iii) capital investments.

⁸³ With regards to MoFTER and the 3 Cantons where agriculture is part of a Ministry of Economy, the operational costs have been estimated on the basis of the share of employees working with agriculture vs. the total number of employees.

⁸⁴ Budgeted costs without consideration of own revenues collected to finance running costs and transfers.

The following can be observed:

- Total public costs used for agriculture (without costs at municipal level) were below 2% of the total public budget of BiH in the financial year 2003. A closer look to the costs on the different administrative levels reveals that the State level only used 0,4% for the agricultural sector in 2003. In RS this share was a little bit higher with 3,2% but in FBiH (incl. Cantons) as well as in the District Brcko spending for the agricultural sector were also very low with 1,4%, respectively 1,5%. At cantonal level there is, however, a great variation between the Cantons - ranging from 0,9% in Sarajevo and West Herzegovina to 4,7% in Posavina Canton.
- The development of public spending for the agricultural sector shows an upward trend over the period 2002 to 2004: in 2002 as well as in 2003 the overall share of the agriculture budgets in public spending stagnated at around 1,7%.⁸⁵
- Budgets for 2004 suddenly show a remarkable increase to 2,8% which is mainly due to increased budgets for subsidies for the agricultural sector and the development of lower level administrations (especially in FBiH the new Canton Forest Administration). However, these budget projections are mid of 2004 endangered and it is questionable whether the 2,8% can be actually reached⁸⁶.
- Such low shares of public spending for the agricultural sector do not correspond with the general economic importance of the agricultural sector in BiH: the agricultural sector contributes 12% to the BIH GDP and employs 18% of the population!⁸⁷
- The total public spending for the agricultural sector varies remarkably between the two Entities: Although the total amounts of Entity agricultural budgets are comparable, spending per capita is much higher in RS compared with FBiH (Entity and Cantons) . This favourable situation in RS is mainly due to considerably higher spending for subsidies in this Entity (see also below, chapter B.3.1.3).
- In total only some 18,- KM were used per capita for the administration and support of the agricultural sector of BiH in 2003. Although this figure does not include spending on municipal level for the agricultural sector a comparison with per capita spending in other countries reveals that this amount is *extremely* low (data from benchmarking exercise, see Annex 7):

	BiH	Slovenia	Austria	Latvia
2003 per capita spending for the agric. sector (€)	9	115	208	43

B.3.1.2 Development of operational costs

Figures for operational costs (i.e. all expenses related to the wage bill and material costs) are generally only available as totals for each reviewed administration. This is due to the fact that operational costs are not broken down into sub-budgets for individual organizational units such as Sectors, Departments or Sections. However, operational costs of administrations are available and will be analyzed in the following.

⁸⁵ Compared to this figure the shares of agricultural expenditures in public budgets in other countries were much higher: e.g. in Croatia 3,3%, in Slovenia 2,16% and in Latvia even 4,4%.

⁸⁶ Ongoing rebalancing of the FBiH budget caused by severe budget constraints mid of 2004 will most probably also effect agricultural budgets and lead to a decrease of foreseen subsidies and transfers.

⁸⁷ See: EC report on the preparedness of Bosnia and Herzegovina to negotiate a Stabilisation and Association Agreement with the European Union, 18th November 2003; in rural areas in average 50-60% of the population depend on agriculture.

The figure below shows the development of operational costs in State, Entity, District and Canton budgets from 2002 - 2004:

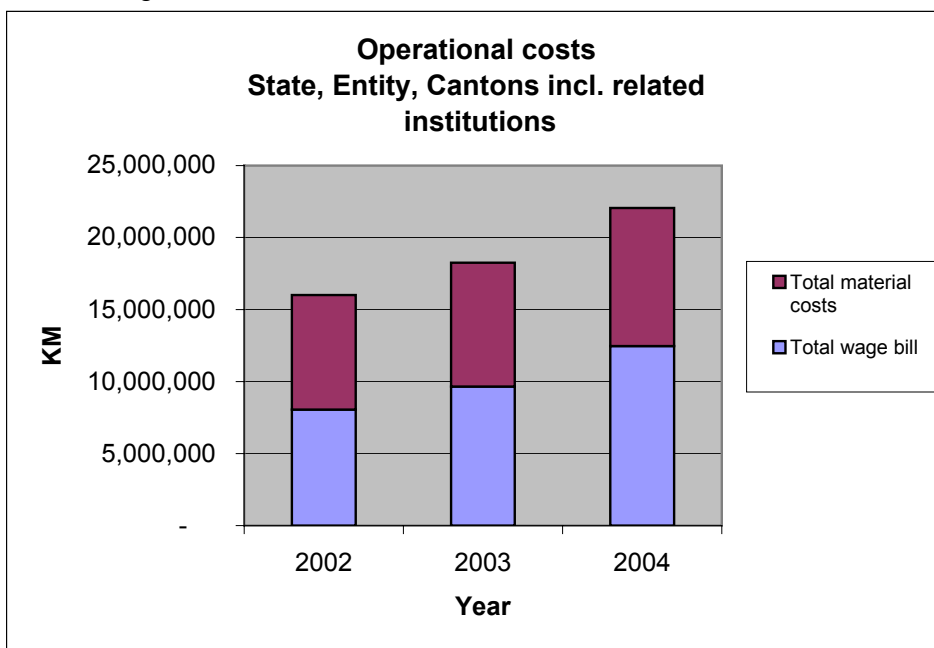


Figure 1: Operational costs for State, Entity, District Brcko and Canton level, including related lower level institutions

There has been an increase of total operational costs by 33% from 2002 to 2004. In 2004 total operational costs reached 22 Mil KM. However, the wage bill has increased considerably more (+ 44%) whereas material costs increased less (+ 22%).

To complete the picture, additionally operational costs of Municipalities have to be taken into consideration. Estimations of the municipal costs are based on the number of employees working for the agricultural sector multiplied by the average wage bill and the average material costs per staff in Municipalities. This leads to total costs of around 7-8 Mil KM for all BiH Municipalities, bringing the expected total operational costs for public administration of the BiH agricultural sector to around 30 Mil KM in 2004. A more differentiated view on the individual operational costs of administrative levels reveals the following figure:

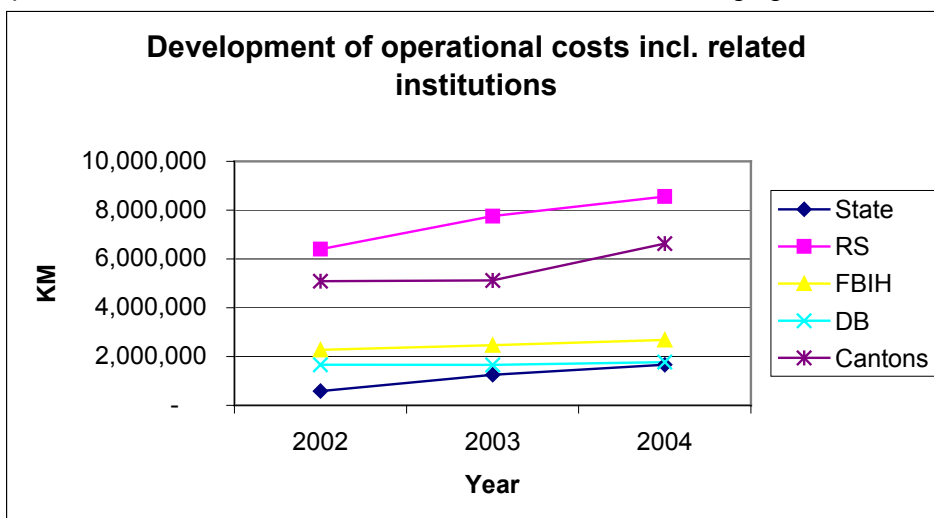


Figure 2: Operational costs 2002-2004 including related lower level institutions at State, Entity, District Brcko (DB) and Canton level

Visible are some major differences with regard to operational costs: At State level a considerable increase of 184% from 2002 to 2004 can be seen. This is mainly due to the set up of the State Veterinary Office. The budget of the RS MoA shows an increase of 34%, resulting from higher spending for maintenance and set up of water management infrastructure (RS Water Directorate budget). Additionally, it was caused by increase in number of staff in related lower level institutions from 2002 to 2003. In the FBiH MoA operational costs increased by relatively modest 19%, mainly due to increased allowances⁸⁸ from 2002 to 2003. In District Brcko the very modest increase of operational costs of the Department in charge of the agricultural sector by only 7% is mainly due to the transfer of the Department's inspection services to a central District Inspection Department and is therefore exceptional for 2003.

At Canton level operational costs increased by 30%. One explanation of this increase is the set up of a number of specialized cantonal zavods (agriculture and veterinary zavods) as well as new cantonal Forest Administrations required by the new forest legislation in FBiH. However, it is foreseen that the operational costs of these new administrations will be financed by own fee-based revenues. Also the Water Directorate in RS is equally supposed to be self-financing with regard to operational costs.

As these lower-level institutions are supposed to be self-financing, a more realistic picture can be drawn by excluding the operational costs of the institutions:

	State	RS	FBiH	DB	Cantons	Total
2002	586.017	1.773.600	2.274.738	1.660.913	3.841.806	10.137.074
2003	1.254.077	2.167.700	2.465.310	1.655.669	4.310.455	11.853.211
2004	1.662.711	2.246.630	2.717.440	1.771.983	4.483.756	12.882.520
Increase 2002-2004 in %	184	27	19	7	17	27
Increase 2003-2004 in %	33	4	10	7	4	9

Table 2: Total operational costs excluding the self-financing institutions/administrations

Without the self-financing institutions the total operational costs are around 13 Mil KM (9 Mil KM less than with these institutions) and the increase from 2002 to 2004 is only 27% from 2002 to 2004 (6% less than if they are included).

The total increase of operational costs from 2003 to 2004 is even only 9%. At all levels there is an increase below 10% (with the exception at State level for the reasons already mentioned). Financial restrictions obviously effectively hampered increases in operational costs of agricultural sector administrations especially in the latest budgets. A closer look to the constituting elements of the operational costs (i.e. costs for wage bill and material costs) reveals some further information. The development of the wage bill costs and material costs from 2002 to 2004 is shown in the following two figures:

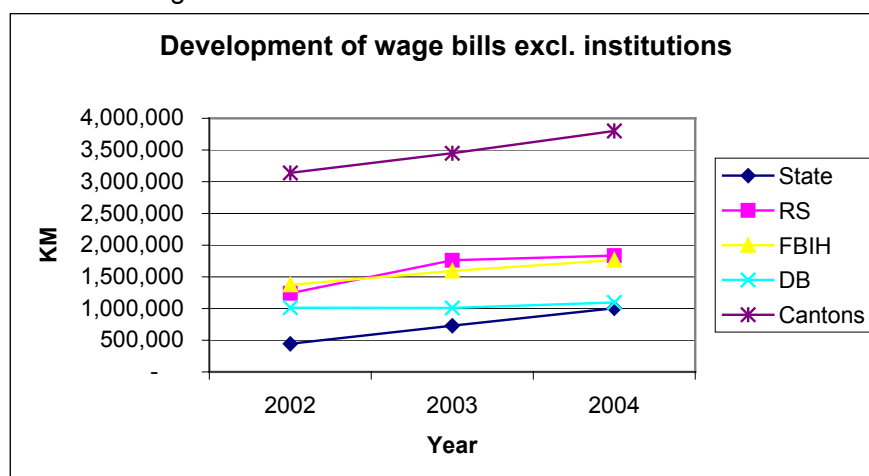


Figure 3: Development of the wage bill at State, Entity and Canton level, not including self-financing lower level institutions

⁸⁸ Allowances are part of the wage bill, and cover different budget lines like hot meal payment, annual leave grant and transportation costs, etc.

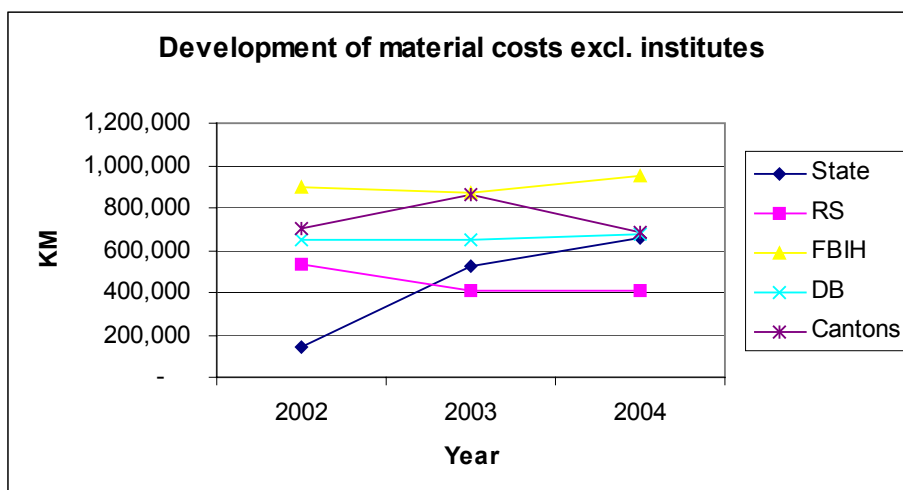


Figure 4: Development of material costs at State, Entity and Canton level, not including self-financing lower level institutions/administrations

As can be seen from Figure 3 and 4 the wage bill has generally increased more than the material costs. The wage bill accounted for 72% of the total operational costs in 2003. Increasing the wage bill without a corresponding increase in the material costs over a period could generally speaking lead to a difficulty in delivering the services to the public.

Analysis of the development of operational costs:

- Operational costs have increased on average, from 2002-2004 by only 27% (excluding the self-financing institutions and administrations). This increase includes the set up of the new State Veterinary Office. The increase from 2003 to 2004 has been especially limited - a total increase of only 9%, mainly at State level.
- The wage bill has increased mainly due to the setting up of new administrations on Entity and Canton level (especially new Canton Forest Administrations), which in the longer run should be self-financing. The additional increase is mainly realized in the period 2002-2003, meaning that budgetary restrictions were particularly prevailing in 2004 budgets.
- Material costs have only increased half as much as the wage bill. The explanation for this change between material costs and the wage bill is probably the lack of flexibility with regards to reducing the number of employees and their wages, while reducing budgetary allocations for material costs is easier. This relatively decrease of available material costs could lead in the medium run to a situation where service delivery (and necessary maintenance e.g. in water management facilities) to the public is more and more endangered due to a lack of funds to carry out these services.
- Increased subsidy allocations did not lead to higher operational costs, although considerably higher costs could be expected especially for complex and time consuming subsidy planning, administration and control functions. Obviously resources from other functions had been used which led in the practice to a mix of incompatible functions and a generally insufficient fulfillment of all tasks.

B.3.1.3 Development of transfers and subsidies

Looking at the transfers that are provided for the agricultural sector the following illustration shows the development during the period 2002 to 2004:

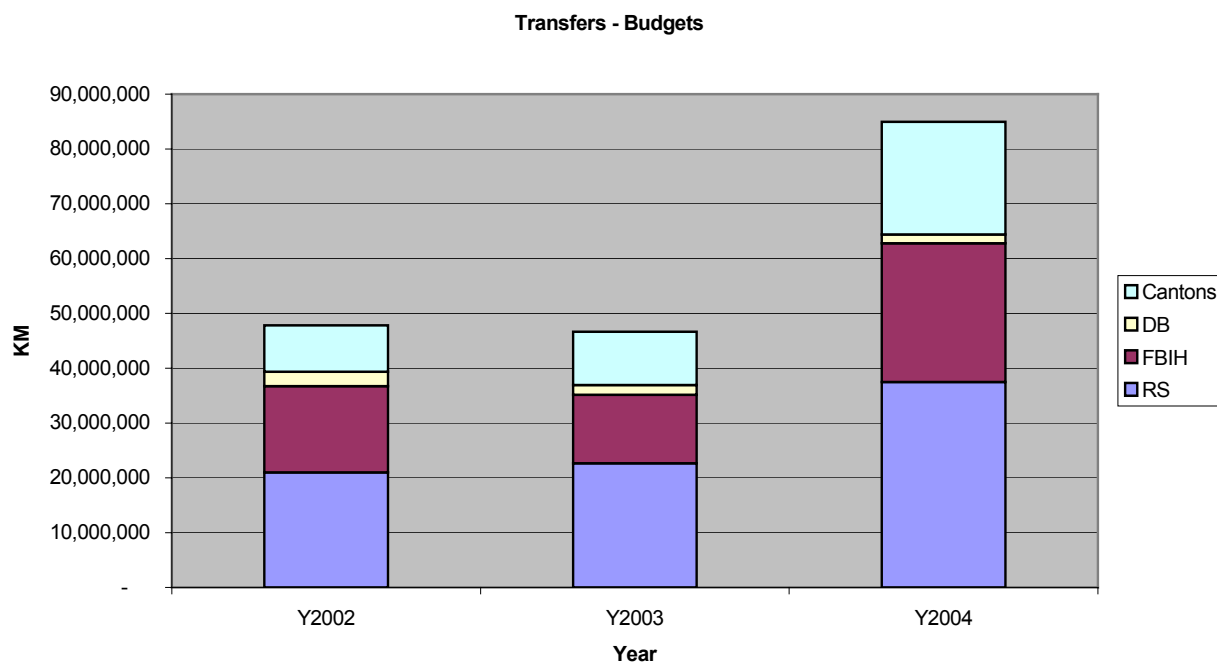


Figure 8: Transfers/subsidies from budgets

Most striking is that total spending for transfers/subsidies were stagnating from 2002 to 2003 (increase in RS and decrease in FBIH), while a major increase (70%) has been foreseen in 2004 budgets. This is mainly due to the fact that recent legislation foresees substantially increased subsidies in both Entities⁸⁹. A certain minimum percentage of subsidies in Entity budgets is foreseen (4% in RS, and 3% in FBIH of total Entity budgets). With the latest increase of around 70% in 2004 budgets the figures are getting closer to the envisaged subsidy levels at Entity level: the present allocation in budgets is 3,6% in RS and 2,2% in FBIH.

In addition to Entity and Canton subsidies some Municipalities have their own supplementary subsidies. It has been impossible to collect exact data from all Municipalities. Based on the available data, however, it can be estimated that around 2,5 - 3 Mil KM for transfers and subsidies to the agricultural sector will be additionally provided at municipal level in 2004.

⁸⁹ "Official Gazette of FBiH", 28/04.

Most of the subsidies are related to agricultural support. The following table shows the distribution of all transfers to the different support measures in FBiH and RS.⁹⁰

Transfers		FBiH	RS	Total
	Product linked support	71%	25%	36%
	Investment & Marketing support	16%	11%	13%
	Interest rate support	2%	9%	7%
	Guarantee fund	0%	0%	0%
	Capacity building	0%	1%	1%
	Research/new technology	3%	0%	1%
	Plant Health	1%	0%	0%
	Rural development	0%	15%	11%
	Other	3%	12%	10%
Agriculture	Total	96%	73%	79%
Veterinary	Vaccination/animal identification	0%	14%	10%
	Capacity/Institutional building	0%	1%	1%
Forestry		4%	12%	10%
TOTAL		100%	100%	100%

Table 4: Transfers/subsidies distributed to fields and purposes⁹¹

As can be seen, more than a third is used for product linked support within agriculture. Big differences are visible between the Entities: whereas FBiH uses over 70% of the subsidies for product linked support, RS has already introduced a scheme for rural development, which accounts for already 15% of the subsidy allocation.

Analysis of the development of transfers/subsidies:

The budget allocations for transfers/subsidies have increased remarkably over the period in focus (70%). The goal of the governmental decisions to allocate 3% in FBiH and 4% in RS for these subsidies is still not reached. Additional 5 Mil KM in RS and 9 Mil KM in FBiH had to be allocated in 2004 to reach this objective. Still considerable efforts have to be done to provide sufficient resources in future budgets. Additionally, appropriate criteria for support schemes must be developed which allow for in time and full execution of available funds.

B 3.1.4 Development of capital investments

Capital investments in the BiH agriculture sector have been quite limited during the period from 2002 - 2003. Total public expenditure (excluding Municipalities) in capital investments for the agricultural sector amounted to 2 Mil KM in 2003, i.e. only approx. 3% of total expenditures. This is comparable to other sectors. However, capital investments increased recently remarkably. A sudden increase of capital investments appears in 2004 budgets, especially in RS, FBiH and at Canton level. The planned set up of the Canton Forest Administration as well as a focus in the RS on capital intensive measures (e.g. investment in flood protection facilities) is to a large degree the explanation for this development.

⁹⁰ Based on the 2003 budget in FBiH and the 2004 budget in RS. District Brcko and Cantons not included.

⁹¹ Figures are from FBiH 2003 budget and RS 2004 budget.

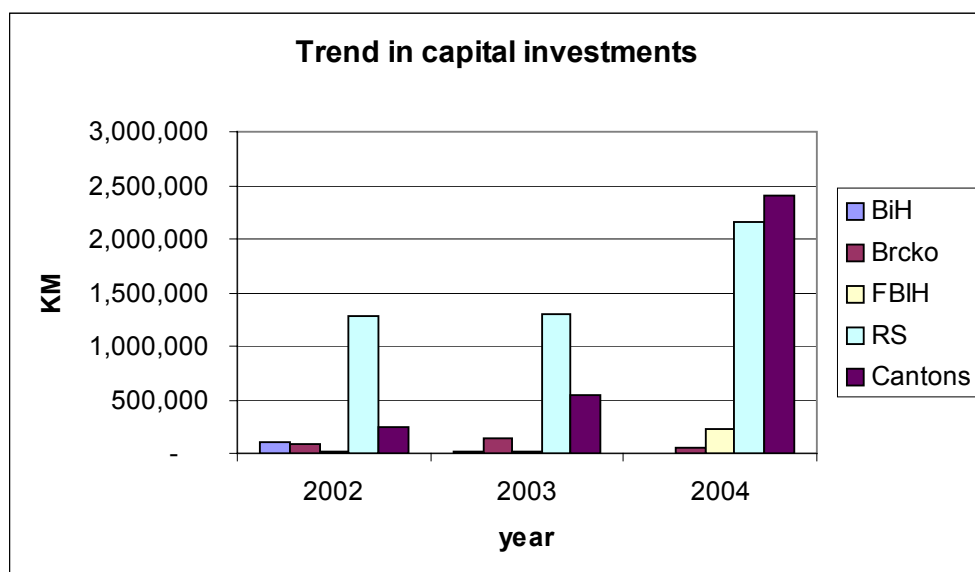


Figure 9: Trend in capital investments, by different government levels in the period 2002-2004

This generally positive trend of increased capital investments is confirmed by reviewing the share of spending for capital investment in relation to operational costs of administration:

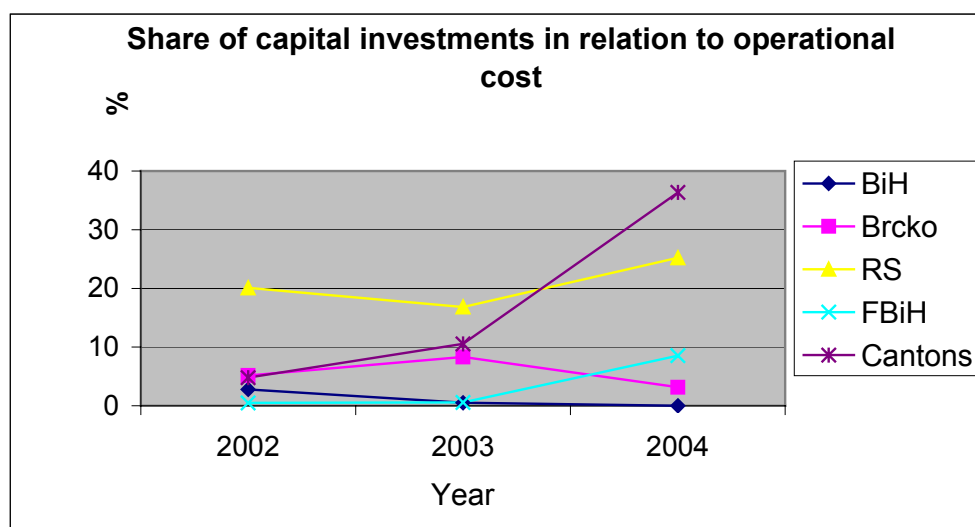


Figure 10: Trend in the share of capital investments in the operational costs on different government levels

Generally, the key problem in the management of public investments in BiH is the number of different sources of financing and the lack of coordination among them. In the past, large capital investments were financed by foreign sources, but very little from public budgets or off-budget domestic funds⁹². However, in the last few years the level of externally financed investments has rapidly decreased and this trend will continue in the future. Increased budget allocations to finance public investments will be necessary in the coming years to comply with huge needs especially in the water management sector but also for the modernisation of the BiH food industry and other purposes.

⁹² Off-budget funds are funds or administrations that are publicly funded, but not directly from the budget, like health or pension funds or road administration.

B.3.1.5 Development of revenues

(i) Sources of revenues generated from the agriculture sector

The types of revenues and the allocation of revenues to different administrative levels are determined by the Rulebook on Public Revenues in FBiH and in the Budget System Law in RS, respectively. Parts of the defined revenues are generated from the agriculture sector, i.e. from agricultural, veterinary, water management and forestry related activities. Revenues directly or indirectly linked to agriculture can be grouped as (i) sale taxes, (ii) special taxes (excises) on tobacco, coffee, alcohol, non-alcoholic beverages and beer, (iii) fees and charges - for water, forest or land use and for quality control. These revenues are, according to FBiH/RS legislation divided between Federation, Cantons and Municipalities in FBiH and RS and Municipalities in RS. A detailed list of such revenues generated on the different levels of government is presented in Annex 6.

All revenues are collected at the single accounts of the Entity/Cantonal Treasuries in FBiH and RS. Hence, agriculture related tax-revenues present a part of the pool of funds that are used for financing of all the budget beneficiaries, and not only public administration in agriculture. However, special fees, like fees for forests, water, land use etc., are earmarked for very specific purposes as defined in respective technical laws⁹³.

An example from the forestry sector of FBiH may illustrate the functioning - and limitations - of fee based revenue financing: Forestry fees are defined by the FBiH forestry laws; legal persons like public forest companies have to pay 0,1% of their profits to the FBiH. Part of these funds should be used to finance the new Canton Forest Administrations. However, currently the new administrations will have to be financed mainly from cantonal budgets, thus creating a significant budgetary burden. The set up of an efficient mechanism to collect forest fees will take time: e.g. in Tuzla Canton, out of planned 1,2 Mil KM in 2003 only 0,3 Mil KM of forestry fees have been collected. It is necessary to solve the problem of forestry fees collection as soon as possible in order not to jeopardize the financial viability of the Canton Forest Administrations and the Cantons in total!

Ministries of Agriculture of the different administrative levels, as well as other institutions, collect revenues from their own activities such as registration, issuing of certificates, etc. In both Entities these revenues are transferred to single accounts of the Entity Treasury, i.e. MoAs have no access to these revenues. As an exception, in several Cantons (e.g. Sarajevo Canton) these revenues are, although collected at a single account, completely at the disposal of the Ministry itself.

(ii) Share of revenues from the agriculture sector in public budgets

Total revenues from agriculture, veterinary, water management and forestry in 2003 amounted to 360,4 Mil KM in FBiH and 190,4 Mil KM in Cantons. Naturally, the biggest share comes from excises⁹⁴. As figures for RS were available only in total amounts for sale taxes, excises and customs, it was not possible to extrapolate revenues generated from products and activities related to agriculture, veterinary, forestry and water management. The same is the case with regard to municipal budgets in both Entities.

Above mentioned revenues represent around 32% of the total FBiH budget revenues, and 13% of total Canton revenues.

⁹³ For example, water fees are partly used for financing of water administrations; fees for the use of agricultural land for non-agricultural purposes are earmarked for the financing of re-cultivation measures of agricultural land.

⁹⁴ Excises are special taxes on so called excisable goods, such as oil, tobacco, coffee, alcohol.

In the following figure the share of agriculture related revenues in total budget revenues in FBiH and Cantons is illustrated:

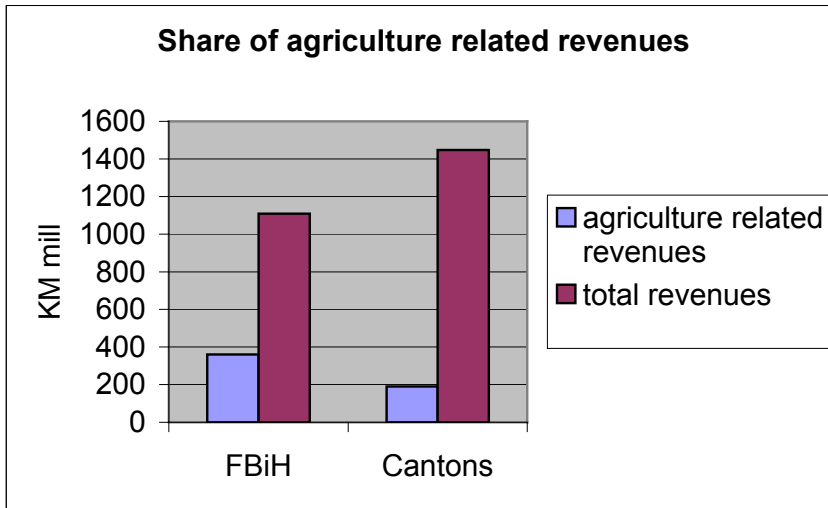


Figure 11: Share of agriculture related revenues in total budget revenues in 2003; source: Ministries of Finance

Although it can not be expected that all revenues related to agriculture or agricultural products are flowing back into the agricultural sector, this figure in a way illustrates the importance of the sector.

B.3.2 Financial planning procedures & institutional viability

Financial planning capacity

The administrations reviewed in this project have in most cases very limited financial planning capacity at hand. Only a few have a separate financial unit in their organizational structure. In general, only one financial officer is responsible for all budgeting tasks. Exceptionally, in the RS MoA a financial unit with 5 staff is part of the General Administration. In District Brcko financial and budgetary tasks are centrally dealt with in a separate Budgets and Finance Department serving all technical Departments. The Department in charge of the agriculture sector has therefore no own capacities with regard to financial planning and monitoring.

Generally, there is a tendency that the same officer(s) are fulfilling budgetary, planning, accounting and monitoring functions. Additionally, little training in modern financial management and planning seems to be available.

Budget procedures

Financial planning is generally based on *historical* data and (tight) instructions from the respective Ministries of Finance (in District Brcko: the Budgets and Finance Department). The following procedures are applied for the different cost categories:

(i) Operational costs

Requests are based on the yearly instructions of the Ministries of Finance and on the figures from the previous year. Requests are normally planned at central level by the financial officer and are subsequently approved by the Minister before being forwarded to the respective Ministry of Finance. In some cases Heads of Sectors are asked for input regarding the needs for the following year. However, tight restrictions regarding maximum increase in wage bill and material costs provided by Ministries of Finance beforehand reduce very much the possibility of

Sectors to formulate actual needs. This creates a static budget both for the institution as a whole but especially with regard to the internal development between Sectors.

Even more problematic is that there seems to be no direct linkage between the financial planning and clear and concise development policies, strategies and operational plans for the agriculture sector. As a consequence, the budgeting of operational costs are not activity based. Additionally, multi-annual planning is generally not applied which creates especially for the agriculture sector with its natural multi-annual planning periods major problems.

(ii) Subsidies

Different methods of decision making on transfers are used. In some cases working groups or Boards are created on an ad hoc basis. In other administrations Ministers first allocate transfers to Sectors and on this basis support programs are designed. In FBiH transfers are “earmarked” for each individual Canton. In RS the budgeting is done centrally in the RS MoA based on historical/ statistical information. In RS a form using individual budget lines per subsidy measure has been changed to general budget lines, due to the fact that changes/reallocations between budget lines are a time consuming procedure (through RS government or RS Parliament!). In District Brcko a quite comprehensive data base including historical data is used for budgeting.

The general lack of long-term strategies for the support of the agricultural sector makes long-term financial planning impossible. Additionally, coordination of subsidy programs between Entities, Cantons and Municipalities is very limited, thus creating the risk of distortion of competition in the BiH agriculture sector. Also this situation leads to a sub-optimised total subsidy system in BiH.

Institutional viability

In the future the changes with regard to the Indirect Tax System and VAT will probably change the cash flow between the various levels of administration. In this respect it seems vital that sufficient funding is allocated not only to the agricultural sector as a whole, but also to the levels where developments must take place within agriculture.

MoFTER has presently not the human or financial capacity to deal with these subjects in a satisfactory manner (see chapter B.1.1). Focus on Food Safety, Animal and Plant Health will be critical points for gaining market access and approaching EU. At State Level these issues must be handled with substantially more financial resources than at present.

At Entity Level MoA's seem to be struggling to fulfill their responsibilities due to general lack of resources. They are mainly using scarce resources for core administrative and control functions, while too limited resources are available for planning & monitoring, development and support functions (see also chapter B.1.2).

At cantonal level there is great difference in financial resources allocated for agriculture, and there seem to be great differences in the viability of the Ministries. Some are almost performing as needed, while others have been financially restrained to institutions not able to carry out the obligatory work. Additionally, fee collection systems are not always functioning on all administrative levels, since the means for collecting e.g. forestry fees at cantonal level are not sufficient. This could put additional constraints on budgets.

B.3.3 Summary of the financial analysis

Budgetary allocations 2002-2004

- Presently, limited budgets for agriculture (2-3% of total budgets) do not correspond with considerable revenues from agriculture and traded agriculture products as well as with the high share of GDP (12%) generated by the agricultural sector.
- From the limited budgets only a small percentage is spent on administration functions and related operational costs (20%), whereas 80% is allocated for transfers and subsidies for the agricultural sector in 2004 budgets. Although in general low administration costs is an advantage the present very low level is endangering the administrative work and leads to inefficiencies in the spending of transfers and subsidies. Subsidy planning & monitoring, application handling and control measures need generally more resources without dismantling other administrative functions.
- However, operational costs have increased in average from 2002-2004 by 27% excluding the self financing institutes and administrations. This increase includes the set up of the new State Veterinary Office in 2002. However, the increase from 2003 to 2004 has been again very limited - a total increase of only 9%, mainly at State level. Material costs have only increased half as much as the wage bill leaving the risk of administrations being without sufficient resources to deliver services.
- The budget allocations for transfers/subsidies have increased remarkably over the period from 2002-2004 by 70%. However, the goal of governmental decisions (see footnote 91) to allocate 3% (FBiH) and 4% (RS) for agriculture sector administration and subsidies in government budgets has not been achieved. Additional 5 Mil KM in RS and 9 Mil KM in FBiH would have had to be allocated in 2004 government budgets to comply with the envisaged subsidy level.
- The present usage of the allocations for subsidies shows a focus on product linked support (especially in FBiH!). However, an appropriate planning and evaluation of these programs and the development of alternatives is lacking. The present administration of support programs is often based on time consuming application and documentation handling. The currently practiced 100% ex ante payment control is expensive to administer - especially as there are several authorities involved.
- Data from FBiH and Cantons show that revenues directly or indirectly generated from agriculture products and trade are remarkably higher than spending for sector administration and support.
- Institutions and administrations in the water management and forestry sub-sectors are more and more based on self-financing mechanisms. Self-financing should be applied as often as possible with regard to other sub-ordinated executive administrations, i.e. their services should be fee-based if possible. However, persistent serious problems with regard to the collection of fees have still to be solved.

Financial planning procedures & institutional viability

- The capacity for modern financial management and planning in the administrations is generally weak within the units in charge of budgets and finances. Additionally, budgeting procedures are not explicitly linked to policies, strategies and activities, but mainly based on historic data. Expert staff plays a too limited role in the procedure. Especially problematic is the absence of multi-annual financial planning making any reliable multi-annual production planning for subsidy beneficiaries impossible. Limited horizontal and vertical coordination of financial planning activities between involved administrations (especially regarding subsidies and other support schemes) leads additionally to inefficiencies and distorted competition in the BiH agriculture sector.

- Generally, budgetary flexibility is limited: it is as difficult to reallocate budgets between different administrations as it is the case for reallocations within the budgets of individual administrations. Reallocations are difficult and time consuming. In the future much more flexibility will be needed and respective tools and procedures have to be available.
- There has been an increase in the overall spending in the public agricultural sector in the period from 2002 to 2004: From a limited 1,7% of the total public budget in 2002 to a projected 2,8% in 2004. Although, given the serious financial constraints mid 2004 especially in FBiH the viability of these projections are doubtful. However, EU approximation and later membership as well as WTO membership will require a substantial increase of resources for the agricultural sector. Additional costs will especially arise for strengthened staff resources on State and Entity level. In chapter D.10 an overview of necessary additional financial resources will be provided.

C. BENCHMARKING WITH OTHER COUNTRIES

Reviewing the functionality of the agricultural sector of BiH and drafting recommendations is not possible without comparisons. First of all, the present situation has to be compared with the objectives and visions which are to be achieved. The vision for 2005-2010 will be reviewed and analyzed in the following chapter. However, a comparison with other countries with similar conditions provides additional, valuable information with regard to the evaluation of the present situation. This review selected three countries:

- Austria, as one of the “older” EU Member States already has sound experiences in the administration of the EU Common Agriculture Policy; furthermore, Austria has natural conditions comparable to BiH and a federally organized administrative structure;
- Slovenia, a small new EU Member State has recent experiences with regard to the harmonization and integration process; additionally, Slovenia has comparable natural conditions and was part of the former Yugoslav administration system like BiH;
- Latvia, also recent EU Member State, has an agricultural and rural sector comparable to BiH in its importance and development needs.

The review focuses on certain key data, where a comparison gives additional information for the review and the recommendations. However, data of different countries is generally difficult to compare as countries have their specific conditions, traditions and histories. Additionally, one has to note that the collected data is often based on estimates from experts from the respective countries' agricultural administrations. Also, in BiH agricultural statistics are generally not in the best shape as organizational responsibilities and data collection methods are problematic. Due to the absence of a recent agricultural census (the last one took place in 1991!) reliable data for the agricultural sector is difficult to obtain. However, although the exactness of data does not comply fully with scientific standards, the described tendencies can be regarded as sufficiently reliable.

C. 1 ANALYSIS OF DATA

The data collected from the three benchmarking countries and from BiH itself is documented in Annex 7. The coefficients resulting from the obtained data are especially of interest for this review. They shed light on the generally unfavorable situation of the BiH agricultural sector and its administration:

Benchmarking Coefficients (2002/2003)

Coefficient	BiH	Slovenia	Austria	Latvia
Agricultural (arable) land (ha)/ per capita	0,41	0,25	0,42	1,07
Agricultural (arable) land (ha)/ per farm	3 - 4	6,3	17	13,7
No. of farmers/ one agric. administration staff	980	81	56	76
No. of farms/ one extension officer	18.400	189	550	n. a.
No. of farmers/ one inspector	8.198	484	138	n. a.
GDP Agriculture/ one agric. administrative staff (in €)	813.000	499.472	1.073.970	312.870
Agric. Import/ Export ratio	13,9	1,913	0,888	0,143
Administered agric. subsidies/ one agric. administration staff (in €)	30.592	156.283	615.198	21.846
Agricultural subsidies/ 1 ha agricultural land (in €)	16,4	304,5	472,3	21,0
Agricultural subsidies/ Agricultural GDP (%)	3,78	48,8	60,0	7,0

With 0,41 ha of agricultural land per capita BiH has sufficient land resources; only Latvia shows a higher figure. Even compared with other European countries BiH land resources are relatively good (Germany: 0,20; France: 0,50). With regard to the size of farms, however, BiH agriculture ranks the lowest compared with already relatively small farms in Slovenia, Latvia and even Austria.

The relation between the number of farmers and staff in agricultural administrations especially highlights the problematic situation of agricultural administrations: one civil servant has to deal with ten times more farmers than his colleague in Slovenia. Even having in mind that BiH data on the number and definition of farmers and rural households is questionable this figure is striking and underlines the understaffing in agricultural administrations in BiH.

However, it is obvious that the total number of small, underdeveloped farms and rural households which depend on agricultural (subsistence) production is much higher in BiH than in all other countries reviewed in this benchmarking exercise⁹⁵. These farms and rural households especially depend on public support services such as extension services. However, in comparison to ca. 550 farmers per each extension expert or advisor in Austria⁹⁶ each available extension officers in executive agencies (RS) and agricultural zavods (FBiH) has to care for ca. 15.000 to 18.000 farms and rural households! Even when all 320 agricultural staff in Municipalities are included (who are often performing extension functions too) this ratio would not fall below 2.200 farmers per extension officer. Less dramatic but still unfavorable is the ratio between farms and agricultural sector inspectors. In comparison to the other countries BiH has by far the least favorable ratio.

Despite this unfavorable staffing situation BiH agricultural administrations help to generate a considerable part of the Gross Domestic Product (GDP) of BiH. The ratio between the GDP generated by the agricultural sector and the number of staff working in the sector shows that only Austrian agricultural staff is contributing more to the GDP per staff member.

The import/export ratio of agricultural products (processed and unprocessed) highlights that BiH's import/export regime is totally out of balance in comparison to the other countries. This result in huge food imports, considerable trade deficits and a severely hampered development of production and processing capacities which are still in deplorable shape due to destruction during the war in BiH. Obviously, the other countries managed better to promote exports and to protect the development of their own production and processing capacities.

Also with regard to the administration of subsidies BiH is lacking efficiency compared with the other countries. As the ratio of administered agricultural subsidies per agricultural administration staff shows BiH is only on par with Latvia, whereas each Slovenian staff member is administering five times more. Austria has such high productivity that the turnover per civil servant is almost twenty times higher than in BiH (644.300 €). Of course, this is also the effect of high payments within the EU support schemes, which amount to annual subsidies of 470 € per ha in Austria.

Annual subsidies of some 300 € per ha in Slovenia already in the pre-accession period were considerably high and reflect the importance Slovenia gives to the agricultural sector. It also reflects the ability to acquire and administer EU pre-accession funds. In contrast, Latvia obviously still had problems in 2002/2003 to support the sector resulting in only some 21 € per ha per year. However, in comparison to these figures from the benchmarking countries BiH ranks lowest with only 16,4 € per year per ha.

These figures are also reflected in the last ratio shown in the above table, i.e. the percentage of agricultural subsidies in the country's agricultural GDP: while subsidies constitute 60 % of agricultural GDP in Austria and already to 49 % in Slovenia, they amount to only 7 % in Latvia and merely 3,78 % in BiH.

⁹⁵ In the context of BiH agriculture the term "farmer" always include commercial farms producing for markets as well as farms and rural households mainly living from agriculture through subsistence production.

⁹⁶ Estimation of the Austrian MoA (only publicly financed advisors included). If the large range of semi-public, private and association based advisors active in Austria for the agricultural sector were included the number of farmers per each advisor would be much lower!

A comparison with Austria as a country with a federal constitution shows that legislative competencies to implement EU regulations and other norms are exclusively with the federal executive bodies (Government and Parliament; comparable to State level in BiH). However, especially the administration of rural support programs and other support measures relies very much on inferior executive layers which are closer to the beneficiary. Based on constitutional provisions Austria as well as e.g. Germany apply the *overruling principle* which ensures that State laws overrule "Länder" laws; additionally, for certain areas (including agriculture) *competitive legislation* reserves competencies for centralised (i.e. State level) execution if needed and agreed upon by the inferior "Länder" level.

C. 2 CONCLUSIONS FOR BIH

The comparative analysis with the other countries leads to the following conclusions:

- Compared to other European countries BiH is not disfavored with regard to its natural agricultural potential. However, there is still a lot of work to be done to develop this potential which still suffers from war destruction. The comparatively very small-scale agriculture has to develop more competitive and efficient production as well as processing and marketing capacities. This in the long run implies reducing (subsistence) farm numbers and creating non-farm employment opportunities. Rural and agricultural developments are closely connected to this objective.
- This development will only be possible with the support of a full fledged and efficient agricultural administration providing services for farmers and rural households in the countryside. However, staffing in BiH agricultural administrations is well below the compared countries. Harmonization and future integration to the EU will require substantially more qualified staff in order to handle the complex EU *acquis communautaire* as well as national and - later on - EU support schemes for the agricultural sector⁹⁷. Well-staffed extension services will be especially needed to support rural and agricultural development in the field and to prepare for EU rural and structural funds.
- As is the case in the other reviewed countries, efficient administrations on State level have to develop suitable agricultural and rural development policies and appropriate mechanisms for their implementation and monitoring in close cooperation with Entities, Cantons and Municipalities. Strengthened State administrations for the agricultural sector are needed to coordinate and guide the complex harmonization and integration process and to serve as contact and negotiation point with the EU and other international institutions.
- The comparison with the benchmarking countries reveals especially remarkable deficits of the agricultural trade (import/export ratio). Appropriate agricultural trade policies have to be therefore urgently developed on State level in order to ensure proper development of domestic production, processing and marketing capacities. Although they have to be generally in line with WTO requirements an agricultural trade policy should also serve as the basis for bilateral as well as internal trade negotiations of BiH. They are also needed to raise awareness among the international community with regard the vulnerability and the need for protection of the BiH agricultural sector.
- Given the present comparatively high contribution of the agricultural sector to the national GDP and its considerable development potential, public investments in agricultural administration and support services will - at least in the medium and long run - economically pay back very well. Experiences from the benchmarking countries show

⁹⁷ A calculation reveals the degree of understaffing in BiH agricultural administrations: assuming that BiH subsidies for agriculture per ha would rise to 2/3 of the amount Slovenia spent in 2003 (ca. 200 €) the amount of subsidies to be administered per staff member in BiH agricultural administrations (given present staff figures) would rise to ca. 230.000 €; of course a very high amount which will be difficult to administer.

that investments in sufficiently enlarged institutional capacities, additional staff and budgets for operations (including national funds to co-finance EU support) will pay back once the country becomes a Candidate Country (and therefore eligible for EU pre-accession funds). This is the case even more when a country becomes an EU Member State and participates in EU support schemes for agricultural and rural development. However, funds will not be available without efficient programming, planning, (support) administration and implementation capacities⁹⁸.

- The comparison with EU Member States which recently joined the EU (Slovenia, Latvia) also show that in the pre-accession phase Candidate Countries have to first invest considerable sums from their national budgets in order to become institutionally prepared for EU accession. BiH will have to put considerably more priority and public funds into the development of the agricultural sector and especially into the development of institutional capacities. This especially applies to the State level but also to all other agricultural administrations.
- A comparison with EU Member States also shows that BiH agricultural policies are still very much one-sided towards the support of agricultural production (product related subsidy schemes). In the EU a growing part of support funds is, however, provided for rural and structural development. Present BiH support policies are not sufficiently adjusted to EU schemes.

⁹⁸ The development of producer groups would support the administration of subsidies (see also chapter D.7).

D. RECOMMENDATIONS

To work out recommendations it is necessary to define the horizon and global objectives a country is heading for. Without a *vision* it is not possible to work out recommendations. Together with key counterparts from administrations and other institutions of the agricultural sector of BiH such a vision was worked out in a workshop in July 2004⁹⁹. The vision for 2010 could be formulated as follows:

“BiH has an efficient, competitive agricultural sector which is using its potential and contributing to the economic development of the country in general and rural communities in particular; an efficient BiH agricultural sector administration is prepared for EU accession and WTO membership and harmonized standards, support procedures and institutional capacities are available.”

Key objectives of this vision for 2010 are:

- Agriculture production potential of BiH properly used and productivity and competitiveness of BiH agriculture drastically increased;
- Agriculture sector administration works efficiently and actively supports sector development by using modern support schemes and subsidy administration mechanisms;
- Successful preparation of negotiations for EU accession of BiH in the agricultural sector;
- Most of agriculture legislation harmonised with EU agriculture legislation and EU standards fully enacted in key areas like veterinary, food safety and plant health;
- BiH, before becoming WTO member was able to successfully negotiate trade agreements which provide by safeguard clauses (until EU accession) exceptional protection for the BiH agricultural sector;
- Institutional capacities necessary for agricultural development and EU integration are fully available on State, Entity, Canton and Municipality level.

These objectives are indeed very ambitious - especially if compared to the present difficult situation of the BiH agricultural sector and the huge challenges resulting from voluminous EU Common Agriculture Policy legislation! However, in the following this review will formulate 10 recommendations how to at least come close to the formulated objectives by 2010. Whether the vision and the individual objectives can be achieved in this time period will depend largely on the progress BiH will make in implementing these recommendations. Without generally giving more priority to the agricultural sector in the coming years the fulfilling the above objectives will fail!

⁹⁹ 2nd Management Board Meeting held in Teslic, 14-15, July 2004.

D.1 IMPROVED ALLOCATION OF COMPETENCIES AND FUNCTIONS

Chapter B.1.7 has reviewed the current distribution of competencies and has functions and identified duplications, gaps and redundancies in BiH agricultural sector institutions. The following table shows the recommended future distribution of competencies for policies, legislation, administration and service to clients:

Agricultural administration	Policies	Legislation	Administration	Services to clients
State (MoARD)	EU integration, WTO & international agricultural trade & food safety, animal and plant health,, coordination of BiH policies	Framework legislation, single economic market legislation, EU legislation, trade legislation	Only border control and coordination functions; other administrative functions delegated to Entities / Brcko District	Only inspection services at borders (animal and plant health and food safety inspections); issuing import/export certificates
Entity MoAs / Brcko District	Entity specific policies, strategies & development programs (especially rural and agricultural development programs)	Laws in their competency according to framework laws, laws in fields not covered by State level	Main administrator of policies and strategies, except border controls and functions delegated to Cantons and Municipalities	Only inspection services in separate Entity Inspectorates; No other direct services in FBiH; in RS direct services through strengthened Regional Offices in close coordination with Municipalities
Cantons	Cantonal development plans based on State and Entity policies and strategies (operational level)	Law drafting only exceptionally and in the fields not covered by the State or FBiH level	Administrative functions delegated by FBiH; administration of own laws and regulations not delegated to Municipalities	Cantonal Zavods provide extension services and coordinate with municipal Extension Officers; separate Canton Inspectorates provide inspection services
Municipalities	Contribute to/comment on Canton and Entity policies and strategies; drafting of own development plans	Only minor legal decisions necessary for local regulatory functions (fully in line with State, Entity or Canton legislation)	Administrative functions delegated by Entities or Cantons, administration of own legal provisions	Main provider of day-to-day services to clients; strengthened extension work in close cooperation with Cantons (FBiH), respectively the Extension Agency (RS)
Sector Institutes/ associations, Other sector institutions	Active support and involvement in policy and legislation development (especially sector associations)	Comment on legal initiatives and are actively involved in drafting process	Not involved	Active support of farmers and rural population through advice, information, technical expertise (especially agricultural and veterinary institutes, but also sector associations)

This distribution of competencies for the agricultural sector should be based on the following general principles:

Policies: Framework policies for agricultural and rural development have to be drafted on State level in the new MoARD. Framework policies should describe the general development policies, strategies and measures. This however has, to be carried out in very close

coordination with Entities, Cantons and Municipalities. The latter administrative levels have better knowledge of the situation in the field. Coordination mechanisms have to include formalised working groups with representatives from all administrative levels as well as from sector institutes and associations. Based on the general framework policies Entities, Cantons and even Municipalities work out their specific and operational strategies and measures.

Legislation: In principle, legislation of importance for the whole of BiH has to be drafted on State level in the new MoARD. This especially applies for all legislation affecting animal and plant health as well as food safety, but also legislation by which international and EU standards for the agricultural sector are transferred to BiH. Close cooperation with Entities as well as with sector institutes and associations has to be ensured which should be based on formal working groups. Based on framework legislation from State level, Entities will draft their own legislation which reflects the special conditions on their territory. Additionally, they will work on legislation which is not covered by State legislation. State and Entities have to introduce an obligatory reporting system on envisaged legislation in order to better coordinate drafting procedures of new legislation. Legislative work on cantonal level should be reduced to exceptional cases where FBiH legislation might not be adequate.

Administration: Administrative competencies and functions should be focused on Entity, Canton and Municipal level. The State level will only administer border inspections and fulfil some coordination functions with regard to the administration in the other administrative levels. The executive agencies attached to the new MoARD (State Veterinary Office, Plant Health and Food Safety Agency) will be the instruments to carry out these administrative and coordination functions. In RS, the Regional Offices of the RS MoA have to be strengthened to better support the administrative functions in the field (especially in Municipalities with very limited staff). In FBiH, functions for the agricultural sector in Municipalities have to be more clearly defined and should be more harmonised throughout all ten Cantons. If administrative tasks are delegated to Cantons or Municipalities these functions should be paid by the Entities or Cantons and the payment for the function withdrawn if the service is not provided. A compensation mechanism has to be worked out.

Services to clients: Services to clients (farmers, rural households, processing industry, etc.) will be delivered in administrations closest to the client. i.e. the State level through its executive agencies will provide only very few services connected with border inspection as well as import and export activities. On Entity level such direct services will be mainly limited to coordination functions. However, in RS the Regional Offices of the RS MoA and its executive agencies (extension & selection agencies) will provide substantial services directly to clients. The same applies for Cantons in FBiH and especially Municipalities in both Entities where the provision of services to clients has to be focused. These field level administrations need to be strengthened particularly extension and support services for activities. Additionally, sector institutes and associations and other semi-public or private sector institutions have to be much more involved in providing services to clients. Public administrations have to provide respective incentives.¹⁰⁰

Summarizing the general features of a favourable future competency distribution, the following table can be drawn:

Agricultural administration	Policies	Legislation	Administration	Services to clients
State	+++	+++	+	+
Entities / Brcko District	+++	++	++ FBiH +++ RS Reg. Off.	+ FBiH ++ RS Reg. Off.
Cantons	++	+	+++	+++
Municipalities	+		++ FBiH +++ RS	+++
Institutes/ associations	Commenting	commenting		+++

+++ = major competencies ++ = some competencies + = very limited competencies

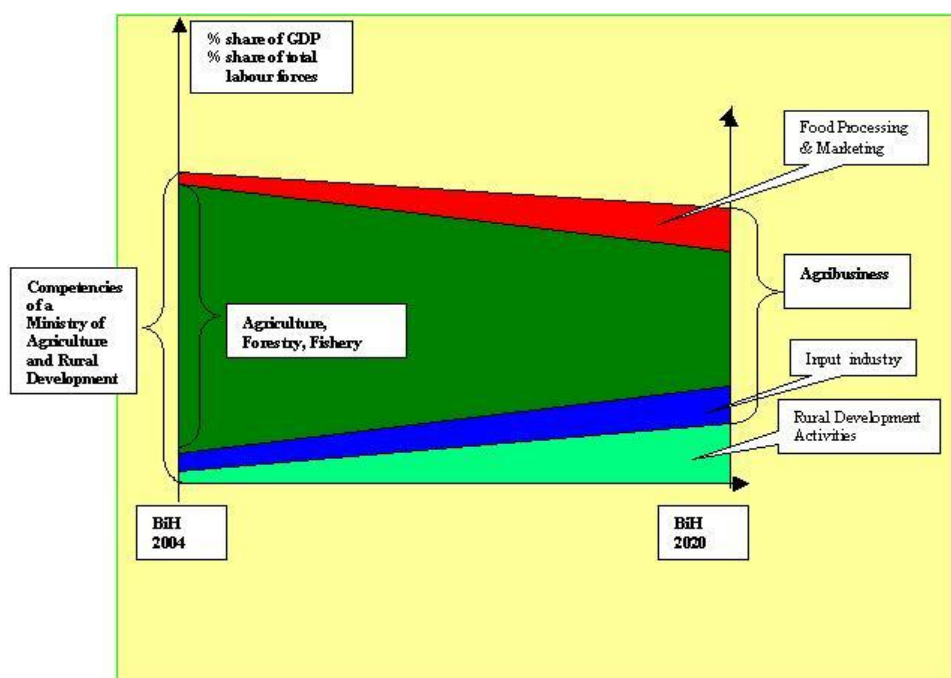
¹⁰⁰ In Western European countries private or semi-public institutions and associations are usually very much involved in the provision of extension and advisory services to farmers, rural population, etc.. BiH has still a lot to do in order to develop an effective local NGO / association sector which has to be involved in advising on policy and legislation development and in the support of clients in the field. With such structures in place public administration can gradually reduce its activities.

Greater competencies by applying modern agribusiness and rural development concepts

The agricultural sector administration of BiH is presently focusing on production and control (inspection) functions for agriculture, veterinary, water management and forestry. This narrow “production approach” has to be gradually replaced by modern agribusiness and rural development concepts which take also into account the multifunctional character of the agricultural sector. These concepts are common in EU Member States and supported by present agricultural policies of the EU. According to these concepts the agricultural sector’s competencies include

- (i) production and services provided by agriculture (protection of environment, animal welfare, etc.) as well as input and processing industries and related marketing activities (agribusiness), and
- (ii) activities to support the development of rural areas where population heavily depends on agricultural or closely related economic activities (rural development).

Comparing BiH with developments in Western European countries it can be predicted that the economic importance of genuine agricultural activities will decrease in the long run as will be the case of the agricultural sector share in GDP (see graph below). On the other hand, processing, marketing and rural development will become considerably more important. Agricultural sector administrations have to respond appropriately with adequate policies, competency allocation and institutional capacities which are also in line with EU agricultural policies.



Division of cross-sector competencies

Regional development should in future also be a competency of the respective Ministries of Economy (on State level: MoFTER). However, agricultural administrations should have the lead role with regard to all the measures closely related to agricultural and rural development. Economic development which is mainly based on agricultural, forestry and water management activities (including processing activities in small and medium enterprises) falls within rural development measures for which the respective agricultural sector administrations have to be in charge.

D.2 STATE LAW ON AGRIBUSINESS AND RURAL DEVELOPMENT TO CLARIFY COORDINATION PROCEDURES AND DISTRIBUTION OF COMPETENCIES

Instead of elaborating separate Entity Laws on Agriculture it is recommended to prepare one State Law on Agribusiness and Rural Development. Such a law is needed to clarify the allocation of competencies in the agricultural sector and to improve coordination and efficiency. It will also help in complying with the requirements of EU and WTO. Reasoning for and content of the law should be as follows:

- Presently, competencies for legislation and administration are scattered on all administrative levels. As a result, legislative and administrative procedures are rather slow and duplications and redundancies occur. A more clear allocation of competencies to various administrative levels is therefore necessary and has to be laid down in a law.
- The law has to describe competencies and coordination procedures of Entity MoAs (as well as District Brcko) especially with regard to their important administrative and legislative competencies.
- As most administrative tasks should be carried out close to the clients, in Cantons and Municipalities, the delegation of administrative tasks to Cantons and Municipalities needs to be combined with financial compensation mechanism; State law has to make provisions with regard to this.
- The State law has to make provisions for the implementation of an obligatory reporting system for legislation drafting in order to avoid duplication of legislative efforts at different administrative levels.
- The State law has to make provisions for the development of institutional capacities needed for future agricultural development and further EU harmonisation¹⁰¹, i.e. the establishment or development of
 - State Ministry of Agriculture and Rural Development (MoARD), incl. the State Veterinary Office, State Plant Health Agency, State Food Safety Agency and a BiH Paying Agency as subordinate executive agencies;
 - State Advisory Council for Agriculture and Food Production, Forestry and Rural Development for consulting the MoARD;
 - Extension Services closely cooperating with municipal extension officers;
 - Agricultural Information Centre;
 - an Agribusiness Register;
 - Farm Accountancy Data Network.
- The law also has to clarify responsibilities and coordination procedures for the preparation of an annual green report on the situation of the BiH agricultural sector; also it should specify responsibilities for agricultural statistics, registration of farmers, agricultural census and respective coordination procedures. Additionally, the State law should define cooperation procedures with associations representing the interests of BiH agribusiness.
- The State law finally should also include a comprehensive catalogue of definitions necessary for a harmonized description of terms used for the agricultural sector (e.g. definition of farmers, rural households and communities, etc.). These definitions have to be in line, as much as possible, with definitions common in EU Member States and in WTO treaties.

This functional review produced a draft State Law on Agribusiness and Rural Development which can be used as working material in the future discussion process (see working materials W 2.1). It is based on basic objectives and provisions of Agricultural Laws common in EU Member States as well as on objectives of the Common Agriculture Policy in the EU Treaty from 1959 (see also Annex 2).

¹⁰¹ Compare also with working material W1: Major administrative structures required for EU membership.

D.3 STATE MINISTRY OF AGRICULTURE AND RURAL DEVELOPMENT TO STRENGTHEN CENTRAL COORDINATION AND HARMONIZATION FUNCTIONS¹⁰²

The comparative functional analysis in chapter B.1.7 as well as the benchmarking exercise in chapter C has shown that key functions on State level needed for further approach to the EU and WTO are still missing. Those key functions are:

- Development of BiH policies & strategies for the agriculture sector (e.g. BiH agriculture strategy, BiH Rural Development Plan),
- Support of international agricultural cooperation and trade and EU integration,
- Coordination & monitoring the implementation of policies & strategies,
- Intergovernmental cooperation on State level,
- Drafting of State level legislation,
- Supervision of regulatory functions on State level (mainly in the field of veterinary, plant health and food safety) including border inspections, and
- Coordination of support and development policies.

Competencies to carry out these functions are in most cases already within MoFTER, the Ministry presently in charge of agricultural matters on State level. However, due to its different technical focus, MoFTER does not perform these functions with the necessary intensity. Necessary staff resources and institutional structures are not available in this Ministry. Additionally, the protection and support of the still weak BiH agriculture conflict with its general trade policies and interests.

A State Ministry of Agriculture and Rural Development (MoARD) is, however, not only urgently needed to better promote and represent the agricultural sector on State level but also to ensure proper coordination mechanisms for balanced development. A specialised Ministry for Agriculture and Rural Development is also a key requisite for any further substantial progress towards EU integration and development of the BiH countryside because...

- EU legislation for the agriculture sector is especially complex and voluminous (40% of total EU *acquis communautaire*); the huge bulk of respective harmonisation work will require a specialised Ministry on State level to coordinate the work,
- professional agricultural negotiations with the EC and WTO will need a central contact point on State level (after accession the BiH Minister of Agriculture and Rural Development will have to participate at EU Council meetings and MoARD experts will have to attend agricultural Management Committees of the EU Commission),
- first pre-accession funds available in Candidate Countries are for rural and agricultural development¹⁰³, and respective capacities to coordinate the programming and planning activities have to be on State level (e.g. BiH Rural Development Plan),
- institutional structures (paying agencies) to administer pre-accession funds, and after accession EU structural and agricultural funds, are complex and all Candidate Countries have established one single paying agency under the roof of a MoA (see details on the set up of paying agencies in a special box in working materials W 1.1),

¹⁰² The Ministry will cover functions on State level with regard to agriculture, veterinary, plant health, food safety forestry, water management and rural development. To keep the Ministry's title short and concise only agriculture and rural development are mentioned in the title, using the term 'agriculture' in a comprehensive way, as it is usual in the EU. Alternatively, the Ministry could also be called "Ministry of Agribusiness and Rural Development" indicating the importance of agribusiness activities in general.

¹⁰³ E.g. since 2001 the EU Stabilization and Association Program for Agriculture and Rural Development (SAPARD) supported annually rural and agricultural development in Slovakia with ca. 18 Mil €, in Hungary with ca. 38 Mil € and in Slovenia with 6,5 Mil €. After reaching the status of a Candidate Country it is planned to provide SAPARD funds also for Croatia.

- In EU countries agriculture trade policies for agricultural products (Annex I products) and processed agricultural products (Non-Annex I products) are the responsibility of MoAs, and
- executive agencies for veterinary, plant health and food safety on State level need strong central coordination, supervision and ministerial guidance to work professionally and to ensure compliance with detailed and strict EU legislation

It is therefore recommended to set up and develop MoARD in BiH as soon as possible. Being a Ministry with key functions for future EU integration of BiH it has to be located in Sarajevo in order to be close enough to other State Ministries as well as to the CoM. Having in mind the budgetary restrictions in BiH it is recommended to start with a staff of 30 in 2005. However, staff numbers have to sharply increase already in 2006 in order to reach a size which is viable (ca. 60). By 2008 it is necessary to reach the recommended staff numbers of 95 in order to keep track with accelerated BiH integration efforts:

	2005	2006	2007	2008	2009	2010
MoARD staff	30	60	80	95	95	95

However, even these staff figures will most probably not be sufficient to fully join the EU as experience from former successful Candidate Countries shows: Staff of the Slovenian MoA rose from ca. 80 in 2000 to 230 in 2004. Even more staff was necessary in related executive agencies like the Slovenian Market Intervention and Rural Development Agency, which has a staff of 219 in 2004! The Slovenian Veterinary Administration in 2004 has a staff of 326.

However, the recommended staff numbers for the MoARD are modest and medium-range if compared with the present staffing of other State level Ministries in BiH:

	MoARD	MoFTER	Ministry of Justice	Ministry of Civil Affairs	Ministry of Refugees	Ministry of Communication and Transport
Staff numbers *)	30 - 95	138	102	95	93	81

*) According to rule books

The total cost for the set up of the MoARD and its development is estimated to range from 1,6 Mil KM in 2005 to 3,5 Mil KM in 2010 - which is a reasonable sum compared to the benefits it will create:

	2005	2006	2007	2008	2009	2010
MoARD costs*)	1.110.000 500.000 **)	2.220.000	2.960.000	3.515.000	3.515.000	3.515.000

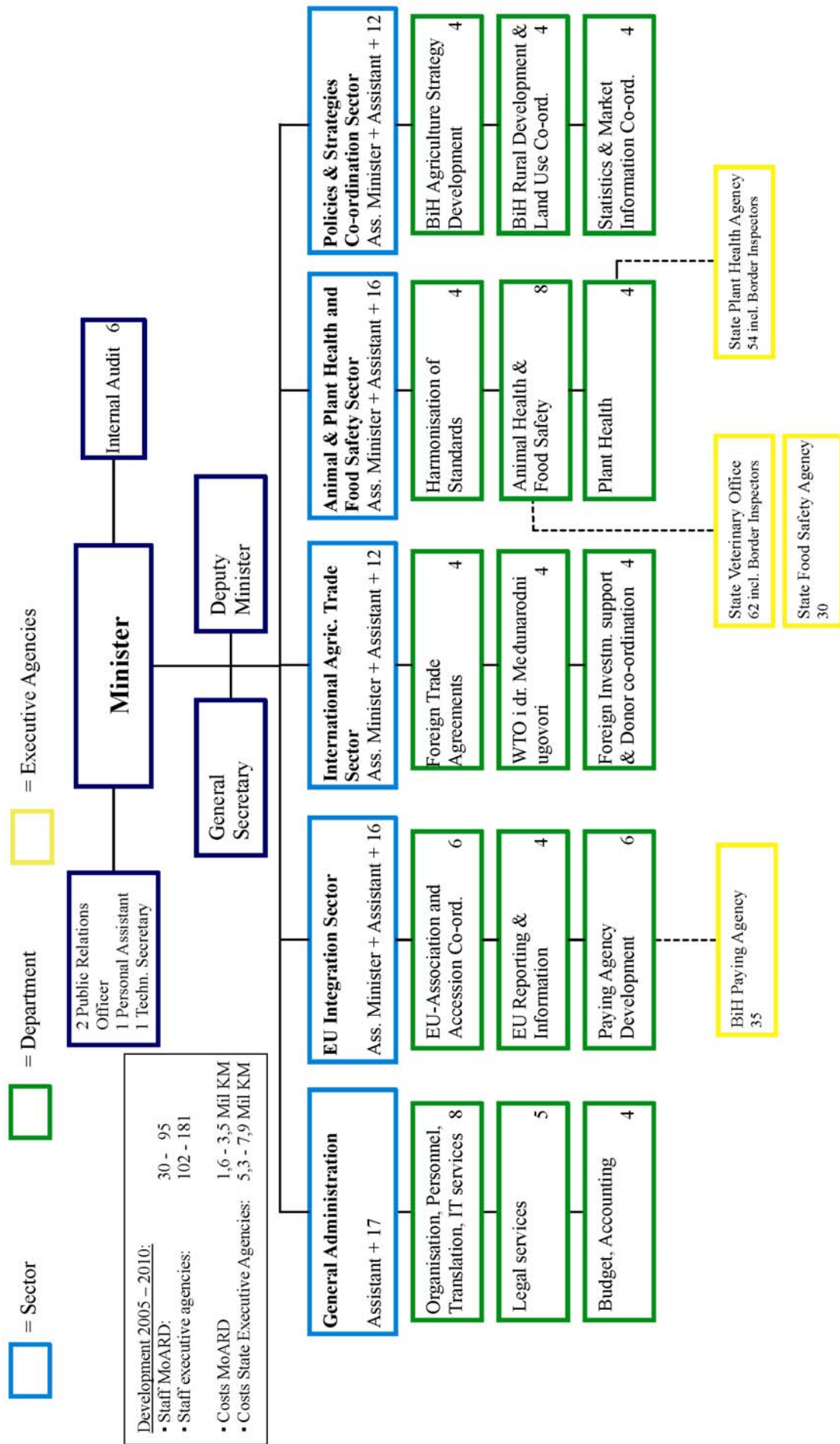
*) Salaries, material costs, other running costs; **) Costs to set up the Ministry (premises, IT-equipment, etc.)

A detailed reasoning and cost estimation (including the set up or development of executive agencies/offices for veterinary, plant health and food safety) is documented in the working materials (see W 3). The recommended structure and minimum staffing of the MoARD is shown on the next page. It will consist of a General Administration and four Sectors:

- European Integration,
- International Agricultural Trade,
- Animal & Plant Health and Food Safety,, and
- Policies & Strategies Coordination.

A proposal for functions and competencies of the individual organisational units of MoARD is documented in the attached working materials (see W 4.1). Generally, the Ministry will cover competencies which are already allocated to MoFTER. Competencies for regional development will remain with MoFTER. As regional development and rural/agricultural development measures are financed from different budgetary chapter of the EC household a duplication of competencies can be easily avoided. Close inter-ministerial cooperation is of course needed in the future (see also chapter D.1).

Recommended structure & staffing of the State Ministry of Agriculture and Rural Development (MoARD)



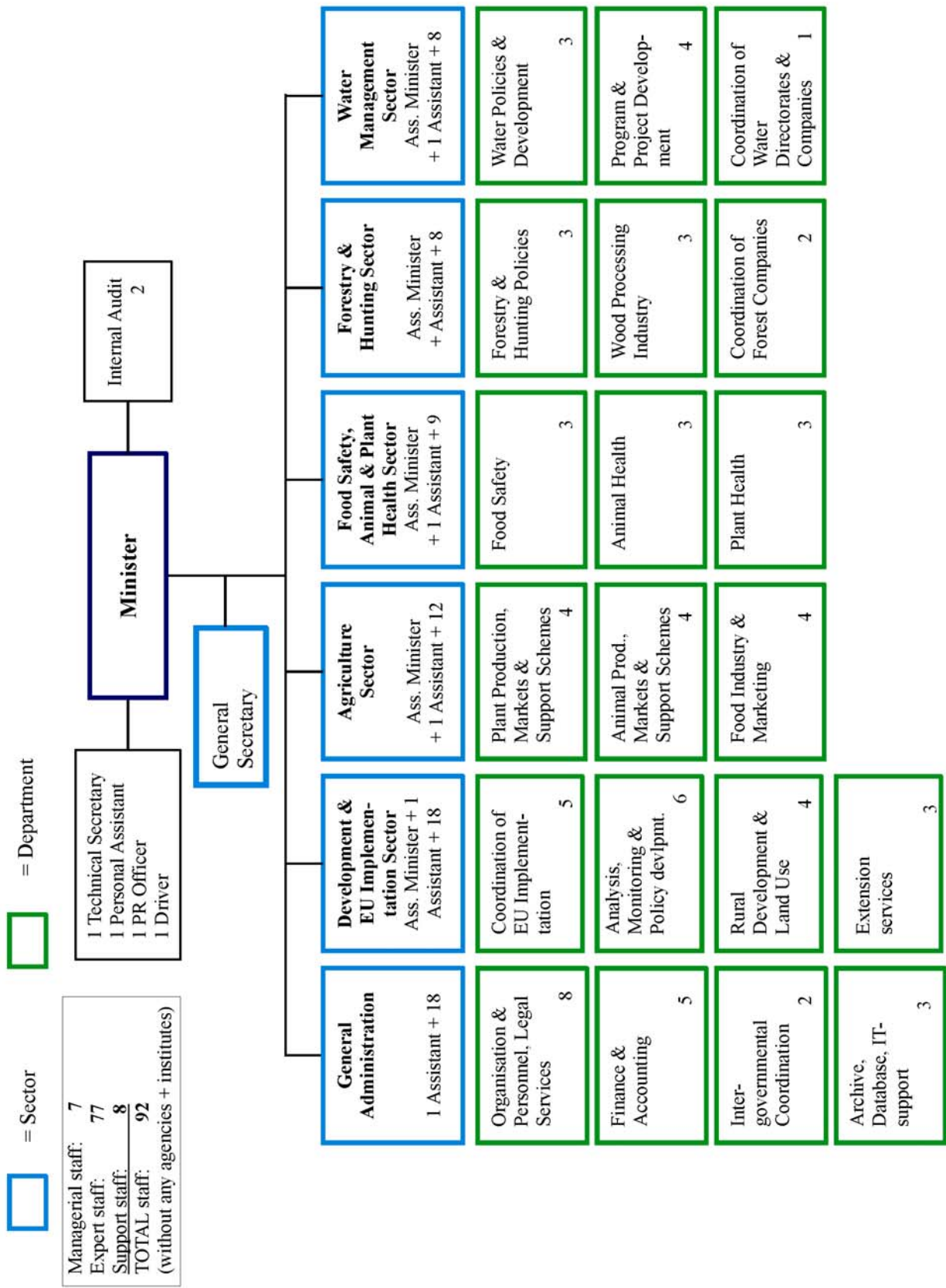
D.4 TRANSFORMING ENTITY MINISTRIES OF AGRICULTURE FROM INSPECTION INTO DEVELOPMENT MINISTRIES

In mid 2004 the two Entity Ministries in charge of the agricultural sector do not have sufficient structures and expert staff to appropriately respond to the development needs of the BiH agricultural sector as well as to EU harmonisation. They are dominated by inspection and control functions whereas other functions of key importance such as planning, monitoring, support and EU harmonisation are formed in name only and have no proper representation in present organisational structures. Even key technical functions for agriculture, veterinary, plant health, food safety, forestry and water management are often understaffed and mostly lack appropriate organisational structure.

Both Entity MoAs have to develop organisational structures which are appropriate for support of development of the agricultural sector as well as for coping with the huge EU harmonisation tasks. Therefore, the present "Inspection Ministries" have to be transformed as soon as possible into "Development Ministries". The recommended organisational structure for an Entity MoA presented on the following page leads the way forward. The functions and competencies of each of the proposed organisational units are documented in the attached working materials (see W 4.2). The following explanatory notes highlight the main ideas and principles of the proposed organisational structure:

- Development & EU harmonisation Sector will provide strengthened policy planning and monitoring capacities as well as capacities for central support and development functions (extension, rural development). A special Department for EU harmonisation & integration will coordinate harmonisation efforts on Entity level; it will also closely liaise with the European Integration Sector in the State MoARD.
- Departments of the Agriculture Sector will cover not only plant and animal production but their competencies will be enlarged and will include also product markets and support schemes. Such an enlarged range of competencies is common in EU Member States and better serves sector needs.
- Clear responsibilities are allocated for food safety as well as for plant health by restructuring the present Veterinary Sectors. By this the presently mixed plant production and plant protection functions are also sufficiently separated. The Sector Departments will serve as counterpart units towards the respective veterinary, plant health and food safety structures on State level in order to improve coordination.
- Underrepresented or unavailable competencies and functions are included in specialised Departments, e.g. for inter-governmental coordination, food industry and marketing, wood processing industry as well as for program & project development for investments in the water management sector.
- The total number of staff of the proposed Ministry structure (92) is almost equal to the present staff numbers in both Entity MoAs. However, the recommended structure assumes that all inspection functions will be carried out either by Entity Inspectorates or by State executive agencies (border inspections). Therefore, no units for inspection are foreseen and it is assumed that inspection staff is replaced by qualified expert staff. If inspectors should still have to be included, staff numbers would be accordingly higher. New qualified staff especially has to include staff with economic and legal expertise as well as with sufficient language competencies. At least one specialised lawyer has to be placed in each Sector.
- In general, the proposed organisational structure is compact, with optimal command spans for Assistant Ministers, with clear dominance of the expert level and only a limited managerial level. With further rapprochement to the EU, staff needs might increase during the years to come; this structure gives sufficient flexibility for enlargement needs while already providing all key functions needed for EU integration.

Recommended structure & staffing of an Entity Ministry of Agriculture, Forestry and Water Management



Both Entity MoAs should develop the recommended organisational structure as soon as possible. However, there are a number of specific conditions in both Entities with regard to the administration of the agricultural sector. This has to be reflected in the individual design of each Entity MoA. Special recommendations for both MoAs are therefore necessary.

Recommendations for the RS MoA

- At present the RS MoA is located in Bijeljina whereas the Minister with only few support staff is with the RS government in Banja Luka. This physical separation of the top management from the rest of the Ministry has to be revised as soon as possible. The efficiency of the Ministry suffers substantially from this unfavourable situation as leadership and guidance cannot be properly applied. It is recommended to transfer the General Administration, the Veterinary Sector and the Natural Resources, Planning & Development Sector from Bijeljina to Banja Luka 2006 and to develop the Sectors according to the recommended organisational structure. The Food Industry & Marketing Department should already be set up in Banja Luka in 2004, whereas the rest of the Agriculture Sector should follow to Banja Luka by 2007. The Sectors for Forestry & Hunting as well as for Water Management may stay in Bijeljina without major problems together with the respective executive institutions (Water Directorate, etc.).
- The unification of key functions of the RS MoA would not only increase the efficiency of the Ministry but would also bring it to the centre of RS governmental and parliament decisions – without a doubt an important precondition for future accelerated progress on EU harmonisation! It would also bring the RS MoA in close contact to the Banja Luka headquarters of its key executive agencies (Extension & Selection Agency) and closely related key sector institutes (Veterinary & Agricultural Institute), thus increasing efficiency and available capacities.
- The presently informal Regional Offices of the RS MoA have to be substantially strengthened to ensure field access and to carry out important administrative and support functions in close cooperation with Municipalities. With the transfer of RS MoA inspectors to Entity Inspectorates and State executive agencies key staff located in these regional structures will not be available anymore. Inspectors have to be replaced by qualified expert staff. Additionally, the status of Regional Offices has to be formalised, staff resources substantially strengthened (see chapter D.10) and special budgets foreseen. As far as possible staff from the RS Extension & Selection Agencies should also be located in 6 Regional Offices of the RS MoA, however, with a clear distinction of functions and responsibilities. Regional Offices have to be sufficiently equipped and be placed in appropriate premises.
- The general responsibility for the Regional Offices should be located in the General Administration Sector of the RS MoA. The responsibility for the RS Extension Services Agency has to be within the Extension Services Department and for the RS Selection Services within the Department for Animal Production, Markets & support schemes.

Recommendations for the FBiH MoA

- The key challenge of the FBiH MoA is the set up of proper coordination and communication structures and mechanisms with the ten Cantons which are carrying out (together with Municipalities) the bulk of administrative and support tasks. Coordination mechanisms and structures with regard to support programmes (subsidies, extension, rural development, etc.) have to be considerably improved and information flows ensured (also towards Municipalities!). All organisational units of the FBiH MoA will have to contribute to this task. However, especially the Departments for inter-governmental coordination and the whole Development & EU harmonisation Sector will have to feel especially responsible to develop appropriate and formalised cooperation mechanisms as soon as possible. Especially in FBiH the preparation of regular and comprehensive reports on the situation in the agricultural sector, support schemes, etc. will be most important as this information and coordination functions are key functions of the FBiH MoA. Only improved coordination and services towards Cantons and Municipalities will ensure in the medium and long run the MoA's "raison d'être" in the FBiH agricultural sector administration!

- The FBiH MoA already has a special Forestry Institute in its core structure which fulfils several functions. The proposed future structure of the Forestry & Hunting Sector is therefore slightly exaggerated for the FBiH MoA: Policy development functions could be carried out by this Institute and only limited tasks are left with regard to the supervision of activities of cantonal forestry companies. As a consequence, too little is left to justify a separate Forestry Sector. It is therefore recommended to merge the Sector with the Water Management Sector. The Forestry Institute should report to the Forestry & Water Management Sector.
- Presently, the FBiH MoA has a relatively strong Cabinet including a number of advisors. General Secretary is centrally coordinating the different Sectors. The proposed organisational structure does not foresee these structures and it is recommended to reform them accordingly in the FBiH MoA. The present structure is dominated too much by managerial and advisory staff and has limited expert staff numbers.
- Responsibilities for the related sector institutes (Agricultural Institutes Sarajevo and Mostar and Institute for Pedology) or zavods have to be allocated in Departments most suited for this task. Generally, related agencies, institutes, etc. should not be directly responsible to the Minister but to organisational units of the MoA.

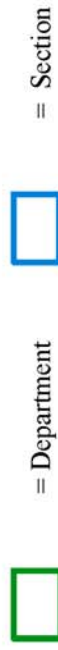
Recommendations for District Brcko

The District and its Department for Agriculture is too small to carry out all competencies presently with the District. For sustainability reasons the District Brcko should establish special relations to agricultural administrations on State level and support e.g. direct application of agricultural legislation. The recommended structure for Entity MoA can only partially be applied to District Brcko as structures are much smaller. However, the principles are applicable. Generally, the present organisational structure and staffing of the Department of Agriculture, Forestry and Water Management is relatively well adjusted to the needs of a territory which equals a larger Municipality or a City. A few recommendations may help to optimize the structure:

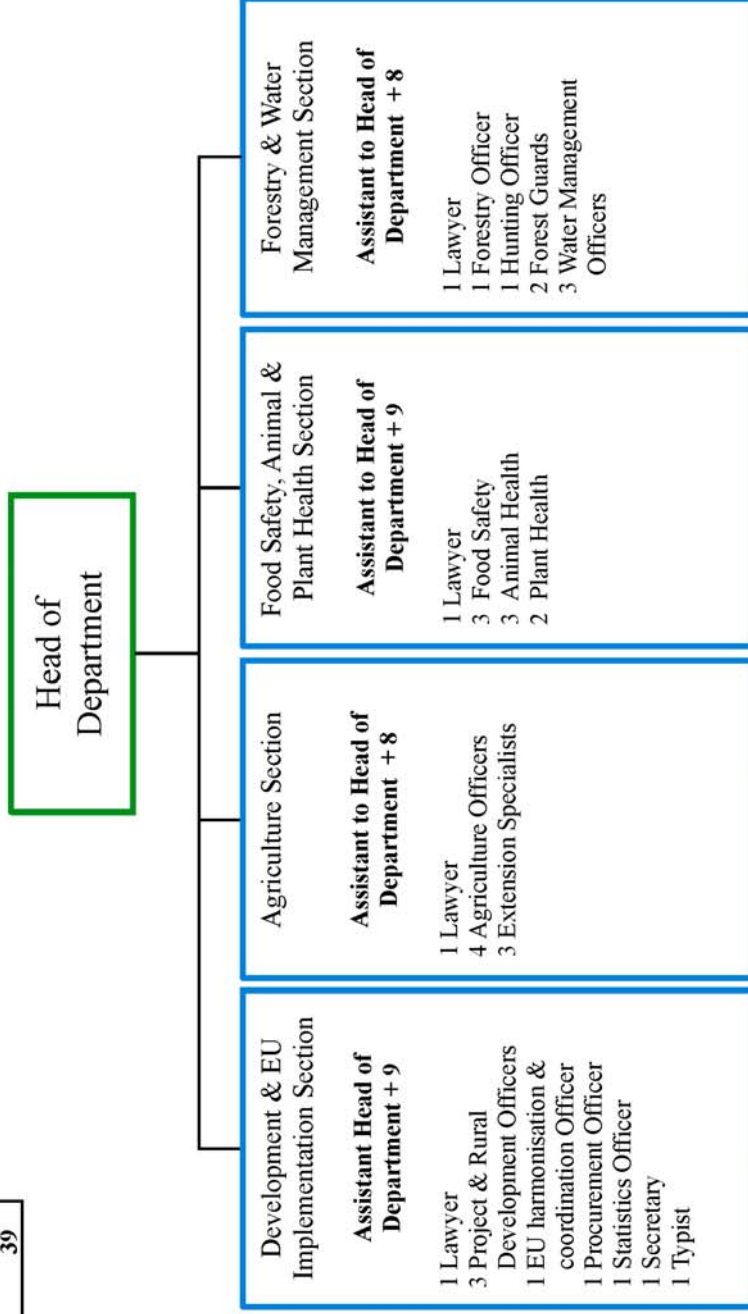
- The present inferior organisational status of the Analysis & Support Office is not advisable given the importance of this unit. It should be transformed into a Section within the Department and renamed “Development & EU Implementation Section”.
- The Development & EU Implementation Section has to be strengthened in order to be able to fulfil its growing administrative and development functions. Functions of EU harmonisation, project & program planning and monitoring, support of agricultural development and statistical and analytical work will become more important in the future and need strengthening.
- The Agriculture Section should continue to provide extension services for practical *agricultural production, marketing and production support schemes*. The Development & EU Harmonisation Section should on the other hand be in charge of programming and implementation of *rural development measures*.
- The responsibility for food safety issues and legislation has to be located in the Veterinary Section and plant health functions have to be added. Consequently, this Section should be renamed into “Food Safety, Animal & Plant Health Section”. Present overstaffing of veterinary staff has to be reduced and staff for food safety & plant health issues hired.
- Generally, more specialised legal expertise has to be located in the Department in order to be able to draft or evaluate legislation. This is especially urgent for food health legislation. Legal expertise outside the Department will not be able to cover the huge amount of specific EU agricultural legislation.

The proposed organisational structure and an estimation of needed staff resources of the Department are presented on the following page:

Recommended structure & staffing of the Department of Agriculture, Forestry and Water Management of the District Brcko



Managerial staff:	5
Expert staff:	32
Support staff:	2
TOTAL staff:	39



D.5 STRENGTHENED INSTITUTIONAL CAPACITIES OF CANTONS AND MUNICIPALITIES FOR SUPPORT FUNCTIONS CLOSE TO THE CLIENTS

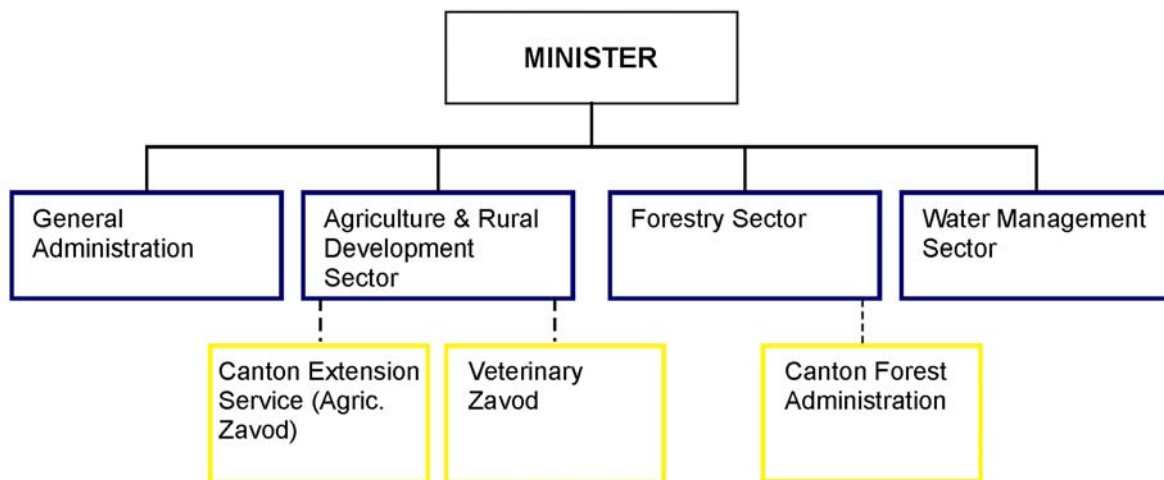
Cantons and Municipalities play a crucial role in carrying out administrative and support functions close to farmers, rural population and small and medium scale processors in the field. For the support and development of the agricultural sector these decentralised structures are of great value. Additionally, as experiences from Candidate Countries show, first funds from Brussels are focusing on decentralised measures for agricultural and rural development. It can be expected that funds to support decentralised measures will also be available for BiH in the coming years (e.g. SAPARD program). Although the coordination of related programming and planning activities has to be centrally managed on State and especially Entity level, Cantons and Municipalities have to act as main implementing administrations.

Cantons and Municipalities are not only needed to implement future support schemes of the EU. Already the management of present subsidies and support schemes financed from public budgets relies on functioning agricultural administration in Cantons and Municipalities. To adequately fulfil these support and administrative functions they have to be substantially strengthened. Without such a strengthening necessary developments of the agricultural sector and rural areas will be slow and the efficient use of EU support schemes impossible. The following specific recommendations can be made:

Recommendations for Cantons

- Not all Cantons have a separate Ministry for the agricultural sector. Given the relatively small size of an average cantonal MoA, cantonal agricultural administrations must not have automatically the status of a Ministry. However, the lower status of an agricultural sector administration can lead to an underestimation of the importance of the agriculture sector. If they are part of a Ministry, the importance of the agricultural sector should be better reflected in the priority setting of the respective Ministry.
- Individual agricultural and rural development strategies of Cantons should be based on respective policies from State and Entity level. The FBiH MoA has to support and coordinate these efforts and provide financial resources for specific administrative tasks; in case, Cantons will not provide respective administrative capacities such funds have to be withdrawn.
- The development of agricultural zavods as institutional structures for extension services has to be accomplished in all ten Cantons as soon as possible. This development can base on the substantial remainders of the only recently accomplished EC financed Extension Project. Agricultural zavods should be related to the cantonal agricultural administration and have to closely cooperate with them e.g. with regard to the implementation of subsidy and other support schemes as well as to land protection tasks in the field.
- Advisory and administrative functions should be separated as much as possible. Consequently, administrative functions in Cantons have to be sufficiently staffed. The development of cantonal extension services will therefore need additional staff - either in the zavods or in the administration (see chapter D.9). Additionally, extension services have to be properly equipped, especially sufficient mobility has to be ensured.
- The FBiH MoA Extension Services Department has to provide appropriate coordination services based on Entity extension policy which also needs to be in line with respective policies on State level. These services have to be agreed with Cantons and Municipalities, i.e. function of FBiH MoA has to be a support function rather than a control and supervision function.

- As Municipalities should also in the future fulfil extension functions (see below), Cantons and Municipalities have to elaborate functioning cooperation mechanisms of their extension and support services in order to provide efficient and client orientated services.
- Due to lack of staff in a number of cantonal agricultural administrations even basic administrative functions are understaffed or not staffed at all (especially: Canton 10/Livno, Travnik, Zenica-Doboj, Bosnia-Podrinje/Gorazde). This leads to inefficient mix of functions or their total absence. With the intended set-up of central Canton Inspectorates in all Cantons the inspection staff which is still located in a few Canton MoAs (e.g. Canton 10/Livno) will have to leave the Ministries. Appropriate staffing of key expert functions has to therefore be accomplished as soon as possible by providing more cantonal resources.
- The current set up of Canton Forest Administrations with considerable staff can not serve as an argument against the described staff requirements for agricultural administration and extension functions. The forestry staff was previously engaged in public companies and the new Administration has to be fully self-financed by revenues of the Cantonal Forest Companies.
- Cantonal administrations also have to be strengthened with regard to specialised legal expertise. This expertise is not meant for drafting of own cantonal legislation (which should only happen exceptionally in the future) but be able to appropriately comment on Entity or State level legislation and better judge legal consequences of administrative activities.
- Existing cantonal Veterinary Zavods have to be included in a country wide review of needs for veterinary and food safety laboratory capacities. They have to be adjusted according to the outcome of such a review.
- Organisational structures (as well as staffing) can differ in the ten Cantons due to individual conditions. However, in order to comply with future needs and to be in line with structures on Entity and State level the following general structure is recommended for Cantons with Ministries in charge of the agricultural sector¹⁰⁴:



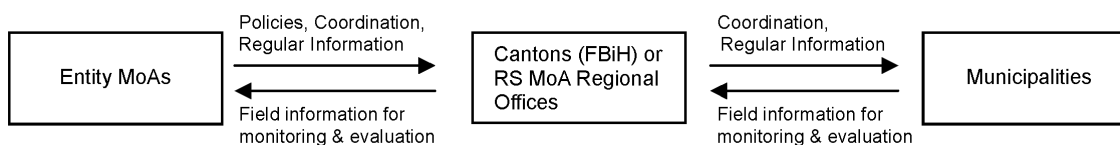
- Whether it makes sense to establish sub-structures (i.e. Departments), for example for Plant and Animal Production, depends on the number of staff in organisational units. Normally, the limited number of staff will not allow for such sub-structures. In Cantons with Sectors for Agriculture inferior Departments could be merged in order to simplify the structure .

¹⁰⁴ As major functions with regard to veterinary, food safety and plant health will be in the medium and long run located on Entity and State level a separate Sector for these functions is not foreseen.

- The core administration staff in cantonal administrations must not be too high (average 13) as it is supported in the field by agricultural zavods which provide extension services and support the implementation of support schemes. Staff figures in these zavods can also differ due to different conditions in Cantons, however, as a rule approximately 1 Extension Officer should be available per Municipality. With 80 Municipalities in all 10 Cantons in total 80 Extension Officers will be needed in all agricultural zavods. As agricultural zavods will form a part of the Canton agricultural administration the *average* size of a Canton agricultural administration will mount up to some 21 staff on average.

Recommendations for Municipalities

- Municipal agricultural administrations fulfil important administrative and support functions close to the clients. Present staffing is only sufficient to properly deal with respective functions in a few favoured Municipalities. Often facing difficulties to cover even basic administrative functions not much time is left for necessary advisory and support functions.
- Municipal agricultural administrations have to be strengthened to properly fulfil administrative and support functions close to the clients. This especially applies for Municipalities in disfavoured, poor regions. An absolute minimum of two qualified staff is needed in each BiH Municipality, one focusing on administrative tasks and one supporting mainly extension and subsidy program implementation in close cooperation with Entity and Canton administration and extension services.
- In RS Municipalities additional administrative and inspectorial tasks (e.g. in the field of water management and forestry) will require at least 1 -2 additional staff, raising the total staff number to 3-4 per Municipality on average. As the present average staff per Municipality is ca. 2,8 (180 staff in 63 Municipalities) that implies a modest increase of municipal agricultural staff by approximately 50 officers during the coming years (compare chapter D.9).
- In FBiH most Municipalities already have at least 2 staff for the agricultural sector. The ones with only 1 staff member are advised to increase staff to the described minimum level. However, in total no major increase is necessary during the coming years (compare chapter D.9). However, it is even more important that Municipalities enable present agricultural staff to concentrate 100% on their administrative and support tasks for the agricultural sector. Staff has to be released from non-sector functions they presently often have to fulfil in addition to their actual functions.
- For the poorest Municipalities in both Entities which cannot afford a necessary strengthening of their agricultural staff resources financial support has to be ensured from Entities or Cantons. Without such a system rural Municipalities - which often totally rely on agricultural activities - will not be able to sufficiently use their economic potential. Favoured regions will also profit in the future mostly from support and development measures whereas unfavoured regions will lag behind even more. Such a development can not be in the interest of BiH.
- Generally, Municipalities in both Entities have to be much more involved in the design, administration, monitoring and evaluation of support schemes of Entities and Cantons. Based on agreed, formalised and obligatory communication and cooperation mechanisms they have to receive regular information on spent funds for subsidies and other support measures in their Municipality. This will increase their understanding of such measures and their willingness to contribute own staff resources for the implementation. Such cooperation can be generally visualised as follows:



D.6. EFFICIENT VETERINARY, PLANT HEALTH AND FOOD SAFETY ADMINISTRATION TO SUPPORT THE SECTOR AND TO FULFILL KEY EU REQUIREMENTS

In order to establish an efficient and uniform veterinary, plant health and food safety administration and to accelerate EU integration work, a reform has to include the following main elements:

(i) Reduction of administrative levels

The best - and most cost effective - solution in order to obtain the required quality of the veterinary, food safety and plant health administration in BiH, would be the establishment of a one string system covering all BiH. It should be based on the central State Veterinary Office and Plant Health Agency, each of them with a limited number of regional executive offices. The regional offices should be responsible for planning and performing disease and food inspections and for other public veterinary, food safety and plant health matters in the region. Implementation of this model would substantially facilitate BiH meeting the veterinary and plant health requirements of the EU. It would, however, imply the transfer of not only all legislative competencies but also all executive functions to the State level and should therefore be considered as a long-term solution.

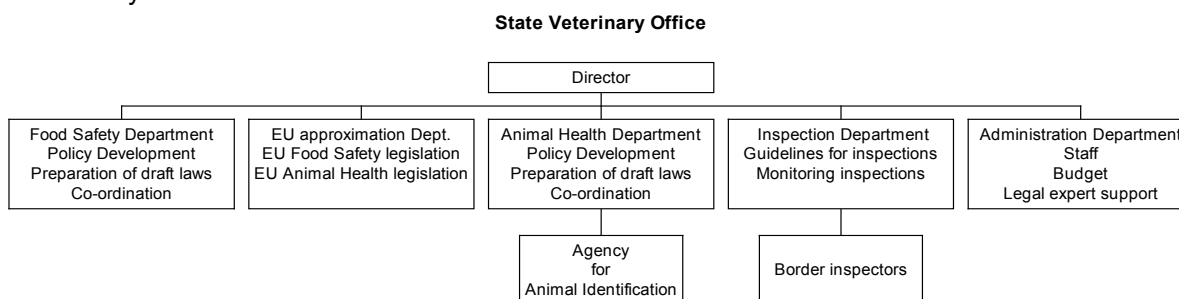
For the shorter term it is recommended to concentrate the responsibility for veterinary, food safety and plant health administration at State and Entity/District Brcko level (two-level model). Inspection staff - apart from border inspectors of the State level - shall accordingly be transferred to either the planned Entity Inspectorates or (as long as they are not set up) to the Inspectorates of the Entity MoAs. To minimize transport time for inspectors, it will be necessary to establish a limited number of regional Entity inspection units. These units should be located in accordance with inspection needs, i.e. taking into consideration where the concentration of food processing plants and production animals is highest. Responsibilities of cantonal and municipal authorities with regard to veterinary, food and plant health inspection should be abolished.

(ii) Strengthening of State Executive Agencies

Restructuring the State Veterinary Office

The State Veterinary Office - in the context of the proposed general organizational reform of the veterinary administration in BiH - has to be placed as an executive agency directly under the new MoARD. It has to be reorganized and properly staffed. This restructuring should result in improved capacities with regard to functions like development of draft veterinary policies and laws, co-ordination of veterinary actions and EU integration. Such functions have to be carried out on behalf of and guided by the Veterinary & Food Safety Department of the new MoARD.

The following organizational chart contains the recommended future basic structure of the State Veterinary Office:



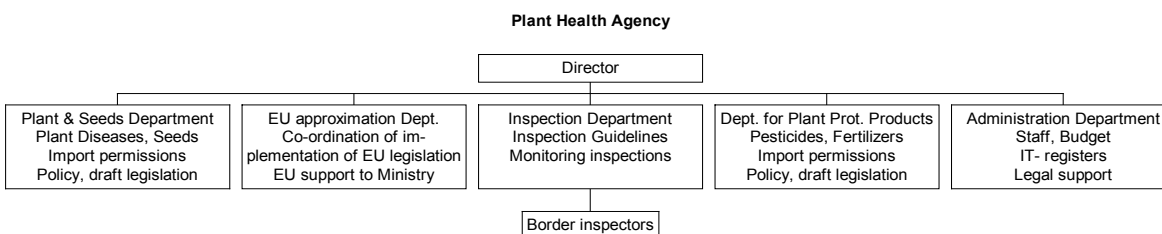
Set up of a State Plant Health Agency

The Council of Ministers' decision to set up a State Plant Health Agency¹⁰⁵ should be implemented as soon as possible. The Agency has to be set up as an executive Agency directly under the responsibility of the new MoARD. It should be responsible for:

- ◆ Support MoARD in drafting of plant health policies and draft legislation for BiH
- ◆ International co-operation
- ◆ Support of legal harmonization with EU
- ◆ Monitoring of inspections at Entity level and follow up on developments discovered by inspections
- ◆ Coordination of cross-Entity plant health activities
- ◆ Plant health border control
- ◆ Issuing of import certificates
- ◆ Administration of IT- registers

These functions have to be carried out on behalf of and guided by the Plant Health Department of the new MoARD.

The organizational chart shows the recommended basic structure of the Agency:



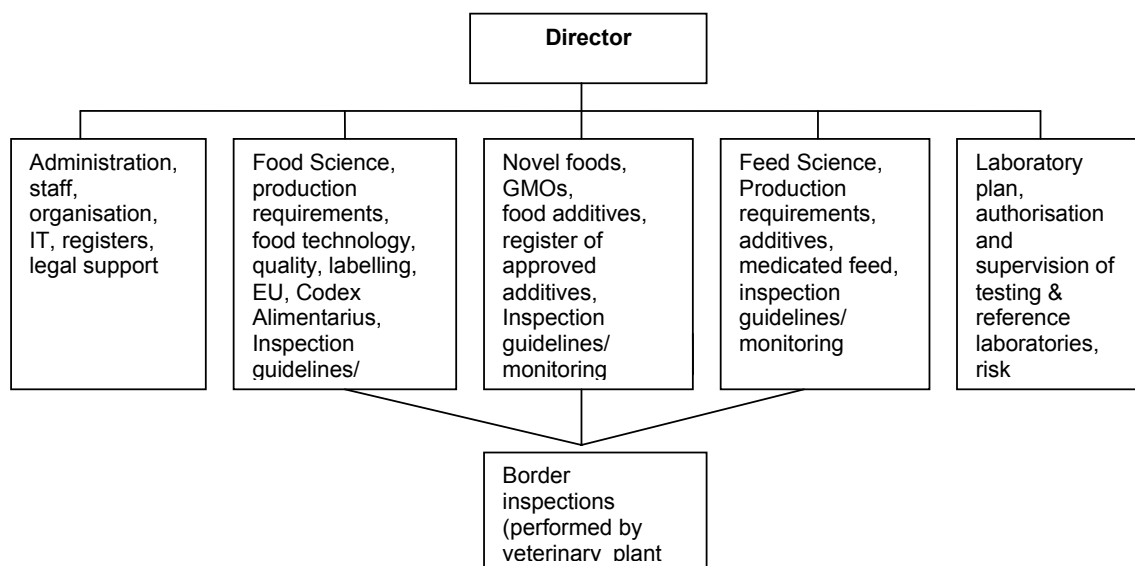
Set up of a State Food Safety Agency

In order to ensure food and animal feed stuff safety according to the draft State Food Safety Law pending before BiH Parliament as well as to international conventions and international treaties a State Food Safety Agency will have to be set up. The Agency has to be placed directly under the new MoARD as an executive agency with the following functions:

- ◆ Providing scientific advice and scientific and technical support to the MoARD with regard to drafting legislation and policies on food and animal feed stuff safety, human nutrition and genetically modified organisms;
- ◆ International cooperation - especially serving as contact point for Codex Alimentarius, EU, FAO and WHO;
- ◆ Protection of human life and health, coordinating closely with animal health and welfare, plant health and environmental protection in BiH;
- ◆ Monitoring of food safety inspections at Entity level and follow up on developments discovered by inspections, organizing emergency precaution measures;
- ◆ Coordination of cross-Entity food safety activities;
- ◆ Issuing import, export and international certificates with regard to food safety;
- ◆ Keeping databases of food processing companies;
- ◆ Promote effective coherence between risk assessment, risk management and risk communication.

¹⁰⁵ The direct translation of the new institution from the CoM decision is "Plant Protection Administration".

These functions have to be carried out on behalf of and guided by the Veterinary & Food Safety Department of the new MoARD. The organisational chart shows the recommended basic structure and functions of the Agency:



The Food Safety Agency will be dealing with food and feed safety issues which are also closely linked to the State Veterinary Office. Both institutions will be dealing with safety related to food and production methods applied in food producing establishments. The laboratories which will be authorised by the Food Safety Agency as testing or reference laboratories will most likely be the same as the laboratories authorised by the State Veterinary office. For reasons of efficiency and clarity, there will be a strong need to co-ordinate activities of the two institutions to avoid overlaps or ambiguities with regard to their respective competencies. This will be the task of the State MoARD.

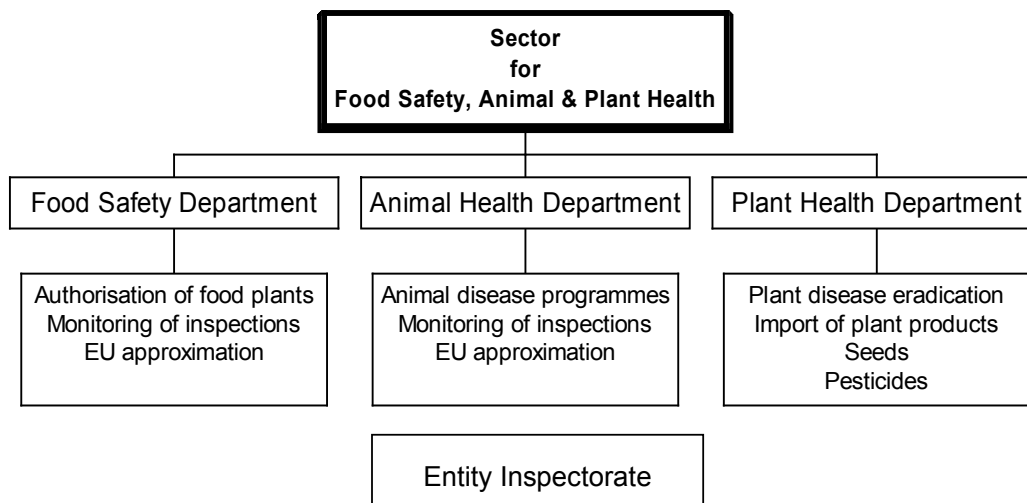
In accordance with the philosophy of “multifunctional” inspectors duly trained veterinary and plant health border inspectors should also cover the border inspections according to the Food Law. In many EU Member States all central responsibilities concerning the protection of food safety (veterinary and sanitary) are gathered in the same state institution which increases efficiency and lowers total cost.

(iii) Establishment of a State Reference Laboratory / analysis of needs for additional laboratory capacities

An Animal Health and Food Safety Reference Laboratory as well as a Plant Health Reference Laboratory have to be established at State level. Support for day-to-day analysis should be delivered by a limited number of accredited laboratories at regional level. Analysis made by accredited laboratories has to be recognized across Entities. Establishment and running of laboratories with sufficient technical equipment and qualified staffing is costly. The question of how many laboratories are actually necessary to cover the total needs of BiH and where they should be located should therefore be carefully analysed. This is necessary before more public money is invested in establishment and upgrading of laboratories.

(iv) Development of specialized organizational units in Entity MoAs

A Sector responsible for Food Safety, Animal and Plant Health should be established in both Entity MoAs. It should be divided into 3 Departments which should be properly staffed. The organizational structure of the Sector in Entity MoAs is proposed as follows:



The main responsibilities/ functions of each Department would be the following:

Food Safety Department:

- Issuing guidelines for authorisation of establishments processing/ handling animal products
- Authorising establishments for processing/ handling of animal products
- Issuing guidelines for the performance of veterinary inspections
- Participating in planning the annual inspection program for Entity Inspectorate
- Processing appeals against decisions of inspectors from Entity Inspectorate
- Participating in work concerning EU harmonisation

Animal Health Department:

- Support to the State Veterinary Office regarding planning of BiH animal disease eradication and -prevention policies
- Advising the State Veterinary Office on legislation
- Planning and monitoring of Entity specific disease eradication programs
- Monitoring the animal disease situation and reporting to State Veterinary Office
- Monitoring veterinary stations and private veterinarians
- Supervising artificial insemination
- Participating in planning the annual inspection program for Entity Inspectorate
- Processing appeals against decisions of inspectors from Entity Inspectorates
- Participating in work concerning EU harmonisation

Plant Health Department

- Support to the State Plant Health Agency regarding planning of plant disease eradication and -prevention for BiH
- Advising the State Plant Health Agency on legislation, import regulations etc.
- Planning and monitoring Entity plant disease eradication programs
- Monitoring the plant health situation and reporting to Plant Health Agency
- Participating in planning the annual inspection program for Entity Inspectorate
- Processing appeals against decisions of inspectors from Entity Inspectorate
- Participating in work concerning EU harmonization

(v) Greater and broader focus on EU integration

Future harmonization to EU veterinary, plant health and food safety standards will involve both, State and Entity level administrations. This work will consist of legal and organizational preparations, staff training, etc. It should also include providing general information to the public and specific technical information about EU standards for the BiH food industry. Especially the food processing industry will severely be affected by the introduction of EU standards and have to be informed as early as possible.

(vi) Strengthened focus on co-ordination

Implementation of the recommended two-level (State/Entity) administration model will considerably simplify the co-ordination of veterinary, food safety and plant health activities. However, even this organizational model will require well functioning co-ordination mechanisms between Entity MoAs, Brcko District and especially with the State Veterinary Office and the future Plant Health Agency, respectively. Especially in the years to come where structures will have to be developed, it will be crucial that more attention is given to good co-ordination - also with regard to day-to-day work. The State Veterinary Office and the Plant Health Agency will have to play a key role with regard to improved co-ordination of the veterinary and plant health administration in BiH.

(vii) Future veterinary, plant health and food safety administration in District Brcko

The Veterinary Section of the Department of Agriculture, Forestry and Water Management is considerably overstaffed and has to be transformed into a Food Safety, Animal & Plant Health Section (see chapter D.4). Plans to involve veterinarians from the Section in other tasks (earmarking, breeding control) have to be rejected as veterinarians are overqualified for such tasks. Generally, the responsibility for animal breeding should be transferred to the Agriculture Section. Practical selection work should be privatised. The staff of the Section should be adjusted accordingly and remaining animal health staff has to focus on disease eradication and prevention. The Section has to be especially able to work on further legal harmonisation with EU food safety requirements.

As is the case in the Entity MoAs, very few resources are allocated for plant health protection which is the responsibility of the Agriculture Section. More attention should be paid to plant health matters especially with regard to further EU integration in this field. Two plant health experts should be established within the Food Safety, Animal and Plant Health Section to work in this field (see chapter D.4).

D.7 PROFESSIONAL SERVICES FROM SPECIALIZED INSTITUTES AND SECTOR ASSOCIATIONS

Specialized institutes and associations in the future have to play a key role in developing the BiH agricultural sectors and to prepare for EU integration. Although this review is very much advocating for strengthened public administration structures, the development of semi-public and private institutions ready to efficiently support the sector will equally be a key to future progress. Generally, public administrations have to concentrate on functions which have to be carried out by public authorities in order not to endanger the impartial implementation of these functions. Private or semi-public institutions should be more and more involved in all other functions and the provision of services has to be based on market mechanisms whenever possible. As most of the reviewed institutes already operate on a fairly market oriented basis it should be possible to progress in this direction. However, to optimize the work of sector institutes, associations or other sector institutions a couple of substantial steps have to be taken:

- Coordinated by the State MoARD, the Entity MoAs have to work out a long-term policy and implementation strategy with regard to the functions and services expected from sector institutes; Based on this general policy detailed strategies should describe the special functions and contributions of each individual institute in both Entities as well as the financial contributions from public administrations. Special attention has to be given to avoid duplication of functions or gaps. Such a strategy should also include a long-term investment plan for the sector institutes to ensure that laboratory equipment is allocated in an efficient way and according to the sector's needs.
- To elaborate such a strategy and investment plan a comprehensive review of the present situation in the concerned sector institutes is recommended; this review should also include EU experts in order to ensure EU compatibility of future laboratory and institutional structures. First ideas of possible future specializations and functions of the reviewed sector institutes are presented in the working materials (see W 4.3).
- Once the overall policy and strategy is agreed upon, agricultural public administrations should conclude precise agreements with the related sector institutes. In these agreements the functions and services for the public administration of the respective institute have to be as clearly stated as well as the public contributions to finance these functions and services. The Performance Agreement examples documented in the working materials (see W 5.5) will be helpful in formulating such agreements.
- As a general rule, public administrations should only bear basic cost of sector institutes for premises and key investments in laboratories. What is especially important: the financing of clearly defined services for administrations has to be based on multi-annual programs and projects especially to allow for appropriate investment planning.
- The Agricultural Institute in Banja Luka, which is presently still under the supervision of the RS Ministry of Science and Technology has to be transferred under the guidance of the RS MoA. The Institute is already working mainly on behalf of the RS MoA and the present status is artificial and creates inefficiencies.
- Agribusiness associations (i.e. associations of farmers, cooperatives and food processors, etc.) should not be financially supported by the Governments in order to keep their independency. However, formalized procedures should be introduced which will clearly oblige administrations to invite these organizations to participate in debates on legislation as well as on administrative procedures (e.g. subsidy administration). The recommended draft State Law on Agribusiness and Rural Development foresees clearly such an obligation (see chapter D.2 and draft law in working materials W 2.1).

D.8 IMPROVED INSTRUMENTS FOR PLANNING, COORDINATION AND MANAGEMENT

The future development of the BiH agricultural sector and successful preparation for EU integration and other international obligations will not only require the described enlarged institutional capacities on all administrative levels. Equally important is the improvement of present planning, coordination and management procedures. Special instruments for planning, coordination and management have to be introduced in all agricultural administrations. Special focus has to be given to procedures for planning and administering support programmes for the agricultural sector. Although the importance of these programmes is significant and will increase over the coming years, they are presently weak and inefficient. In the following, a number of recommendations may help to improve such instruments and procedures.

(i) Strengthened planning capacities

Formalized planning procedures are missing in almost all reviewed administrations. This is of great disadvantage because the development of strategies and efficient measures just-in-time will be more and more of paramount importance for an accelerated development of the agricultural sector. A draft Directive on the implementation of ad-hoc working groups for the discussion and design of agricultural strategies and concepts is provided in the working materials (see W 5.1). Creating such ad-hoc working groups does not require supplementary staff and has the advantage to integrate know-how of all Sectors of a Ministry.

(ii) Formalized coordination procedures

Despite general provisions of administration laws formalized coordination procedures are not sufficiently practiced. This applies especially for the drafting of legislation but also for the planning of support programmes. The integration of different views of the involved stakeholders and government levels has to be improved and coordination procedures have to be more transparent. Instead of mainly relying on written exchange of opinions future procedures have to include more direct discussions with all involved stakeholders and government levels. A draft Directive for formalized coordination procedures has been worked out to support especially the lengthy and time-consuming coordination of law drafting (see working materials W 5.2).

(iii) Delegation of responsibilities and signature procedures

Delegation of responsibility is often limited. In order to provide some simple rules for delegation of responsibilities and signature procedures a draft Directive to improve delegation of responsibility and efficient signature procedures is presented in the working materials (W 5.3). The presented rules are easy to handle and can help to relieve the top management of Ministries from signing ministerial acts of minor importance.

(iv) Tightened administrative procedures

Tightening the administrative procedures is one of the most important obligations of public administration in order to become efficient. Decisions of the top management of the ministry have to be carefully prepared by the staff. A draft Directive to tighten the administrative procedures in Ministries might serve as a tool to formalize these procedures (see working material W 5.4). Staff is forced to clarify all questions in advance and to prepare the decision taking of the top management (yes or no decision). A specimen file for the Minister is included in the working material as well as a specimen for speaker notes. Speaker notes will be of great value for the preparation of (especially international) negotiations.

(v) Performance Agreements

To strengthen the development and monitoring of clear goals for subordinated institutions it is recommended to introduce “Performance Agreements”. The superior administration concludes an “agreement” with the subordinated institution which specifies the main goals within a given period and also the resources available for this. The value of such agreements is twofold: The superior administration is obliged to clarify in writing what should be the priorities of the inferior institution’s work. In doing so, the superior and the subordinated institution obtain a common understanding of targets to be achieved with given resources and also how their fulfilment will be evaluated. Basic elements of Performance Agreements must be:

- Clear identification of individual targets/results to be achieved by the institution/organisational unit or employee within a given period of time;
- Definition of reporting mechanisms ensuring updating the management on progress in achieving results within given deadlines;
- Setting up mutually accepted criteria for evaluating whether the targets have been achieved - quantitatively and qualitatively;
- Eventually, incentives in the form of financial or other incentives if results are achieved - or sanctions if they are not achieved.

The working materials (W 5.5) contain two examples of “Performance Agreements” for agricultural administrations which can be used as basis for agreements e.g. between MoAs and related institutes.

(vi) Improved support procedures

Improved support procedures and services will have to include the following measures:

- Support schemes have to be based on a multi-annual planning and commitment authorizations have to entitle Ministries to pay subsidies or other financial support on time even if annual budget approvals are delayed.
- In order to raise the effectiveness of public funds support schemes have to be gradually developed from product linked subsidies and premiums towards more complex support measures, e.g.:
 - Input industry: production of high quality inputs (seeds, semen, fertilizer, pesticides, etc.);
 - Production: investments in agricultural holdings, improved access to affordable credits preferably by providing state guarantees, support of competitive products;
 - Marketing: support of marketing facilities and organizations (e.g. set up of producer groups or associations, see also working materials W. 2.2), providing information to farmers on prices and markets, promotion of agricultural products;
 - Processing industry: support of modernization of existing processing plants and set up of new ones (especially: small and medium size plants in rural areas!), introduction of EU compatible standards in processing industry;
 - Rural development and agri- environmental measures: development of disfavoured, aging rural areas (e.g. support for young farmers), support for infrastructure in rural areas, socio- economic advice to subsistence farmers, support of organic farming, agri-tourism and agri-environmental measures.
- A large number of such complex support measures were already worked out and implemented in the former or present Candidate Countries. They had to be prepared as a basis for their SAPARD programs through which agriculture and rural development should be supported during the pre-accession phase. Equally, training on EU mechanisms and procedures is needed in order to prepare for the EU agricultural and structural policies in general. BiH administrations should learn from these experiences and consult the available documents¹⁰⁶ in order to get ideas for reshaping the present subsidy and support schemes.

¹⁰⁶ Slovenian rural development measures can be e.g. found under:
http://www.arsktrp.gov.si/index.php?stran=strukturni_skladi

- Agricultural administrations which are designing, administrating, monitoring and evaluating support schemes have to do this in close cooperation with other concerned administrations. Especially the coordination between
 - FBiH MoA and Canton administrations
 - Canton administrations and Municipalities
 - RS MoA and Municipalities
 - RS MoA and RS Extension & Selection Agencieshas to be substantially improved and sufficient coordination and communication procedures developed. Regular formalized working groups as well as advisory boards which include e.g. sector institutes and NGOs will be needed. It is especially important that Municipalities as well as Cantons get regular updated information on support spent on their territory.
- To be able to deliver such updated information and to properly administer, monitor and evaluate support schemes it is of key importance that the concerned administrations are connected by IT facilities for fast information exchange. The investment in IT systems connecting administrations and ensuring better internal communication has to have high priority in the future. Priority should be given to systems already successfully implemented in Candidate Countries.

D.9 STRENGTHENED HUMAN RESOURCES CAPACITIES AND IMPROVED HUMAN RESOURCES MANAGEMENT

(i) Strengthened human resource capacities

The implementation of the recommended institutional strengthening of the agricultural sector administration in BiH will require substantial additional human resources. However, given the constraints of public budgets in BiH and the scarcity of sufficiently qualified staff such capacities have to be developed gradually and by setting clear priorities. The necessary staff resources development in agricultural administrations from 2005 - 2010 is presented in detail in the table below and is compared to the staffing situation in 2004. Explanations for the recommended staff developments are given in the following paragraphs.

	2004	2005	2006	2007	2008	2009	2010
STATE							
State MoARD	(3 in MoFTER)	30	60	80	95	95	95
State Executive Agencies:							
- State Veterinary Office	22	52 *	56	58	60	62	62
- State Plant Health Agency	--	35 *	40	45	48	51	54
- State Food Safety Agency	--	15	20	25	30	30	30
- Paying Agency	--	--	3	10	15	20	35
Total State	25	132	179	218	248	258	276
RS							
- RS Inspectorate ***	(53 in RS MoA)	36 **	36	38	40	42	42
- RS MoA (without RS Water Directorate)	43	60	70	80	90	92	92
- 6 Regional Offices RS MoA	(in 2004 included in RS MoA staff)	12	18	24	30	30	30
- RS Extension Agency	16	30	40	50	50	50	50
- RS Selection Agency	12	12	12	0	0	0	0
- 63 RS Municipalities	180	180	200	220	230	230	230
Total RS	304	330	376	412	440	444	444
FBiH							
- FBiH Inspectorate ***	(37 in FBiH MoA)	9 **	16	20	20	20	20
- FBiH MoA	56	74	80	80	80	80	80
- FBiH Forestry Institute	4	9	12	12	12	12	12
- Canton Inspectorates ***	(85 in Cantons)	85	87	90	90	90	90
- Canton agric. <i>administration</i> (without Canton Forest Administration)	109	117	120	125	130	130	130
- Canton agric. zavods (Extension Services)	17	40	60	80	80	80	80
- Canton veterinary zavods	11	11	11	11	11	11	11
- 80 FBiH Municipalities	140	140	150	150	150	150	150
Total FBiH	459	485	536	568	573	573	573
DISTRICT BRCKO							
- Department	46	41	41	39	39	39	39
- Brcko Inspectorate ***	11	5 **	5	5	5	5	5
Total District Brcko	57	46	46	44	44	44	44
TOTAL	845	993	1.13	1.242	1.305	1.319	1.337

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* Incl. border inspectors transferred from Entities and District Brcko;

** Without veterinary and plant health border inspectors expected to be already transferred to State executive agencies in 2005.

*** Figures only comprise agriculture, veterinary, plant health, forest and water management inspectors.

State level

On State level a large number of additional staff has to be employed. An increase from 25 to 276 staff is needed by 2010 in order to carry out the necessary functions on State level. The setup and development of the State MoARD as of 2005 is an absolute priority. The new Ministry at the beginning has to include a minimum of 30 staff. However, given the importance of the State MoARD its staff has to be increased rapidly over the next years in order to achieve the necessary staff size of 95 at the latest by 2008. However, the development of State executive agencies working under the responsibility of the State MoARD also has to be accomplished as soon as possible. These agencies will have to take over some 45 veterinary and plant health border inspectors in 2004 and 2005. Consequently, staff figures in State executive agencies will already be relatively high in 2005 but need further rapid increase to strengthen needed planning, monitoring and coordination functions. With regard to the set up of a Food Safety Agency in 2005 staff figures do not include border inspectors. It is assumed that State border veterinary and plant health inspectors will perform related border inspections (quality control, product labeling, etc.).

As the State Paying Agency has to be fully ready to operate with the arrival of first EU pre-accession funds the recommended staffing especially reflects the need for necessary preparatory work and policy development, which is - according to Candidate Countries' experiences - extremely time-consuming! However, Paying Agency staff should also work out administrative concepts for the administration of EU rural development funds and market intervention schemes. Additionally, concepts and functions with regard to the promotion of BiH agricultural products can be elaborated by this staff, too.

RS

It is assumed that in 2005 all inspectors presently within the RS MoA will be transferred to an RS Inspectorate comprising of all Entity inspectors. This pool of 36 inspectors most probably needs to be strengthened during the coming years, especially if the processing industry revives itself and develops dynamically. In that case the foreseen staff figures in the RS Inspectorate might even be too low. The development has to be regularly assessed and staff numbers adjusted.

It is of key importance to especially strengthen the expert staff in the RS MoA. The recommended staff figures for 2005 imply that inspectors which will be transferred to the RS Inspectorate will be fully replaced by needed officers. In the following years staff numbers have to increase gradually to reach at the latest in 2009 the recommended total staff number of 92 in the optimal organisational structure (compare with organigram in chapter D.4). If inspectors will not be or not fully be transferred to the Inspectorate the indicated increase of expert staff has to be realised anyway (+ 17 in 2005). In case all inspectors remain in the RS MoA the Ministry's staff numbers would have to also include the staff numbers indicated for the RS Inspectorate (i.e. 96 in 2005 and 134 in 2010).

In the 6 Regional Offices of the RS MoA present inspectors have to be replaced by officers from the Ministry. The Offices will in 2005 have to start with 2 Officers per Office and end up with 5 in 2010. They will have to take over key administrative functions on behalf of the RS MoA and will - together with the RS Extension & Selection Agencies - be the field services of the RS MoA needed especially to implement support policies and strategies. To be able to fulfil these functions the RS Extension Agency has to in due course (2007) substantially increase its staff numbers from present 16 to recommended 50. It is expected that the functions of the RS Selection Agency can be privatised in the medium-term. No staff allocations are therefore foreseen as of 2007, however, the agency will most probably have to be supported by the RS MoA on project basis even after that date.

Agricultural staff in RS Municipalities has to increase in the next years by an estimated 50 officers. They will have to fill presently unmanned key administrative functions and especially in poor Municipalities in order to strengthen extension and support functions. The need for a special financial support mechanism for poor Municipalities in order to provide such additional staff for agricultural and rural development was already discussed (chapter D.5). The need for

inspectorial staff on municipal level is hard to judge. The necessary strengthening of the line of command between the RS Inspectorate and municipal inspectors would also lead to improved efficiency. However, with increased economic and agricultural development inspection workload might also grow.

FBiH

After the transfer of the numerous FBiH veterinary and plant health border inspectors to the State executive agencies in 2005 only 9 inspectors will be left to be transferred to a FBiH Inspectorate. It can be expected that during the coming years at least a modest increase of Inspectorate staff will be needed to fill present gaps and to comply with possibly increased inspection needs especially in the processing industry. A total number of 20 agriculture, veterinary, plant health, forestry and water management inspectors in the future FBiH Inspectorate seems realistic.

The same applies for the FBiH MoA as for RS MoA: in 2005 leaving inspectors should be fully replaced by qualified officers - in case inspectors do not leave or only some stay, the recommended increase of expert staff (18 in 2005) has to be realised in order to develop the Ministry as described in chapter D.4. As the FBiH Forestry Institute fully belongs to the FBiH MoA and fulfils key functions, staff of both institutions can be added. In doing so, both Entity MoAs will have equal staff of 92 by 2009.

Likewise on Entity level it is expected that by 2005 all agriculture sector inspectors of Cantons will be fully separated from Canton agriculture administrations. Consequently, the 85 agriculture, veterinary, plant health, forestry and water management inspectors will be transferred to Canton Inspectorates. As in FBiH and RS Inspectorates, a need for a slight increase is expected as in some Cantons certain positions are not filled at present and increased inspection needs are likely to emerge with agricultural and especially food processing development. However, again the necessary staff resources are difficult to estimate as they depend on the economic development of the sector. Generally, it is recommended to transfer cantonal veterinary and plant inspectors from Canton Inspectorates to the FBiH Inspectorate at the latest by 2008; this should lead to further improvement of the FBiH inspection system and strengthen the command lines (see recommendations chapter D.6). Such transfer would lead to downsized Canton Inspectorates and enlarged FBiH Inspectorate which is, however, not yet visualised in the above figures.

Remaining cantonal *administration* staff for the agricultural sector has to be strengthened gradually over the coming years. The projected increase of Canton administration staff from presently 109 to 130 as of 2008 is needed to fill presently understaffed key expert functions as well as to hire urgently needed additional lawyers, (agro-) economists and other specialised staff. Only with this modest increase of staff the recommended institutional development of Canton administrations can be implemented (see chapter D.5).

A centrepiece for agriculture and rural development will be the development of Canton Agricultural Zavods. Present very modest staff figures (17) need drastic and urgent increase and in 2007 in each of the 10 Cantons on average 8 officers should be available for extension services and the implementation of support programmes.. The staff development needs in Canton Veterinary Zavods are difficult to estimate. A thorough assessment of laboratory needs throughout BiH has first to be accomplished. Present staff figures in veterinary zavods have therefore not been changed.

Municipalities in FBiH like in RS will have to be much more involved in implementing support policies in the field. However, there is no need for major increases of municipal agricultural staff in FBiH for the coming years. The very modest increase indicated in the table above is only meant to fill key administration functions which presently not staffed in a limited number of poor Municipalities. Generally, present agricultural staff in FBiH Municipalities seems to be sufficient to contribute to extension and support work. As they have almost no inspectorial tasks to fulfil they should fully concentrate on administrative and - in the future especially - on the said extension and support work. They have to fully concentrate on these functions and should not be used for non-agricultural any more tasks.

District Brcko

By implementing the recommended reorganisation of the District Brcko Department for Agriculture, Forestry and Water Management (see chapter D.4) staff reduction potential will be gradually realised (staff numbers will be gradually reduced). The same applies for the District Inspectorate where veterinary and plant health border inspectors will be transferred to State executive agencies. In total the agricultural sector administration can be reduced from presently 57 to 44 in 2010 which is a considerable reduction.

Summary: Comparing staff development from 2004 to 2010 on the different administrative levels provides the following picture:

Total (State, Entities, Cantons, Municipalities)	RS	FBiH	District Brcko
+ 58 %	+ 46 %	+ 25%	- 30%

The total increase of agricultural sector staff on all administrative levels is 58% (845 in 2004 to 1.337 staff in 2010). Additional staff on State level is to a large extent "responsible" for this figure. Staff increases in RS will be remarkably higher than in FBiH due to the fact that the staffing situation in RS is presently comparatively weak and especially needs strengthening. However, even in 2010 the absolute staff numbers in RS (444) will still be well below FBiH numbers (537), i.e. they will reach only 77% of the FBiH staff. These higher staff numbers in FBiH are the price for an additional government layer represented by the Cantons - a price, however, which may well pay off in the future when the administration and implementation of large scale agriculture and rural development programs will need strong regional and local structures!

Generally, the indicated necessary additional staff resources for the next years are substantial and will require increased budgets for agricultural sector administration (see chapter D.10). However, these increases are a precondition to effectively support the development of the agricultural sector and - especially - to prepare for EU integration as the developments in other countries have shown. To illustrate this one may compare again BiH with the benchmarking countries of chapter C. The total staff numbers in 2004 in the agriculture sector administration of these countries are estimated as follows:

BiH	Slovenia	Austria	Latvia
845	947	2474	2362

However, the discrepancy between BiH and the other countries is even more striking when taking into consideration that BiH staff figure includes municipal staff as well as staff for water management. The data for Slovenia, Austria and Latvia does not include staff from local level administration nor the water management staff. In these countries agricultural administrations are not in charge of this sub-sector.

It has to be therefore stressed that the envisaged total staff for 2010 (1.337) is a minimum requirement for an effective development of the BiH agricultural sector and an accelerated EU harmonisation process. Without these increases it will not be possible to achieve an EU accession date which is in line with expectations. They are by no means exaggerated assuming that EU accession is really a serious objective of BiH. Full EU integration of BiH will most probably need considerably more resources. However, as the exact figures will also depend on the future development of the EU Common Agriculture Policy an updated estimation of needed staff should be done in 2007 or 2008.

(ii) Improved human resource management

Additional staff and enlarged institutional capacities will not be sufficient to achieve the necessary development and EU harmonisation of the BiH agricultural sector. Improved Human Resource Management in administrations is an additional key requirement. As the System Review within the PAR exercise will assess the Human Resources Management horizontally this review limits its recommendations to the following:

- Delegation of tasks and accountability with regard to set objectives has to be substantially improved in all administrations. Responsibilities and competencies have to be more consequently delegated to the middle management (Department and Section Heads) and subsequently to the individual staff members. Ministers and senior managerial staff (General Secretary, Assistant Ministers) have to be relieved from minor administrative tasks or decisions and have to focus on policy design, leadership, steering and guidance of the Ministries. However, this will only be possible if Ministers or Assistant Ministers also delegate competencies to lower levels, especially competencies for decision-taking!
- Effective staff development policies have to be worked out in agricultural sector administrations which must be based on essential qualifications and skills needed for agriculture sector development and EU integration. In the future administrations will depend on staff with better qualification and skills profiles (e.g. language, IT and planning skills) as well as cross-sector know-how (e.g. lawyer, economists).
- The development of agricultural sector administrations will very much depend on their ability to attract young and skilled staff. To prepare young, recently graduated staff for these tasks a specialised pre-service training as well as continuous on-the-job-training for present staff is recommended to be introduced. Training programs have to include trainers from EU administrations and have strong focus on EU Common Agriculture Policy, rural development, etc.. Such specialised training programs could be carried out with EC support as similar training programs were already carried out in previous Candidate Countries. Especially valuable would be 3-4 week internships for selected civil servants in former Candidate Countries such as Slovenia.
- Training programs have to be planned and coordinated, financial resources have to be acquired (also from donors!) as well as experienced trainers from EU Member States. A specialised Human Resources Development Officer has to care for these tasks in each administration. He should also be in charge of career development, promotion and appraisal policies and procedures. The Officer has to coordinate training activities with the respective CSA.
- The agriculture sector administration will especially depend on the set up of career motivation and promotion procedures in order to attract the necessary qualified staff. Like in many other countries agriculture does not have the best reputation. For agriculture sector administrations it is therefore very often difficult to compete for the best staff with other public administrations or with the private sector! To compensate this, a career development and promotion policy has to be applied which motivates staff and ensures that (especially young) staff remains in administrations. Additionally, uniform staff reporting and appraisal procedures have to be introduced sufficiently linking staff appraisal with career development and promotion. As a rule the direct supervisor has to be in charge of the appraisal of his or her staff. Staff members who show a strong interest in training, successfully complete seminars and are able to apply the acquired know-how in their daily work should be promoted and/or receive sufficient financial gratifications.

D.10 INCREASED AGRICULTURAL BUDGETS AND IMPROVED BUDGET PLANNING PROCEDURES

To implement the recommendations formulated in chapters D.1 - D.9 agricultural sector budgets have to be increased from 2005 to 2010. However, before these necessary increases are presented some general recommendations regarding the budgets and budget planning procedures have to be provided.

Budgets

- The main task for the future is to rationalise the procedures for support scheme handling and to increase resources for designing, administrating and monitoring support schemes. The present trend to increase funds for support schemes while keeping operational costs almost stable cannot continue - especially as support funds can be expected to increase when budgets for agricultural transfers are adjusted to the level prescribed in recent new laws (3% of FBiH total budget and 4% of RS total budget). Agricultural administrations have to have the resources to professionally implement support schemes!
- Future budgets therefore have to allocate sufficient staff for the planning, handling and controlling the support schemes. Budgets must be based on multi-annual estimates of needed support funds to be distributed to applicants, but must also include cost estimates for the practical handling of the support schemes (administration of applications, payments, control, monitoring, etc.).
- Generally, a more appropriate balance between wage bill and material costs has to ensure that sufficient resources (IT, office equipment, vehicles, etc.) are actually available when it comes to the practical implementation of functions of agricultural administrations. The handling of numerous subsidy applications without computers or field activities of extension services without cars makes no sense!
- The principle of (at least partly) self-financing should be applied whenever possible, i.e. services of related lower level administrations, institutes or agencies should be fee-based whenever possible. Persistent problems with regard to the collection of fees in Canton Forest Administrations have to be solved as a priority. The possibility of privatizing functions should be regularly assessed in order to reduce public spending - even if they have to be provided by public administrations for the time being (e.g. selection and breeding services).
- After becoming a Candidate Country for EU accession BiH will most likely (like former and present Candidate Countries) be eligible for EU pre-accession support measures for agriculture and rural development (e.g. SAPARD Program). Some of these pre-accession measures require at least limited co-financing from beneficiaries and the national budget¹⁰⁷. Necessary co-financing funds have to be foreseen when preparing budgets in this pre-accession phase. However, as this is still too speculative, respective co-financing resources are not included in the budget prognosis below.
- Very low public investments presently dedicated for the agricultural sector have to increase in the future as in key areas (e.g. setting up necessary laboratory facilities, modernisation of water management facilities, etc.) a considerable delay in necessary investments is visible. However, investments must be based on very detailed assessments of the future needs for BiH as a whole and country wide investment plans have to lead the way forward. Estimates are therefore premature and investment figures are also not included in the projection below.

¹⁰⁷ E.g. for a profit-generating investment in a dairy plant the private part could be 50%, the EU part 37,5 % and the contributions of the Candidate Country 12,5%.

Budget planning procedures

- Financial management and planning capacities have to be strengthened. Most institutions have limited or no staff educated in finances. Internal budgeting procedures are not following modern financial standards. Therefore both, an increase in the number of specialised staff educated in financing and budgeting matters as well as targeted training in modern financial management is needed.
- Budgeting procedures need to be sufficiently linked to policies, strategies and activities. Based on these policies, strategies and concrete activity plans as well as on the experience from previous years a long-term activity-based financial plan has to be developed. The budget planning procedure has to be organised bottom-up, i.e. it will require the involvement of all concerned experts. The costs of necessary activities identified by the experts have to be estimated. Throughout the financial year a monitoring mechanism has to continuously assess whether planned activities have been carried out within the budget allocation and whether the objectives/targets of the activities have been met. This procedure will transform budgeting from a passive mechanism restricting the institution to a strategic tool for multi-annual planning and development.
- Multi-annual financial planning is a key requirement especially for the agricultural sector administration as agricultural production is by its very nature a multi-annual undertaking and needs multi-annual security for the planning of inputs, production and marketing. Without multi-annual planning it is e.g. impossible for beneficiaries of support schemes to work out reliable production or investment plans which will result in a limited impact of such support schemes.
- Agricultural budgets which are based on multi-annual financial planning and linked to strategies and activities will become an integrated part of the strategic planning of administrations. They will be less vulnerable to rebalancing exercises in the course of the financial year and they will be much better able to ensure proper and on-time spending of budgeted allocations (e.g. execution of payments for subsidies and other support measures).
- Horizontal and vertical co-ordination of financial planning activities between involved administrations should be implemented. Such coordinated procedures will especially be needed for subsidies and other support schemes in order to avoid distortions in BiH agricultural markets.
- Procedures for more flexible reallocations of budgets for operational costs within individual administrations (e.g. reallocations between Sectors) have to be implemented. The top management should have more freedom to internally reallocate budgets in order to optimize results and execution.
- In order to streamline present procedures with regard to the transfer/subsidy administration and to make them more efficient it is recommended
 - to elaborate subsidy criteria and procedural rules which will be valid for several years;
 - that commitment authorizations entitle Ministries to pay subsidies or other financial support on time even if annual budget approvals are delayed. This is usual in other European countries;
 - to replace present product linked subsidies over the coming years step by step by more differentiated and complex support schemes which include rural development, support payments to set up specialised producer groups, agri-environmental schemes, etc.

Projected budgets 2005 - 2010

A financial projection of the future budgetary allocations for the agricultural administration is provided in the following. The projection is based on these assumptions:

- ✓ A MoARD is established in 2005 and developed according to recommendations in chapter D.3;
- ✓ State Executive Agencies are set up and developed according to recommendations in chapter D.6, i.e. strengthening of the State Veterinary Office and development of the State Plant Health Agency as of 2004, establishment of a State Food Safety Agency in 2005 and a Paying Agency in 2006;
- ✓ Entity MoAs' organisations are developed and especially expert staff is substantially strengthened according to recommendations in chapter D.4 and D.9;
- ✓ Canton and Municipality administrations are strengthened and cantonal extension services developed according to recommendations in chapter D.5;
- ✓ Subsidy/Transfer levels are increased to the level prescribed in recent new legislation (3% of total public budget in FBiH, 4% in RS);
- ✓ Total public budgets are increased by 5% per year¹⁰⁸.

The following prognosis will look at the development of operational costs, transfers/subsidies and capital investments; finally, the total costs for administration of the agricultural sector will be projected for 2005 to 2010. Revenues from the agricultural sector are not projected and included in the calculations below due to the fact that detailed data is not available at all levels of administrations and comparative analysis is not possible. A projection is also difficult due to the fact that the revenue system is under restructuring (introduction of a VAT system) etc. However, as the financial analysis has shown (chapter B.3.1.5) revenues from the agricultural sector are considerable and a developing agricultural sector in BiH will help to cover the additional costs described in the following.

¹⁰⁸ An increase of approximately 5% of total budgets is also projected by the IMF and by the PRSP study.

(i) Projected development of operational costs

Based on the staff projections in D.9 the operational cost will develop as follows¹⁰⁹:

	2004 (actual budgets)	2005	2006	2007	2008	2009	2010
In thousand KM							
STATE							
State MoARD	165	1.110	2.220	2.960	3.515	3.515	3.515
State Veterinary Office	1.497	2.340	2.520	2.610	2.700	2.790	2.790
State Plant Health Agency		1.575	1.800	2.025	2.160	2.295	2.430
State Food Safety Agency		675	900	1.125	1.350	1.350	1.350
Paying Agency			111	370	555	740	1.295
Total State	1.662	5.700 **)	7.551 **)	9.090	10.280	10.690	11.380
RS							
RS Inspectorate		864	864	960	960	1.008	1.008
RS MoA (without Water Directorate)	2.247	1.440	1.680	1.920	2.160	2.208	2.208
6 Regional Offices RS MoA		288	432	576	720	720	720
RS Extension Service Agency		720	960	1.200	1.200	1.200	1.200
RS Selection Service Agency		288	288	-	-	-	-
63 RS Municipalities	3.600	3.600	4.000	4.400	4.600	4.600	4.600
Total RS	5.847	7.200	8.224	9.056	9.640	9.736	9.736
FBiH							
FBiH Inspectorate		252	448	560	560	560	560
FBiH MoA	2.717	2.072	2.240	2.240	2.240	2.240	2.240
FBiH Forestry Institute		252	336	336	336	336	336
Canton Inspectorates		1.913	1.958	2.025	2.025	2.025	2.025
Canton agric. administration (without Canton Forest Administration)	4.484	2.633	2.700	2.813	2.925	2.925	2.925
Canton Agric. Zavods (Extension Services)		900	1.350	1.800	1.800	1.800	1.800
Canton Veterinary zavods		248	248	248	248	248	248
80 FBiH Municipalities	3.150	3.150	3.375	3.375	3.375	3.375	3.375
Total FBiH	10.351	11.419	12.654	13.396	13.509	13.509	13.509
DISTRICT BRCKO							
Agric. Department	1.772	1.558	1.558	1.482	1.482	1.482	1.482
Brcko Inspectorate	418 *)	190	190	190	190	190	190
Total District Brcko	2.190	1.748	1.748	1.672	1.672	1.672	1.672
TOTAL	20.050	26.067	30.177	33.214	35.101	35.607	36.297

*) Estimation based on average operational costs in the Agricultural Department;

**) Not included in 2005: ca. 1,2 Mil KM for setting up new State institutions in 2005 and 2006 (premises, equipment, IT, etc.); for details: see working materials W 3.

In total an increase of the operational costs of around 16 Mil KM over the next 6 years is estimated. At State level the increase is especially high - additional costs of around 10 Mil KM until 2010. However, this is of course due to the fact that presently only a very limited budget is available for the agricultural sector on State level. Additionally, a major part of this increase is a result of decisions already taken (e.g. the transfer of the border inspection control to the State level and the set up of Plant Health and Food Safety Agencies on State level). In both Entities, RS and FBiH, a total increase of around 3 Mil KM is projected for the coming 6 years, distributed between the different levels of administration in both Entities. This additional allocation is needed mainly for the recommended institutional strengthening of the administrations on Entity, Canton and Municipality level.

¹⁰⁹ The following average operational costs (wage bill and material costs) per staff is used for the projections: State MoARD and Paying Agency: 37.000 KM, State Execution Agencies (Veterinary, Plant Health and Food Safety): 45.000 KM, RS Entity level: 24.000 KM, RS Municipalities: 20.000 KM, FBiH Entity level: 28.000 KM, Cantons and FBiH Municipalities: 22.500 KM and Brcko: 38.000 KM. Figures are based on present levels and slightly adjusted according to the future staff qualifications. Inflation and wage increases are not considered.

(ii) Projected development of transfers/subsidies

Entities will have to allocate additional funds for subsidies and other support schemes for the agricultural sector in order to meet their respective legal obligations (i.e. FBiH: 3% of total public budgets, RS: 4%). As a consequence the following additional resources have to be allocated for this purpose (in thousand KM):

Institution	Present budget	Additional budgets to meet legislation	Total budget allocations
FBiH MoA	25.300	9.000	34.300
RS MoA	37.500	5.000	42.500

Adding these additional 14 Mil KM to the present transfer/subsidy budgets on State, Entity and Canton level allocations for transfer/subsidies would rise in 2004 from presently 85 Mil KM to around 100 Mil KM, i.e. to 2,6% of the total public budget instead of the present 2,2%¹¹⁰. However, as it is unrealistic that Entities will increase these transfers already in 2004 to the required level. The projection of the development of transfers/subsidies from 2004-2010 presented below includes therefore the increase of 14 Mil KM per year in both Entities only as of 2005.

The figures below do not include any possible increases of subsidies in District Brcko, in Cantons or Municipalities as they are difficult to estimate. However, the projection includes an assumed increase of total public budgets by 5% per annum and therefore also an equal increase of subsidies/transfers for the agricultural sector. This results in the following dynamic picture in the nominal figures until 2010:

In thousand KM	2004 (actual budgets)	2005	2006	2007	2008	2009	2010
Subsidies/ transfers							
State	-	-	-	-	-	-	-
FBiH	25.300	35.700	37.485	39.359	41.327	43.394	45.563
RS	37.500	44.356	46.574	48.903	51.348	53.915	56.611
Brcko	1.600	1.680	1.764	1.852	1.945	2.042	2.144
Cantons	20.566	21.594	22.674	23.808	24.998	26.248	27.560
RS Municipalities *)	1.500	1.575	1.654	1.736	1.823	1.914	2.010
FBiH Municipalities *)	1.500	1.575	1.654	1.736	1.823	1.914	2.010
Total	87.966	106.481	111.805	117.395	123.264	129.428	135.899

*) Estimations for 2004

Conclusion: Only by complying with present Entity legislation the agricultural sector administration will have considerable sums at hand to support agricultural development and prepare for EU integration! Agricultural administrations have to be prepared to professionally and efficiently spend these public resources!

Projected development of capital investments

The future need for capital investments depends on the speed of EU harmonisation and integration. As already mentioned a number of investment areas (e.g. laboratory facility needs) have to be analysed in detail. There is therefore no solid basis for predicting future capital investments. However, it is clear, that an increase in the relative share of the total agricultural budgets (presently around 3%) is necessary in the future to be able to achieve the urgently needed investments in the agricultural sector.

¹¹⁰ This is still below the recommendation of the PRSP study, which recommends a minimum level of 3% of transfer for the agricultural sector in all budgets (State, Entities and Cantons). To meet this target, additional 15 Mil KM had to be allocated for transfers/subsidies for the agricultural sector!

Development of total budgets 2004-2010

As we have seen in chapter B.3 the agricultural share of the total public budget has increased from 1,7% in 2002 to 2,8% in 2004. This is a considerable step forward. However, this upward trend has to continue to develop the sector as recommended. Taking into consideration

- increases of the operational costs necessary to implement the recommendations of this review (additional costs of 16 Mil KM from 2004 to 2010),
- necessary additional resources to comply with the described legal obligations of Entities with regard to subsidies/transfers (additional 14 Mil KM per year), and
- a growth of total public budgets of around 5% per year

agricultural budgets and the agricultural share in total public budgets will develop as follows:

	2004 (actual budgets)	2005	2006	2007	2008	2009	2010
In thousand KM							
Operational costs and transfers/ subsidies *)							
State	1.662	5.700	7.551	9.090	10.280	10.690	11.380
FBiH	28.017	38.276	40.509	42.495	44.463	46.530	48.699
RS (incl. Water Directorate ¹¹¹)	46.061	54.586	57.759	60.868	64.063	67.110	70.208
Brcko	3.790	3.428	3.512	3.524	3.617	3.714	3.816
Cantons (incl. Forest Administrations ¹¹²)	27.195	29.539	31.294	33.176	34.603	35.983	37.432
Total	106.725	131.529	140.625	149.153	157.025	164.026	171.536
Yearly increase (%)		24%	7%	6%	5%	4%	5%
Total public budget	3.885.550	4.079.828	4.283.819	4.498.010	4.722.910	4.959.056	5.207.009
Agricultural share of total public budget	2,8%	3,2%	3,3%	3,3%	3,3%	3,3%	3,3%

*) not including increases of capital investments¹¹³, as precise data from Municipalities is not available only rough estimations can be made. It is estimated that agriculture budgets in Municipalities will modestly, in RS Municipalities from 5,1 Mil KM in 2004 to 6,6 Mil KM in 2010, in FBiH Municipalities from 4,6 to 5,4 Mil KM.

Conclusion: The implementation of the recommendations presented by this review over the next 6 years will lead to an increase of the share of agricultural budgets in total public budgets from present 2,8% to 3,3% in 2010, i.e. a modest increase of only 0,5%! The agricultural public spending per capita will increase from 18 KM (9 €) in 2004 to 47 KM (24 €) in 2010. This will be an important step forward! However, even these allocations for the agricultural sector in 2010 will still be well below the spending in EU Member States and previous Candidate Countries in 2003 (compare also chapters B.3.1.1 and C):

	BiH 2003	BiH 2010	Slovenia 2003	Austria 2003	Latvia 2003
Per capita spending for the agric. sector (€)	9	24	115	208	43

The recommended strengthening of the agricultural sector and its administrations is therefore not exaggerated. It is a minimum requirement for a successful development of the BiH agricultural sector in general and an efficient and supportive agricultural administration in particular. It is also important for the future BiH successful entry into international organisations such as the WTO.

¹¹¹ RS Water Directorate operational budget (6 Mil KM) included

¹¹² Canton Forest Administrations operational budgets included.

¹¹³ If present capital investments (ca. 3% of total expenditure within the sector) will increase the agricultural share of total budgets will be higher, however, this depends also on the financial sources (budgets or foreign support).

However, remembering that

- EU agricultural and rural development policies account for 40% of EU legislation,
- implementation of these policies needs complex administrative structures and procedures, and
- first pre-accession funds will most probably be in the field of agriculture and rural development and need professional and efficient administration on all administrative levels

it is evident that it is indispensable for future EU integration of BiH to implement the review's recommendations and to provide the necessary human and financial resources for this challenging undertaking! Agricultural and rural development has to get the priority it deserves!

E. ACTION PLAN 2005 - 2010

Action	Objectives / Benefits	Who in charge? Coordination with whom?	Time schedule for implementation	Necessary budgets 2005 - 2010 ¹¹⁴
1. SET UP AND DEVELOPMENT OF A STATE MOARD & STATE EXECUTIVE AGENCIES				
State MoARD	<ul style="list-style-type: none"> Key functions important for sector development and EU harmonization available on State level Agricultural sector sufficiently represented on State level Contact point for EU available 	BiH Council of Ministers	2005: set up of the MoARD with a minimum staff of 30; development to full size with 95 staff by 2008	1,6 - 3,5 Mil KM
State Veterinary Office (SVO)	<ul style="list-style-type: none"> Efficient coordination and guidance of BiH veterinary, plant health and food safety in line with EU requirements 	BiH Council of Ministers	2005: Transfer of SVO and PHA to MoARD; set up of FSA; transfer of border inspectors to State level accomplished;	5,3 - 7,9 Mil KM
State Plant Health Agency (PHA)	<ul style="list-style-type: none"> Professional and efficient border inspections 		2006: Set up of PA; increase of staff in State Executive Agencies from 102 (2005) to 181 (2010)	
State Food Safety Agency (FSA)	<ul style="list-style-type: none"> Institutional capacities available to absorb EU pre-accession programs 			
State Paying Agency (PA)				
2. ADOPTION OF A STATE LAW ON AGRIBUSINESS AND RURAL DEVELOPMENT				
	<ul style="list-style-type: none"> Clarified & efficient coordination procedures and allocation of key functions Necessary institutional capacities defined Standardized definitions for agricultural sector available 	BiH Council of Ministers in cooperation with Entities, Cantons/Municipalities and sector associations	1 st half of 2005: Draft law discussions; decision of CoM by mid 2005; 2 nd half 2005: Parliamentary debate and endorsement on State and Entity level	No special costs

¹¹⁴ Compare with projected development of operational costs in chapter D.10.

3. DEVELOPMENT OF INSTITUTIONAL CAPACITIES IN RS				
Restructuring of RS MoA into recommended organisational structure and staffing with experts	<ul style="list-style-type: none"> Institutional capacities available in RS to efficiently support agricultural development and EU harmonization 	RS Government and RS MoA	<p>2005: recommended organizational structure implemented;</p> <p>2005 - 2008: full staffing of 92 (without inspectors);</p> <p>2005 - 2007: gradual move of major parts of RS MoA from Bijeljina to Banja Luka</p>	1,4 - 2,2 Mil KM (without inspectors)
Formalisation and strengthening of 6 Regional Offices of RS MoA	<ul style="list-style-type: none"> Administrative and support services close to client optimized Coordination with RS Municipalities optimized 	RS MoA and RS Government	<p>2005: Regional Offices formalized;</p> <p>2005-2008: staffing to full size of 30 staff</p>	0,3 - 0,7 Mil KM
Strengthening of RS Extension Service Agency	<ul style="list-style-type: none"> Professional extension services available throughout RS which support EU compatible measures for agricultural and rural development 	RS MoA and RS Government	2005 - 2007: staffing to full size of 50 staff	0,7 - 1,2 Mil KM
Set up and development of RS Inspectorate including inspectors for the agricultural sector	<ul style="list-style-type: none"> Efficient and independent inspection services available which are not mixed with administrative and support functions 	RS Government and RS MoA	2005: set up of RS Inspectorate and transfer of inspectors from RS MoA to RS Inspectorate	0,9 - 1,0 Mil KM (only for agric. sector inspectors)
Strengthening of support capacities of less favoured RS Municipalities	<ul style="list-style-type: none"> RS Municipalities are able to actively support and advice farmers and other rural population 	RS Municipalities and RS Government	2005 - 2008: increase to at least 2 agric. officers in each Municipality (especially in disfavoured ones)	3,6 - 4,6 Mil KM

4. DEVELOPMENT OF INSTITUTIONAL CAPACITIES IN FBIH				
Restructuring of FBIH MoA into recommended organisational structure and staffing with experts	<ul style="list-style-type: none"> Institutional capacities available in FBIH to efficiently support agricultural development and EU harmonization 	FBIH Government and FBIH MoA	2005: recommended organizational structure implemented; 2005 - 2006: full staffing of 92 (without inspectors)	2,3 - 2,6 Mil KM (without inspectors)
Development of efficient and obligatory communication and coordination mechanisms between Cantons & Municipalities	<ul style="list-style-type: none"> FBIH legislation and policies respond better to Canton & Municipality needs, especially with regard to support measures FBIH MoA provides valuable coordination services & information for Cantons & Municipalities 	FBIH MoA in cooperation with Cantons & Municipalities	1 st half of 2005: discussions on communication and coordination mechanisms; 2 nd half of 2005: formal agreements on obligatory mechanisms	Cost can not be specified, but additional IT facilities will be needed to connect administrations
Strengthening of Canton administrations and development of cantonal extension services	<ul style="list-style-type: none"> Efficient and professional services on Canton level Professional extension services available in all Cantons which support EU compatible measures for agricultural and rural development 	Canton Governments and Cantonal agricultural administrations	2005 - 2008: strengthening of selected Cantons by additional ca. 21 administrative staff; 2005 - 2007: development of Canton extension services with a total of 80 staff	Canton administrations: 2,6 - 2,9 Mil KM; Cantonal extension services: 0,9 - 1,8 Mil KM
Set up and development of a FBIH Inspectorate and Canton Inspectorates including inspectors for the agricultural sector	<ul style="list-style-type: none"> Efficient and independent inspection services available which are not mixed with administrative and support functions 	FBIH Government and FBIH MoA, Canton Governments	2005: set up of FBIH and Canton Inspectorates; transfer of inspectors from FBIH MoA and Canton agricultural administrations to Inspectorates	FBIH Inspectorate: 0,3 - 0,6 Mil KM; Canton Inspectorates: 1,9 - 2,0 Mil KM (only inspectors for agric. sector)
Strengthening of support capacities of less favoured FBIH Municipalities	<ul style="list-style-type: none"> FBIH Municipalities are able to actively support and advice farmers and other rural population 	FBIH Municipalities, Cantons FBIH Government	2005 - 2006: increase to at least 3 agric. officers in each Municipality (especially in disfavoured ones)	3,1 - 3,4 Mil KM
5. DEVELOPMENT OF THE DISTRICT BRCKO DEPARTMENT				
Restructuring into recommended organisational structure	<ul style="list-style-type: none"> Institutional capacities available in District Brcko to efficiently support agricultural development and EU harmonization 	District Brcko and Department	2005 - 2007: Reorganise the Department as recommended; reduction of staff to 39	1,6 - 1,5 Mil KM

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