

EXECUTIVE SUMMARY

The agriculture sector of the Federation of Bosnia and Herzegovina (FBiH) is now recovering steadily from the effects of war. Economic and political stability form the base of this recovery, together with the reconstruction programme supported by the international community. The challenge now is to obtain sustainable growth in agriculture production, productivity and competitiveness. Together with the Ministry of Agriculture, Water Management and Forestry, FAO has responded to this challenge by formulating a medium-term strategy for agriculture sector development.

The *global objective* of the strategy addresses the basic constraints to sector development, and reflects the Federation's aim to develop a market-oriented economy.

To increase agricultural output through measures which improve the efficiency, profitability and competitiveness of production, processing and marketing; to promote rural development and increase the opportunities for non-farm rural employment; to optimize land use and preserve the natural resource base; to strengthen agriculture sector institutions; and through these measures to achieve sustainable agriculture sector development.

A further set of *supplementary objectives* address the major consequences of war:

- To further the reconstruction process;
- To support the resettlement of refugees and displaced persons in rural areas;
- To strengthen economic relations and cooperation with the Republika Srpska.

To focus and structure the strategy, these objectives will be applied to six areas of action: the efficiency and profitability of agriculture production, the marketing and processing of agricultural products, rural development, land use and natural resource management, agriculture policy and institutions, and inter-entity trade and cooperation.

These areas of action are linked by the following common themes:

- (1) The importance of small and large-scale commercial farmers as the group most likely to adopt improved management practices, and to obtain significant increases in agriculture production and marketed surplus;
- (2) The widespread establishment of producer associations to facilitate the dissemination and adoption of new technology, reduce the diseconomies of small, fragmented farms, and to link producers to market outlets;
- (3) The need to increase rural non-farm employment as the basis for improving the welfare of rural households and strengthening rural communities;
- (4) A significant allocation of resources to support the development of competitive agro-processing and agri-business enterprises and to strengthen marketing institutions;
- (5) Definition of the role of central and local government and the responsibilities of public and private institutions, support for the development of public and private institutions, and the decentralization of public institutions and associated responsibilities.

Continued strong support from the donor community will be essential for strategy implementation, especially in the areas of institutional development and support for private investment. The total cost of sector recovery and development far exceeds donor capacity however. Given the limited resources of government, the consequent reality is that most of this cost will inevitably be borne by rural people. For this reason the strategy places considerable emphasis on measures to increase farm and non-farm incomes and to stimulate farm investment.