



Problems in Rural Areas of Bosnia, Montenegro and Serbia: A Comparative Analysis

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Abstract: Bosnia, Montenegro, and Serbia (BMS) are in a phase of consolidation, which implies rising of economic growth, agricultural productivity, and fostering rural development. Therefore, it is crucial to have a clear idea about problems faced by rural population in order to design effective rural development policies. The paper aims at highlighting the main problems in rural areas of BMS with a particular focus on those hampering good governance and increased diversification of their rural economies. For each country, significance of the problems was identified; and a critical analysis was performed to highlight causes, implications in terms of rural governance and policy, and potential solutions. Problems were identified in the framework of surveys dealing with agricultural and rural development governance that involved representatives of public, civil society, and international organizations: 120 in Bosnia (winter 2011), 50 in Montenegro (winter 2012), and 120 in Serbia (summer 2013). Economic problems include difficult access to financial resources, low level of investments, rural economy diversification, limited employment opportunities, small and uncompetitive farms, and rural enterprises. Remoteness and isolation, bad local natural resources management, and increased pollutions were the main environmental and geographic problems mentioned by the interviewees. Socio-cultural and demographic problems encompass rural poverty, low quality of life, gender inequity, low human capital of the rural population, unpopularity of agriculture and alarming negative demographic trends. Focus of local development strategies mainly on agriculture and lack of local spatial plans are some of the political and regulatory problems. There are also problems related to the poor physical infrastructure and services, and lack of processing facilities and local markets. For smooth accession to the European Union (EU), BMS should address these problems urgently in a systemic and holistic way to unlock the growth potential of rural areas, taking stock of the current EU's rural development policy.

Keywords rural areas, agriculture, problems, Bosnia, Montenegro, Serbia

INTRODUCTION

The three countries of the Western Balkan (WB), namely Bosnia, Montenegro and Serbia (BMS), are in a phase of consolidation, which implies rising of economic growth, agricultural productivity, and fostering rural development. Therefore, it is crucial to have a clear idea about problems faced by rural population in order to design effective rural development policies.

Around 61% of the Bosnian population can be classified as rural (UNDP, 2013). The share of Montenegrin population living in the countryside accounts for 38% of the total population (Arcotrass-consortium, 2006). Approximately 43% of the Serbian population lives in rural areas (RDNS, 2010). The rural areas of BMS lag behind in terms of socio-economic development and still face many problems such as low quality of life and limited employment opportunities. In such context, agriculture plays an important socio-economic role for employment and poverty reduction. Moreover, since a large share of population lives in rural areas, there can be no balanced development of BMS without devoting more attention to rural population and combating rural poverty. For the development of agriculture and rural areas, evidence from other countries such as those of the EU, show that agriculture is not sufficient to ensure the sustainable development of rural areas. It is the core reason why rural economy should be diversified (OECD, 2006). Participation of local actors in rural development processes is particularly important; especially there is a transition to adopt people-centred approaches and policies. It is clear nowadays that achieving sustainable and inclusive development of rural areas means long-term effective and efficient policy measures. It is important that these policy measures and instruments have real impact on rural population livelihood and quality of life. Hereinafter, they should create an enable environment for investments, improve household assets, and service delivery in rural areas.

The paper aims at highlighting the main problems in rural areas of BMS with a particular focus on those hampering good governance and increased diversification of the rural economy.

METHODOLOGY

The applied methodology comprised both primary and secondary sources of information. Many literature sources were consulted and primary data were collected by a questionnaire survey that was sent via email to different key stakeholders in BMS.

BMS share similar traditional, cultural, and historical background as ex-republics of the former Yugoslavia. The spoken language is the same, which made easier communication for online questionnaire dissemination and the overall survey. Problems were identified in the framework of surveys dealing with agricultural and rural development (ARD) governance that involved representatives of public, civil society, and international organizations; 120 in Bosnia (winter 2011), 50 in Montenegro (winter 2012) and 120 in Serbia (summer 2013). Unit of data collection was individuals, one representative per eligible organisation, while unit of data analysis was organizations. Only institutions that are involved in ARD were considered in the surveys. The selection of eligible institutions was mainly based on internet search and literature review as well as authors' personal and professional networks. Questions were open ended to say that no list of problems was previously prepared and respondents were left at their own to identify problems. The questionnaire was pre-tested in all target countries with representatives of public, civil society, and private sector. Feedback gained was useful for making improvements, especially in terms of used terminology and question wordings. For each country, the significance of each identified problem was identified and a critical analysis was performed to highlight causes, implications in terms of rural governance and policy, and potential solutions.

RESULTS AND DISCUSSION

Problems in rural areas mentioned by the respondents can be divided in several categories: economic problems; environmental and geographic problems; institutional, political and regulatory

problems; social, demographic and cultural problems; and infrastructure- and service-related problems (Table 1).

Table 1 Major problems in rural areas of Bosnia, Montenegro and Serbia

IDENTIFIED PROBLEM	COUNTRY		
	BO	MO	SE
<i>Economic problems</i>			
Lack of financial resources and of investments	A	A	A
Lack of labour force and undeveloped rural labour market	C		C
Low level of SMEs and new businesses development	B	C	B
Limited use of machinery		C	
Extensive agriculture	B		B
Difficult access to credit due to lack of collateral		C	
Limited employment opportunities	A	A	A
Low prices of agricultural products	B		C
Difficult procurement of agricultural inputs and high costs	C	C	
Low productivity and low remuneration for workers	C	C	
Undeveloped rural tourism	C		
No added value to agricultural products	C	C	
Low level of rural economy diversification and high dependence on the agricultural sector	C		C
Obsolete farm machinery and equipment	B		B
Small and uncompetitive farms	A	B	B
<i>Environmental and geographic problems</i>			
Long distance to urban areas	C	A	
Bad management of local resources and increased pollution due to uncontrolled use of chemicals			C
Insufficient development of organic production		C	
Unused natural resources	C	C	
Mined agricultural land from the war	C		
Limited arable land		C	
<i>Institutional, political and regulatory problems</i>			
Non-stimulating tax policy and existence of “grey economy”	C	C	
Local strategies mainly focus on agriculture activities	A	B	A
Small and irregular economic incentives	C	C	C
Lack of spatial plans at the local level	B	B	B
<i>Social, demographic and cultural problems</i>			
Rural poverty	A	A	A
Low quality of life	A	A	A
Lack of qualified human resources	A	A	A
Lack of knowledge and information	A	A	A
Low educational level and use of ICT	A	A	A
Lack of vision, initiatives and willingness			C
Lack of training activities for farmers		C	
Use of traditional methods and technologies	B		B
Poor social and cultural life	C		C
Disorganization of farmers	B		C
Gender inequity	C	C	C
Lack of cooperation between producers and scientists	C	C	
Disappearance of common interest and emerging individualistic mentality of rural population			C
Unpopularity of agriculture	A	B	B
Obsolete educational and cultural facilities	C		
Territorial dispersion of rural settlements and low density	C	C	
Prejudices of youngsters about staying in the countryside	A	B	B
Negative demographic trends (low birth rate, depopulation, migration, ageing, single men, etc.)	A	A	A
<i>Infrastructure- and service-related problems</i>			
Difficult access to rural areas (<i>i.e.</i> bad roads)	B		C
Poor physical infrastructure and communal services (<i>e.g.</i> sewage, garbage, ambulance, transport, etc.)	A	A	A
Lack of processing capacities, equipment and resources	B		B
Lack of tourist accommodation facilities and services	A	A	A
Instability of electrical power supply		C	
Lack of collection centres for rural products	B		C
Lack of local markets	A	C	C

Source Authors' elaboration based on survey results. Legend: BO=Bosnia; MO=Montenegro; SE=Serbia; A=Significant (problems mentioned by >50% of respondents); B=Average (25-50%); C=Poor (>25%).

Economic Problems

Lack of financial resources is one of the main indicators used for assessing poverty. This problem is more expressed in those rural areas in which employment opportunities are limited and where many people suffered due to loss of jobs. This is particularly true in the Bosnian case where many companies were totally devastated or partially during the civil war. However, overall unstable political and economic situation in whole WB also negatively affected the quality of life in the rural areas of Montenegro and Serbia. In addition, the lack of financial resources is connected to *difficult access to credits due to lack of collaterals*. Therefore, rural population hardly has access to credits and does not have savings that allow to live with dignity and to make investments for future. Financing agriculture and agribusiness has always been difficult due to the risky nature of the business. Traditional forms of collateral are often not available, and not acceptable when they are available. Thus, limiting access needs funding for the sector (Winn et al., 2009).

Rural economy diversification is still a challenge in many rural areas of BMS, both in terms of off-farm and non-farm income-generating activities. Despite its declining gross value added, agriculture continues to have an important influence on the rural economies of these countries. Farm activities diversification in BMS is hampered by the lack of financial resources, willingness, initiatives, and knowledge and skills of rural households to start new endeavours. Diversification endeavours can allow, among others, to add value to products through some on-farm processing and packaging activities, as well as to make products widely recognized by developing products with geographic indications and regional quality labels. Rural economy is still highly dependent on agricultural sector, not only because of reluctance and resistance of rural households to start new activities in the non-farm sector but also the focus of national rural development strategies and local development plans on agriculture.

As for *small fragmented uncompetitive farms*, there is lack of farmers' organization, which is coupled with the dispersed farm settlements, hinders the participation of farmers in ARD. This hinders also the supply of extension services, farm credit, and other vital inputs to farmers and infrastructure. All these factors negatively impact competitiveness of single farms but also the overall agricultural sector of whole countries.

Environmental and Geographic Problems

Long distance to urban areas is often mentioned especially in Montenegro. This is related to uneven regional development and lack of urban nuclei that aggregate economic activities near to rural areas. This problem is further aggravated by poor road infrastructure, which makes mobility more difficult. Another problem is *bad management of local resources and increased pollution due to uncontrolled use of chemicals*. The excessive exploitation of forests and the irrational use of land caused a change in land use structure (Nyssen et al., 2014), and the quality of vegetation cover. In these cases, it is necessary to adopt conservation agriculture techniques and practices. Bosnian agriculture is rather traditional and the use of chemicals is low (Stanojčić-Eminagić, 2010). Fertilizers and chemicals application should be under control especially in Serbia (*cf.* Vojvodina).

Although many scholars and practitioners highlight the potential of *organic agriculture* as a sustainable development opportunity for the developing and transition countries, it is still at the early developmental stage in BMS. In fact, less than 0.01% of the products consumed in Serbia is organic (GAIN, 2009), while in Bosnia organic area represents less than 0.1% of the total agricultural area (Driouech et al., 2013). The main obstacles for organic production development in BMS region are the lack of adequate government support (Vittuari, 2011), the undeveloped market, the small range of organic products, and the underdeveloped processing infrastructure.

Unused natural resources and mined agricultural land is mainly a legacy of the civil war in Bosnia that compelled many people to migrate from rural areas. *Limited arable land* in Montenegro is predominantly due to geomorphology as quite a large part of the country is mountainous and karst.

Institutional, Political and Regulatory Problems

The main problem is lack of a stable ARD policy. ARD policy-making in the WB region in general and in BMS in particular has often been dictated by ad-hoc considerations. Agricultural policy is still mostly implemented based on annual programs of budget allocation, which are not stable in terms of funds, support measures, and eligibility criteria. Rural development policy is generally subordinate to production support. Funds aimed at supporting rural development are much lower (Volk, 2010). One characteristic specific to Bosnia is state administration complexity, which complicates the implementation of its agricultural policy. Montenegro has already undergone major changes in the process of reforming agricultural policy but many challenges remain (Marković and Marković, 2010). In Serbia, the implementation of agricultural policy has been permanently changing. Programs and regulations were changed and/or abolished several times during the year. The agricultural policy in Serbia is only partly designed on a strategic basis. In recent years, it has been characterized by the increasing estrangement from the EU model of support. Frequent changes in administrative structures bring radical changes in the support system (Bogdanov and Božić, 2010).

Social, Demographic and Cultural Problems

Rural poverty is a serious problem faced in many rural areas in BMS. Poverty is a complicated issue that is influenced by endowments and capital of rural households; and also by general social environment, especially in terms of presence or absence of social programs and safety nets.

Gender inequity is still an issue in the rural areas in BMS. This should be broadly understood not only in terms of equity between men and women but also in terms of different socio-economic and ethnic groups. Female rural population has very limited participation in the decision-making processes (FAO-Bosnia, 2012). The truth is also regarding their share in the most important positions within ministries and other public institutions. Rural youth are also among the most disadvantage groups. They sometimes have limited access to educational programmes. Very often, rural young women are not given the same opportunities comparing with young men. Young people are not enough involved in rural policy cycle. Unfavourable environment “push” youngsters to migrate and rural areas remain without human capital and cannot achieve development. Youth’s knowledge and skills are of vital importance for the implementation of sustainable ARD programmes (FAO, 1991).

Prejudices of youngsters about staying in the countryside and unpopularity of agriculture are related to their mind-sets. The education that they receive in rural areas is very often urban oriented and makes them believe that their future perspectives will be better in the urban areas. Living in cities is perceived as prestigious and fashionable especially in *rural mentality*; and it can happen that rural people, especially the young, prefer to move even when they find less paid jobs in comparison with the ones they can get in rural areas. Bad services quality influences *negative demographic trends* in rural areas because it fosters out-migration. In addition, poor services are among the consequences for intensified urban drift.

As for the *use of traditional technologies*, despite effort made for modernizing the agricultural sector in the three countries, agriculture is still mainly traditional except in some fertile areas such as Vojvodina (Serbia) and Semberija (Bosnia). In fact, the use of traditional methods and techniques calls into question about the efficiency of agricultural extension services. Most of farm managers are old and not open to modern technologies. Difficult access to plots makes mechanization difficult. Agricultural production is predominantly in the hands of a multitude of small-scale and unorganized farmers. State level interventions are needed to address the issue of land fragmentation through land consolidation.

Infrastructure and Service Problems

Dispersion of rural settlements is a big problem as it influences the availability and quality of a range of services. Adequate access of all rural people to services and structures (including infrastructure) necessary to engage in diversification endeavours is far from optimal. It has to be linked to costs related to service provision in rural areas especially in times of financial and economic crisis. Low population density in rural areas exponentially increases the cost of services delivery per rural citizen. Even when some services exist in small rural communities, they are very often of lower quality with respect to urban centres. However, the quality of rural services and the performance of service delivery structures are a problem in most of rural areas in BMS, especially in remote rural areas.

What is alarming is the general observation that the situation is getting worse regarding human capital in the rural areas of BMS because of the out-migration of its well-educated youth. This undermines one of the most important endogenous assets and resources that can speed up the diversification journey. In fact, it is well-known that non-farm activities require a range of new managerial and soft skills. This highlights the importance of the role of extension and advisory services as well as of other institutions and international development agencies dealing with capacity building, business skills development, and human capital strengthening in rural areas. These actors should work together and coordinate their activities in order to address this challenge.

CONCLUSION

It is essential to analyse the problems in the rural areas as these not only influence the impact of policies but also the different phases of the policy cycle. Appropriate diagnosis of problems is crucial for designing effective ARD strategies and policies. One of the common problems faced in rural areas of BMS is related to low human capital. This has implications in terms of policy implementation as well as policy monitoring and evaluation. For implementation phase, it is necessary to have at disposal competent and endogenous human capital with high education level. Furthermore, skills and education level influences quality of data that are collected on the field which directly impacts evaluation. Sustainable development of rural areas cannot be based only on agriculture, as rural economies should also be diversified. In general, rural regions face many problems that reduce the critical mass needed for effective public services, infrastructure, and business development. Rural enterprises face many disadvantages compared to urban-based counterparts due to small size of local markets, sparse distribution of potential customers in rural areas, and more difficult access to credits. Better coordination and governance of ARD can help solving most of the identified problems.

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