



How do farmers respond to rural development policy challenges? Evidence from Macedonia, Serbia and Bosnia and Herzegovina



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ABSTRACT

Rural development policy reforms and necessary institutional adjustments are of particular importance in overcoming the transitional challenges for the Western Balkan countries, whose economies are highly dependent on agriculture. The complex rural development context in these countries triggers the need for better understanding and explaining of the factors influencing the use of rural development policy funds. The research aim is to identify how the behavioural determinants and some socio-economic characteristics influence farmers' intention to apply for rural development support (RDS). The analytical framework is based on the theory of planned behaviour and structural equation modelling by using farm survey data collected in Macedonia, Serbia and Bosnia and Herzegovina in 2014. The results suggest that the success of RDS depends on farmers' underlying psychological constructs. The intention to use RDS funds is stronger with farmers with positive attitudes (in all three countries), support from the social environment (in Serbia and Bosnia and Herzegovina) and higher perceived behavioural control (in Bosnia and Herzegovina and Macedonia). Prior experience with applying for RDS funds has positive effects on forming farmers' intention to apply for RDS, while the influence of age, education and perceived farm profitability on the behavioural determinants is less pronounced. Investigating the farmer's behaviour in these Western Balkan countries provides novel insights that could be used for related policy strategies.

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1. Introduction

The success in overcoming transitional challenges to a large extent depends on the dynamics and continuity of institutional reforms and the adjustment of the economic policy to ensure improved competitiveness, by accelerating structural reforms and growth of investments (Fischer and Gelb, 1991; Voigt and Engerer, 2002; Koester and Brümmer, 2006; Anderson et al., 2013). For the countries whose economies are highly dependent on agriculture, institutional adjustments and agricultural and rural development policy reforms are of particular importance. From a conceptual perspective, the transition implies a switch from policy emphasis on

agricultural productivity (productivism) to more complex and multidimensional objectives related to the wider rural development issues (post-productivism) (Evans et al., 2002; Wilson and Rigg, 2003; Rozelle and Swinnen, 2009; Möllers and Buchenrieder, 2011). Hence, reforms of agricultural policies in transitional countries are effectuated in several dimensions: (i) moving away of productivist objectives; (ii) neoliberal philosophy of trade regulation (Cocklin et al., 2006); and (iii) new patterns of governance and interaction between state, market and civil society (Renting and Van der Ploeg, 2001; Gereffi, 2005).

The transition process in Macedonia, Serbia and Bosnia and Herzegovina, three countries located in the region of the Western Balkans, began after the end of the armed conflicts early 2000s, and has continued with ups and downs, both in terms of institutional and economic reforms, and progress in EU integration. The agricultural policy reforms at the beginning of the transition period were aimed at reducing distributive effects of trade liberalisation and market deregulation, with low priority given to the structural

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adjustments in the agri-food sector and rural areas. Similar scenarios of reforming agricultural policy occurred in Central and Eastern European countries in the first transition years (Csáki, 2000; Rozelle and Swinnen, 2004; Csáki et al., 2006), but in most cases were overcome in the next phase of transition, in parallel with their accession to the EU. For those countries, rural issues entered the scene later in the EU integration process, being closely tied to the availability of European funds for pre-accession assistance, when both policy decision makers and farmers accustomed to the previous policy regimes faced insufficient capacity to deal effectively with the emerging challenges.

In recent years, Macedonia, Serbia and Bosnia and Herzegovina have been committed to reforms and necessary policy adjustments for EU accession, focusing more on the rural development support (RDS). Based on experience from previous EU enlargements (Nemes, 2004; Möllers and Buchenrieder, 2011; Csáki and Jámbor, 2013), it is expected that the principles of rural policy and its operational framework (participation, networks, partnerships etc.), and the rules governing the support for rural development (co-financing, compliance with the minimum standards provided, preparing business plans, etc.) can become a great obstacle for both parties concerned – policy decision-makers and farmers. At this relatively early stage of implementation of the rural development policy, policy decision makers lack awareness about its benefits and experience in conceptualizing policy objectives and mechanisms of support, whereas farmers lack managerial knowledge and skills to meet the necessary requirements (Hubbard and Gorton, 2011).

In the existing literature, the general institutional and agricultural policy aspects of the transition process of Western Balkan countries are already addressed by social scientists, but the structural changes in agriculture and rural areas are insufficiently highlighted from the academic angle by national researchers (Čerňič Istenič, 2014). After two decades of transition, there are no systematic comparative studies dealing with the complex and multidimensional changes in rural areas and livelihood patterns of rural population. This gap in context of Macedonia, Serbia and Bosnia and Herzegovina triggers the need for better understanding and explaining of the factors influencing farmers' response to the challenges imposed by the new policy framework. Such understanding will contribute to the enhancement of knowledge on farmers' perceptions of RDS as a key factor for successful implementation of the transitional rural development policy and in support of the policy design process.

In this paper, our aim is to identify how the three key behavioural determinants (attitude, subjective norms and perceived control) influence farmer's intention to apply for rural development support (RDS). We focus on the potential beneficiaries of the rural development policy i.e. the farmers' community, as they constitute the core of rural areas. We assume that farmers' beliefs, what they think and know about RD policy, what encouragement they have and what information and confidence they exhibit, affect their motivation to restructure and modernize their holdings. In line with the theory of planned behaviour (Ajzen, 1991) as a conceptual framework, we expect that strong attitudes, support from the close environment and perceived controls will positively influence the farmers' willingness to use RDS. Also, we assume that some additional background socio-economic characteristics, such as age, education level, perceived profitability, subsidy dependence, as well as past behaviour, have some direct or indirect influence on farmers' behaviour and that better understanding of those may also eventually point to ways of increasing the use of RDS and ultimately better selection and targeting of policy measures.

The analysis is based on multivariate statistics and structural equation modelling by using farmers' opinion collected with a survey on 895 farms in Macedonia, Serbia and Bosnia and Herzegovina in the period of November–December 2014. So far, to our knowl-

edge, such an approach has not been applied in understanding the farming population and the use of rural development programmes, especially not in (post)transition economies striving to adapt to the EU Common Agricultural Policy (CAP).

The three selected countries have similarities arising from the same historical background (former republics of Yugoslavia), but also differences in institutional and policy settings due to different priorities and pace of their policy reforms and progress towards the EU. We opted for the parallel analysis in these three countries to compare whether and to what extent the differences in institutional settings are affecting the behaviour of farmers toward rural policy.

In the introduction we further highlight the agriculture and rural development setting in the three Western Balkan countries and the conceptual framework of this study. The data collection and method are explained in the next section. Afterwards we present the results of the empirical research and the constructed structural equation models of farmers' behaviour towards RDS. In the last section, we discuss the results and provide concluding remarks.

1.1. Agriculture and rural development setting

Regardless of the abundant natural resources, rich biodiversity and favourable conditions for agriculture, the agricultural sectors and rural areas in Macedonia, Serbia and Bosnia and Herzegovina are faced with numerous challenges: slow progress of structural reforms, low competitiveness, technological backwardness and intense depopulation (Bogdanov et al., 2015). Common characteristics of the three countries are smallholder agriculture, with low productivity and inefficient use of production factors. The small scale and fragmented nature of private farming is dominant, in some regions even in a form of subsistence farming, lacking the resources for economically viable production (the average farm size ranges from 1.9 ha in Macedonia to 5.4 ha in Serbia, which is considerably less than EU-27 average of 14.5 ha (Volk et al., 2014)). However, the pace of overall structural reforms in the rest of the economy has been slow, causing the high share of agriculture, forestry, and fishing in the total gross value added (from approximately 8% in Bosnia and Herzegovina to almost 10% for Macedonia and Serbia), and employment (from 17% of the total employment in Macedonia to 21% in Serbia and 22% in Bosnia and Herzegovina) (WBD, 2015). Currently, the rural areas in all three countries are characterized with very low economic activity out of agriculture, lack of wage-employment opportunities, high poverty rates, as well as population decline and migration trends.

The agricultural policy development in Macedonia, Serbia and Bosnia and Herzegovina during the transition period has been influenced by political instability followed by frequent changes in governmental structures, market liberalisation, budgetary constraints, influence of lobby groups and global agricultural market volatility. In such a setting, the priorities and mechanisms of agricultural policy are selected *ad hoc*, in a pragmatic manner, driven largely by the need to accelerate agricultural productivity growth (Volk et al., 2014).

The process of EU integration is a key challenge for all three countries. Macedonia was granted EU candidate status in 2005; Serbia opened the first chapters in its EU membership negotiations in 2015; while Bosnia and Herzegovina is a potential candidate country (submitted application in 2016). All three countries made progress in adjusting their agricultural policy to the CAP by adopting strategic and programming documents and setting policy objectives and priorities aligned with the EU countries. However, the countries differ in regard to their national rural development policies and the Instrument for Pre-accession Assistance for Rural Development (IPARD). Macedonia has a more stable national rural development policy and an access to IPARD funds, although with a

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