

RURAL DEVELOPMENT IN BOSNIA AND HERZEGOVINA: MYTH AND REALITY



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Sarajevo


The unspoken assumptions of rural development:

Every country can be divided into two sets of areas, urban and rural, where rural areas are significantly different from urban, are in many ways disadvantaged, at risk of depopulation, and so deserve public support.




*Agriculture is seen as a key feature of rural areas,
so support measures are frequently targeted at farmers and food processing.*

*How well do these assumptions fit Bosnia and Herzegovina?
Are they myths or reality?*



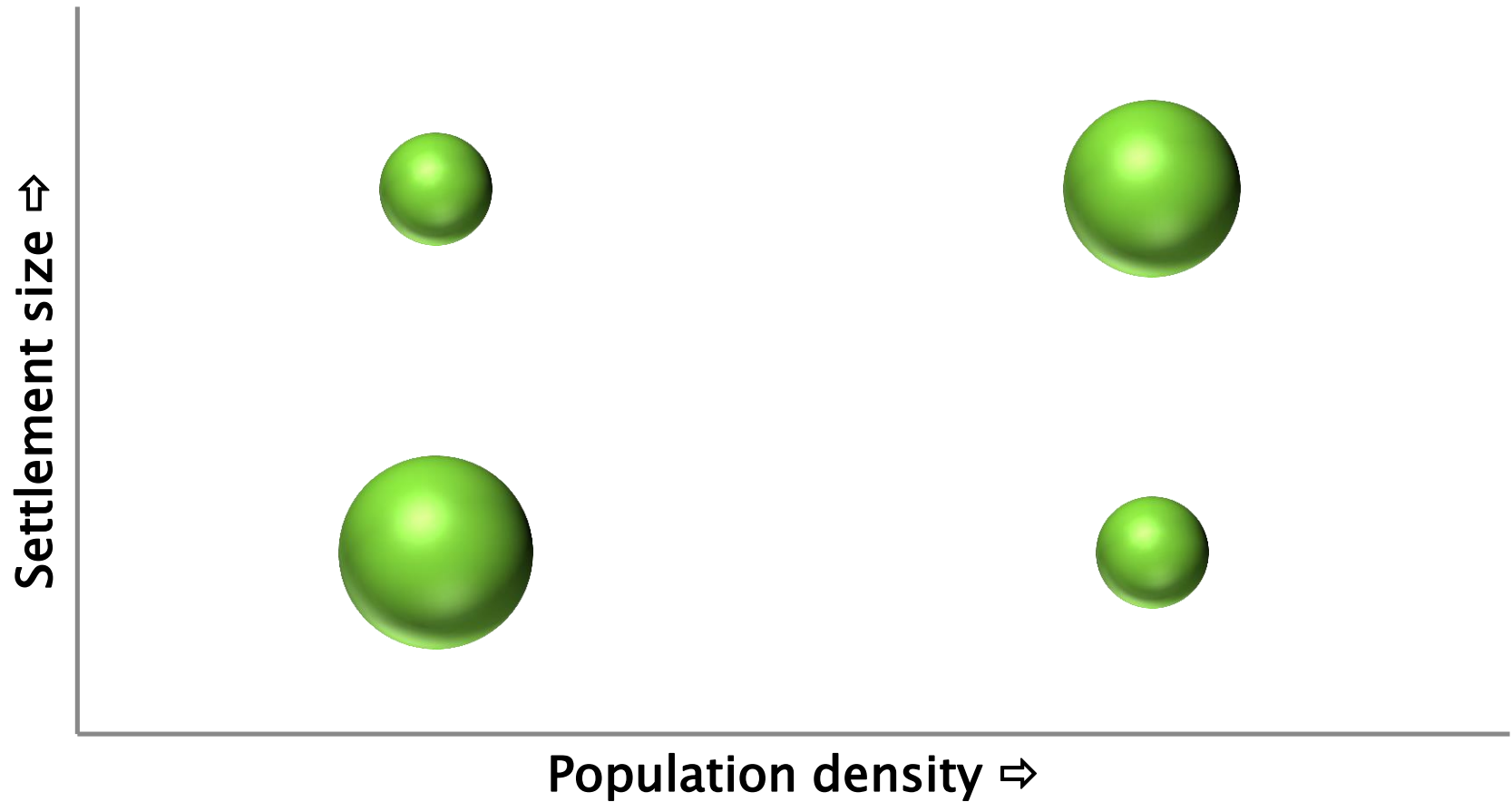
Presentation structure

1. *What do we mean by rural?*
 2. *Are rural areas really different and disadvantaged?*
 3. *How important is agriculture?*
 4. *What will benefit rural areas?*
 5. Recommendations: *What steps should we take?*
- 


1 : What do we mean by
“rural”?



The two dimensions of rurality



1. Defining rurality – Conclusions

- 1) No single rural–urban definition will work for all purposes, as rurality is multi-dimensional
 - 2) BiH should develop a rural typology that works here (as most MSs have done)
 - 3) RD measures must make clear which “rural” population they are targeting
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- ▶ This report makes clear which definition is used for each dataset:
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Principal data sources used & their definitions of “rural”

- ▶ International statistics from World Bank, FAO, Eurostat (country level)
 - ▶ BiH statistics at state, entity & municipality level (area basis)
 - ▶ Household Budget Survey 2007 (settlement basis)
 - ▶ UNDP *Rural Household Survey* (RHS) 2012 (settlement basis)
 - ▶ UNICEF *Multi-Indicator Cluster Survey* (MICS) 2007; 2011–12 (settlement basis)
 - ▶ UNDP *Social Capital* report 2009 (settlement basis)
 - ▶ UNDP *Social Inclusion* report 2007 (settlement basis)
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2: Are rural areas really different and disadvantaged?



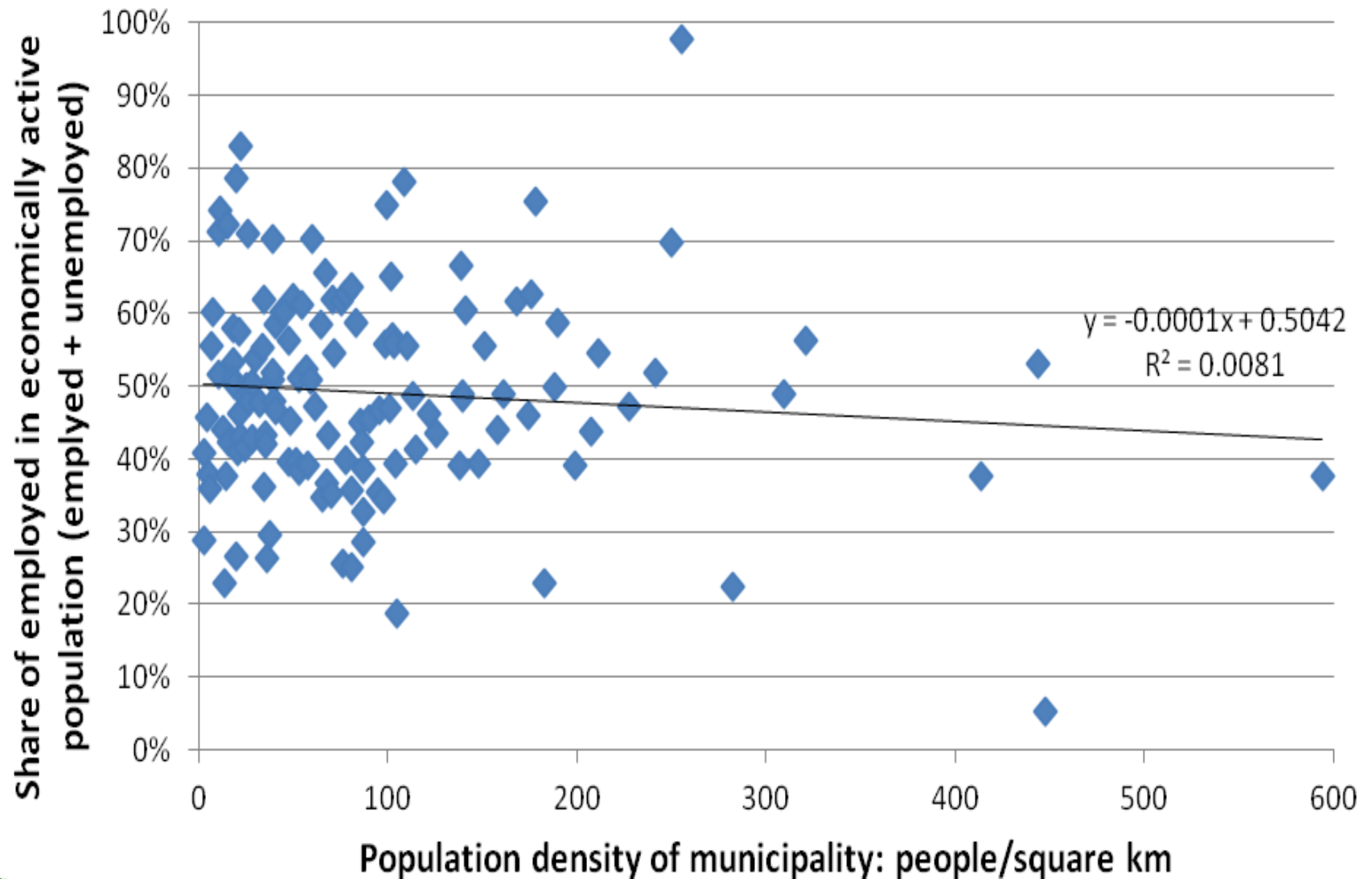
Rural–urban comparisons

- 1) Economy
 - 2) Migration
 - 3) Services
 - 4) Infrastructure
 - 5) Social
 - 6) Poverty
 - 7) Distance.
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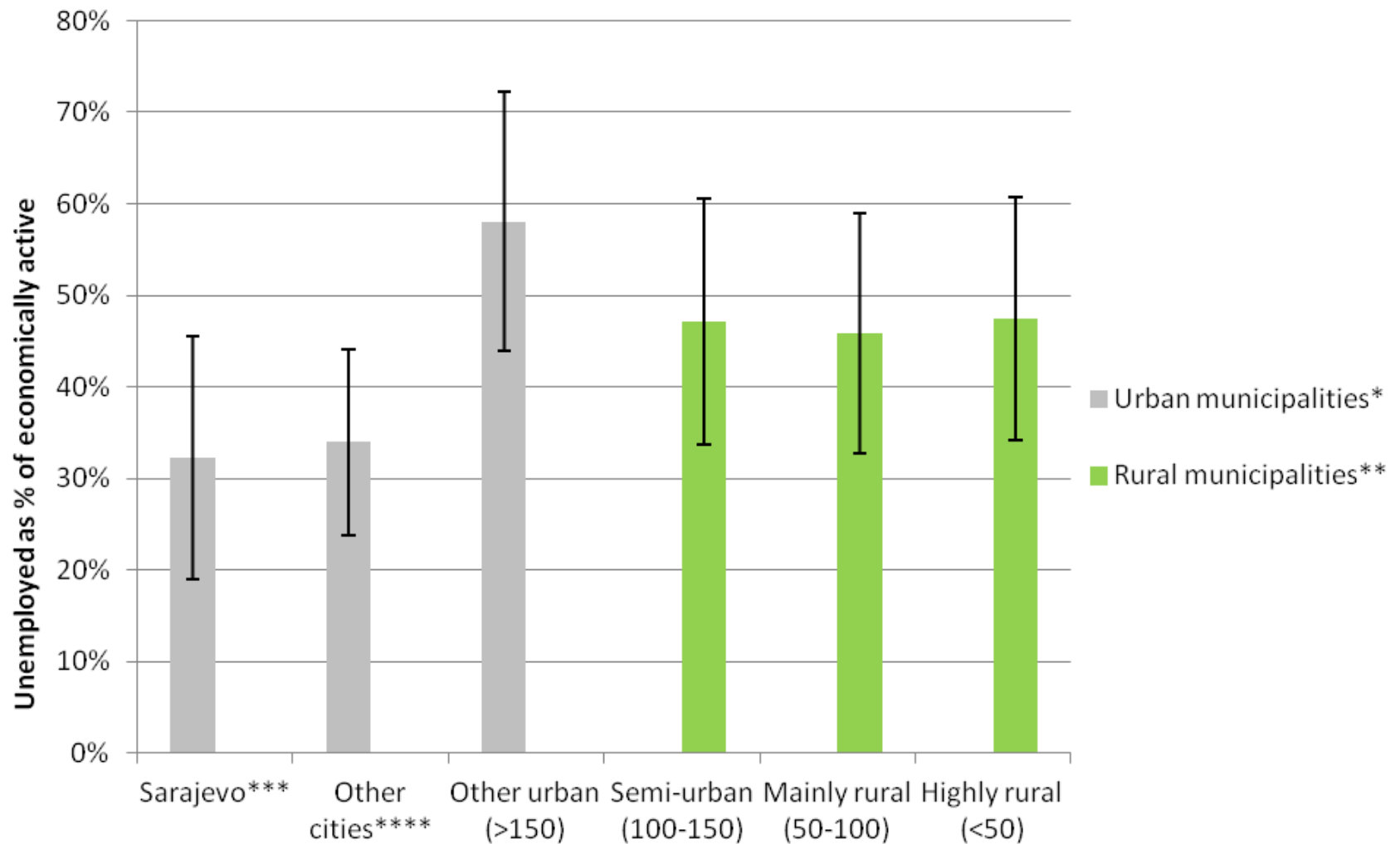
2.1: Economy

- ▶ **Unemployment**
 - ▶ Wage rate
 - ▶ GDP
 - ▶ Share of population economically active
 - ▶ Data from municipal statistics (area basis)
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Unemployment rate




Unemployment rate




Numbers in brackets are population per square kilometre.
Error bars show 1 standard deviation either side of the mean.

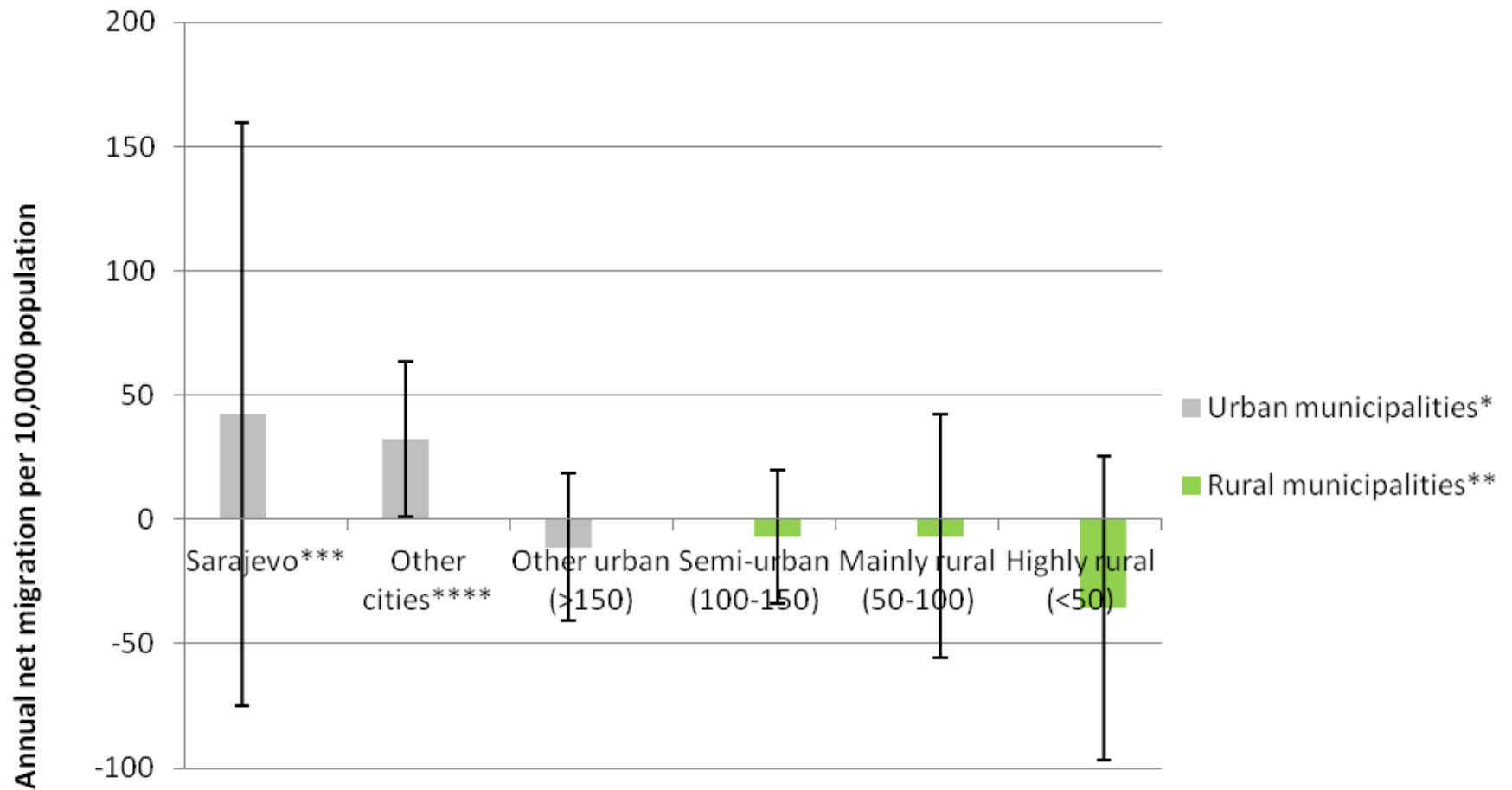
2.1: Economy – conclusions

- ▶ Unemployment is a very serious problem in BiH, but not really a rural issue
 - ▶ Variation between different rural areas is much greater than between rural and urban
 - ▶ Cities are clearly best, large towns worst, rural areas intermediate
 - ▶ Average wage & per capita GDP are similar
 - ▶ Rural areas *do* have a markedly lower labour force share, indicating an older population.
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2.2: Migration

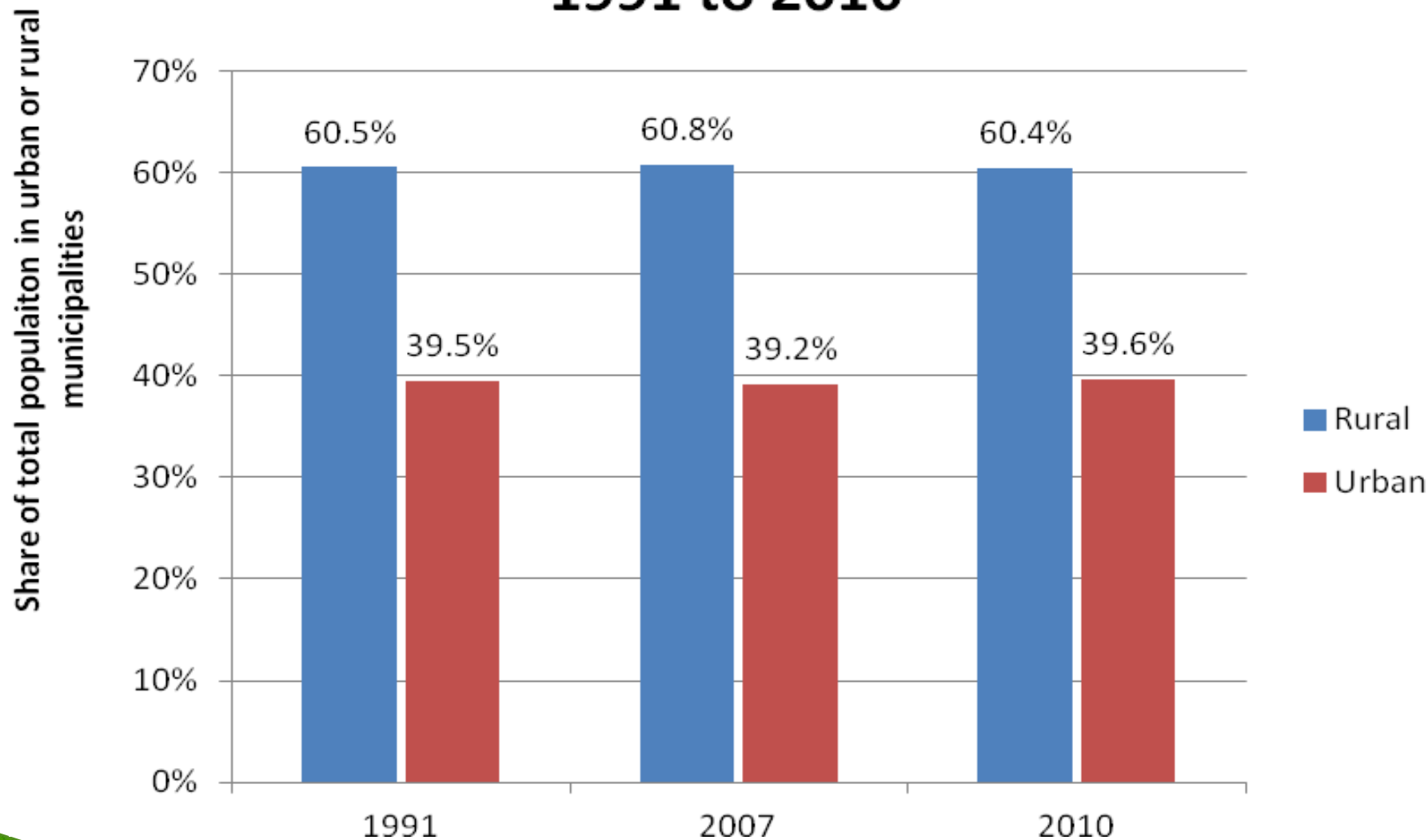
- ▶ Net migration
 - ▶ Rural population share
 - ▶ BiH data from municipal statistics (area basis)
 - ▶ International data from Faostat
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Net migration rate



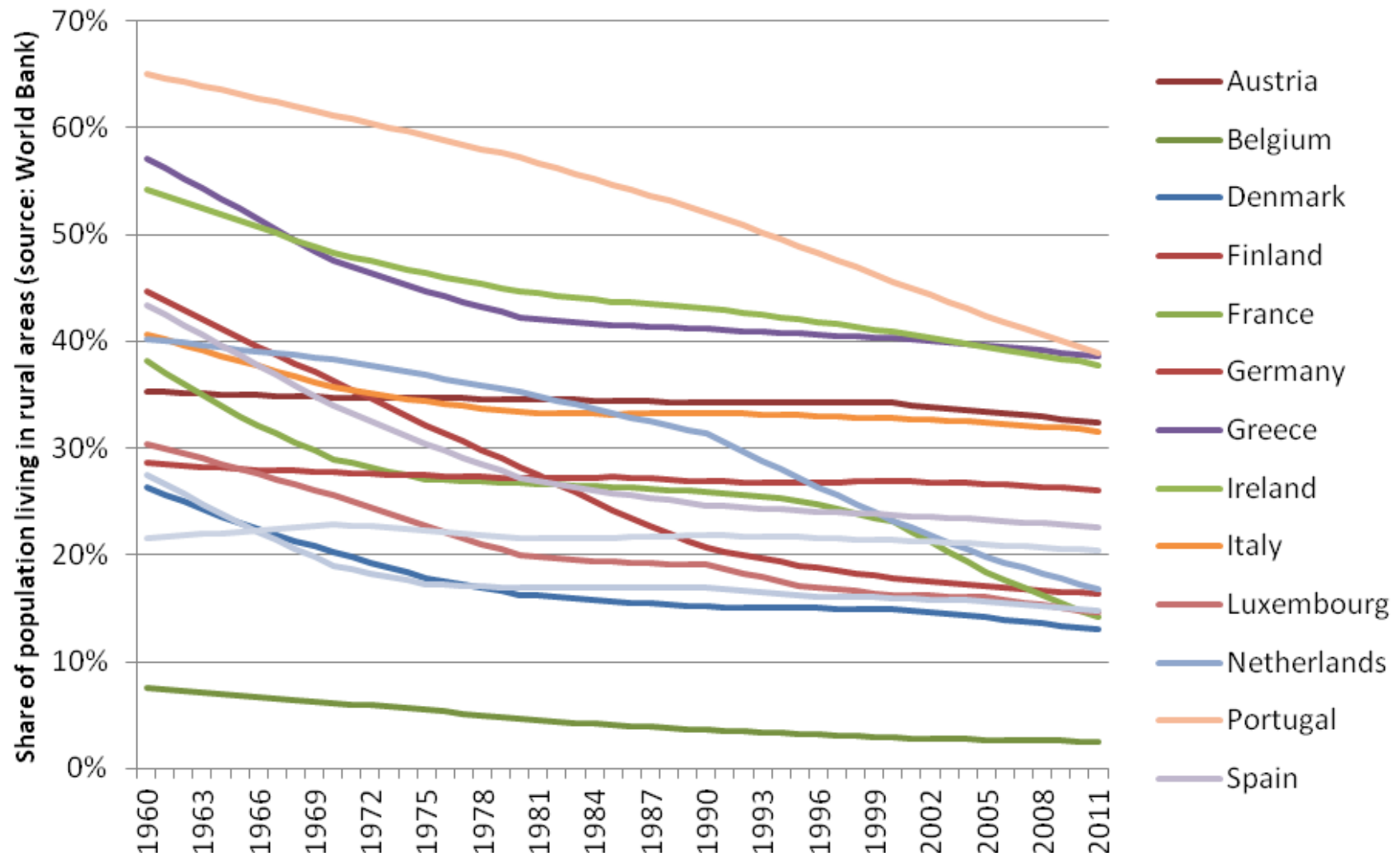
Numbers in brackets are population per square kilometre.
Error bars show 1 standard deviation either side of the mean.

BiH rural-urban population split: 1991 to 2010

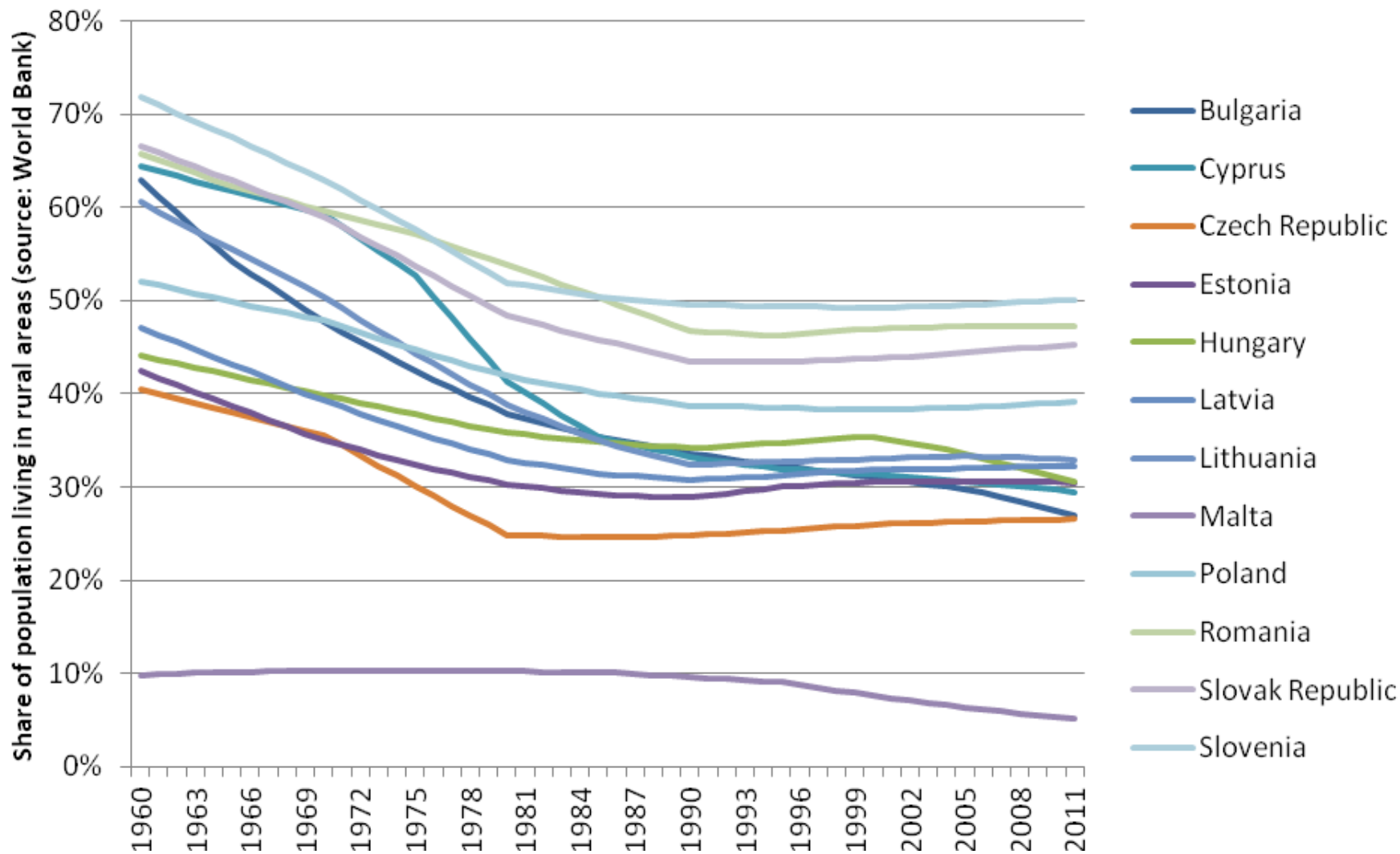


Source: Census 1991; Household Budget Survey 2007; Municipality data 2010

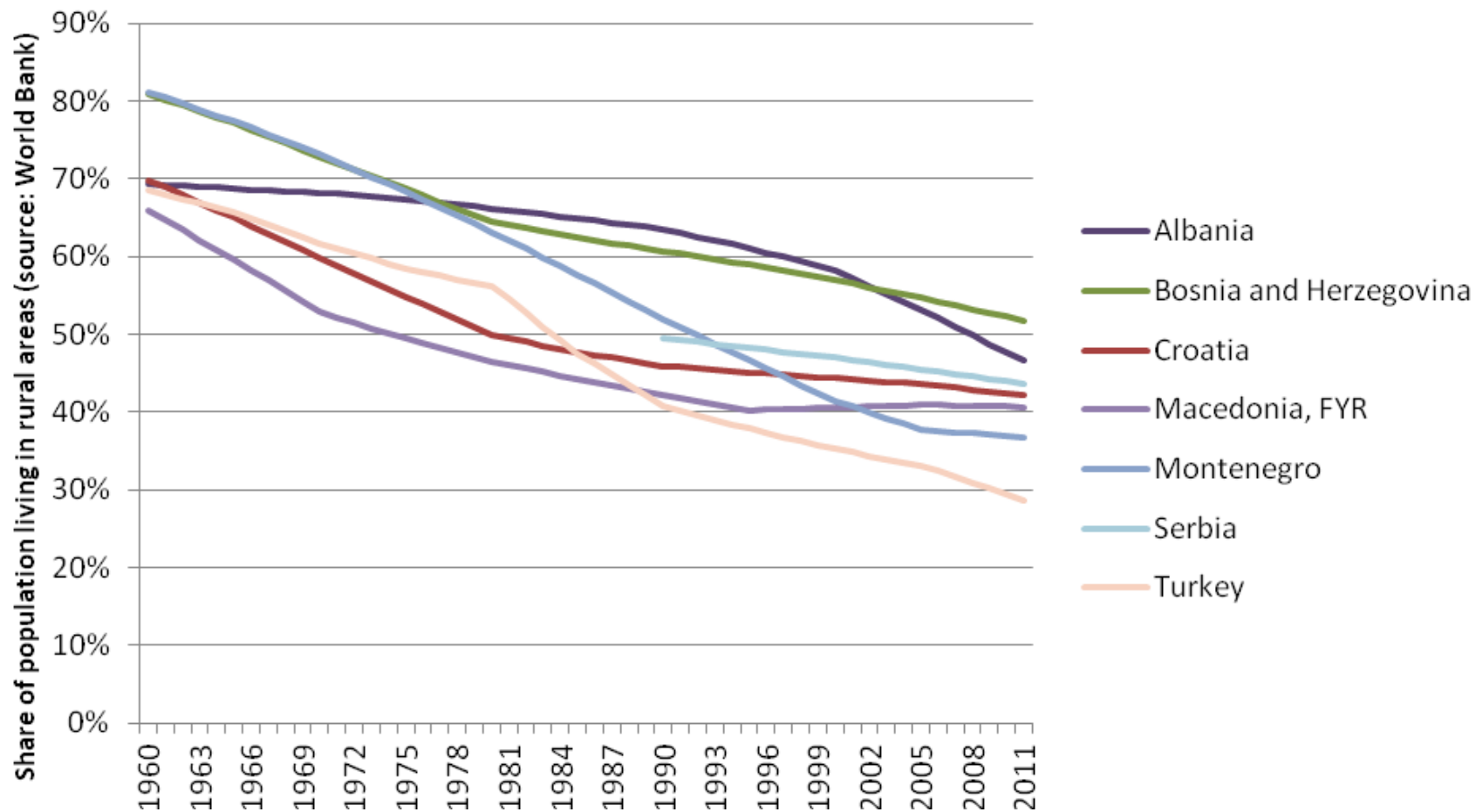
Share of total population living in rural areas: EU15



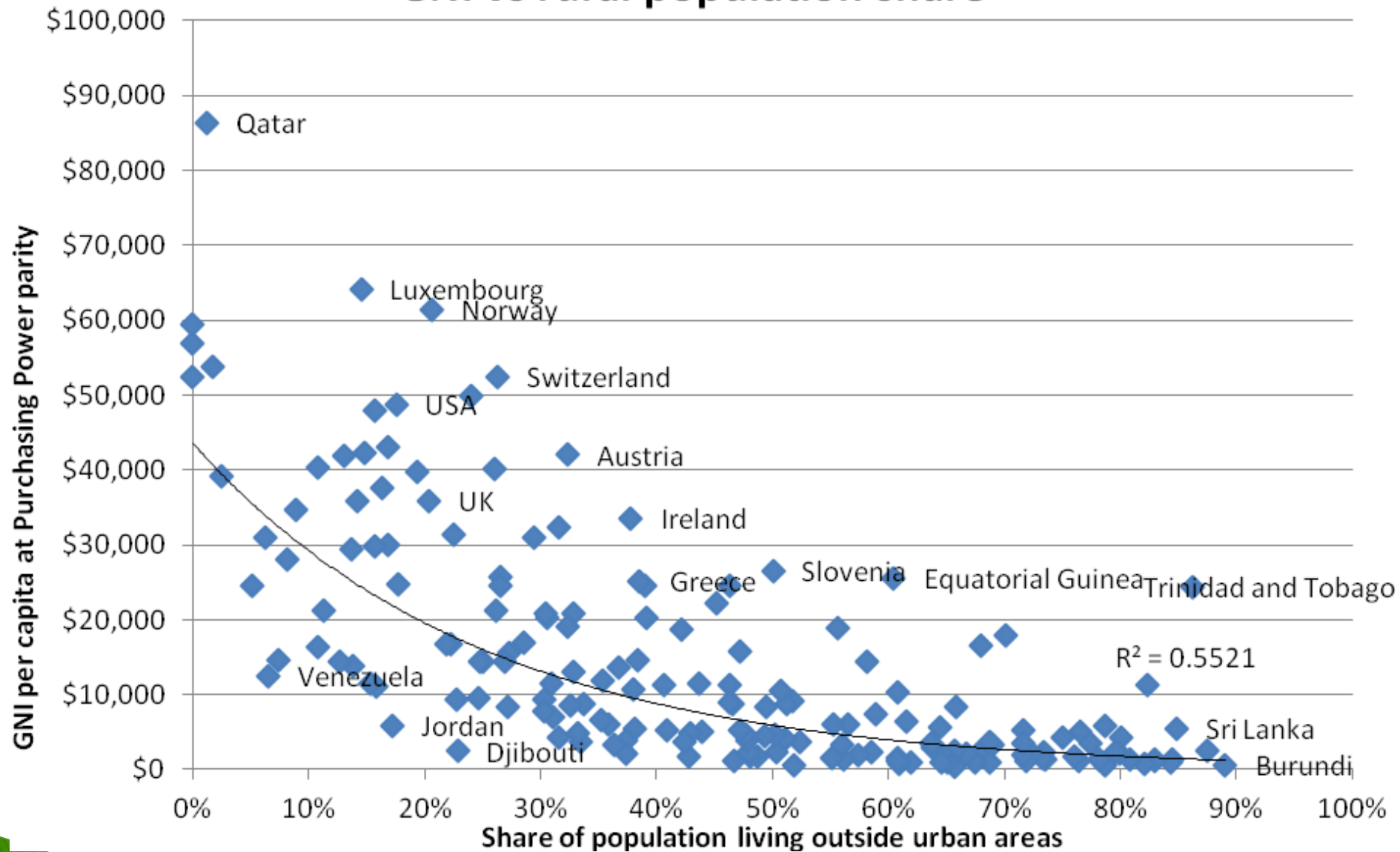
Share of total population living in rural areas: EU12



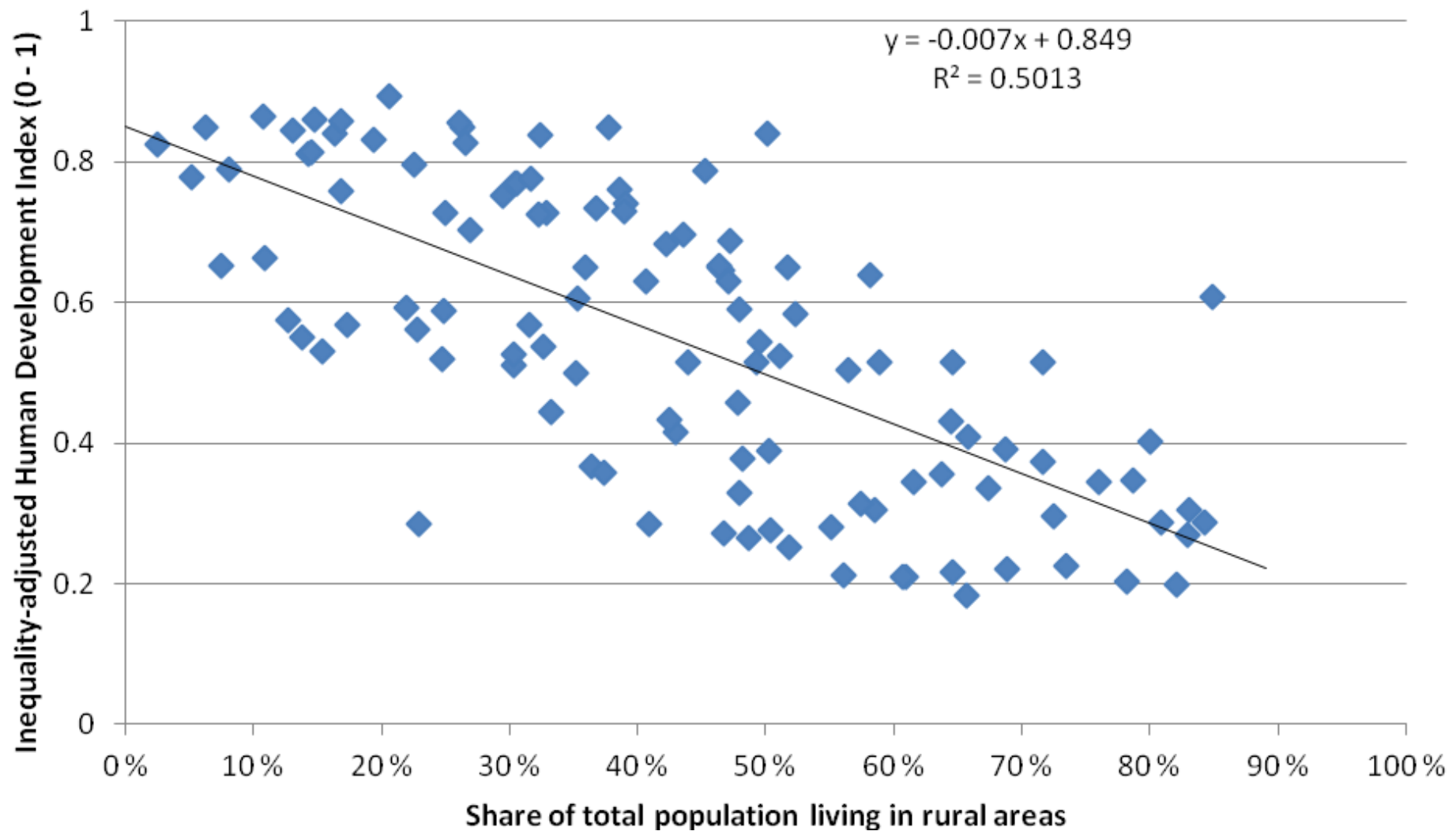
Share of total population living in rural areas: Prospective EU members




GNI vs rural population share



IHDI vs rurality



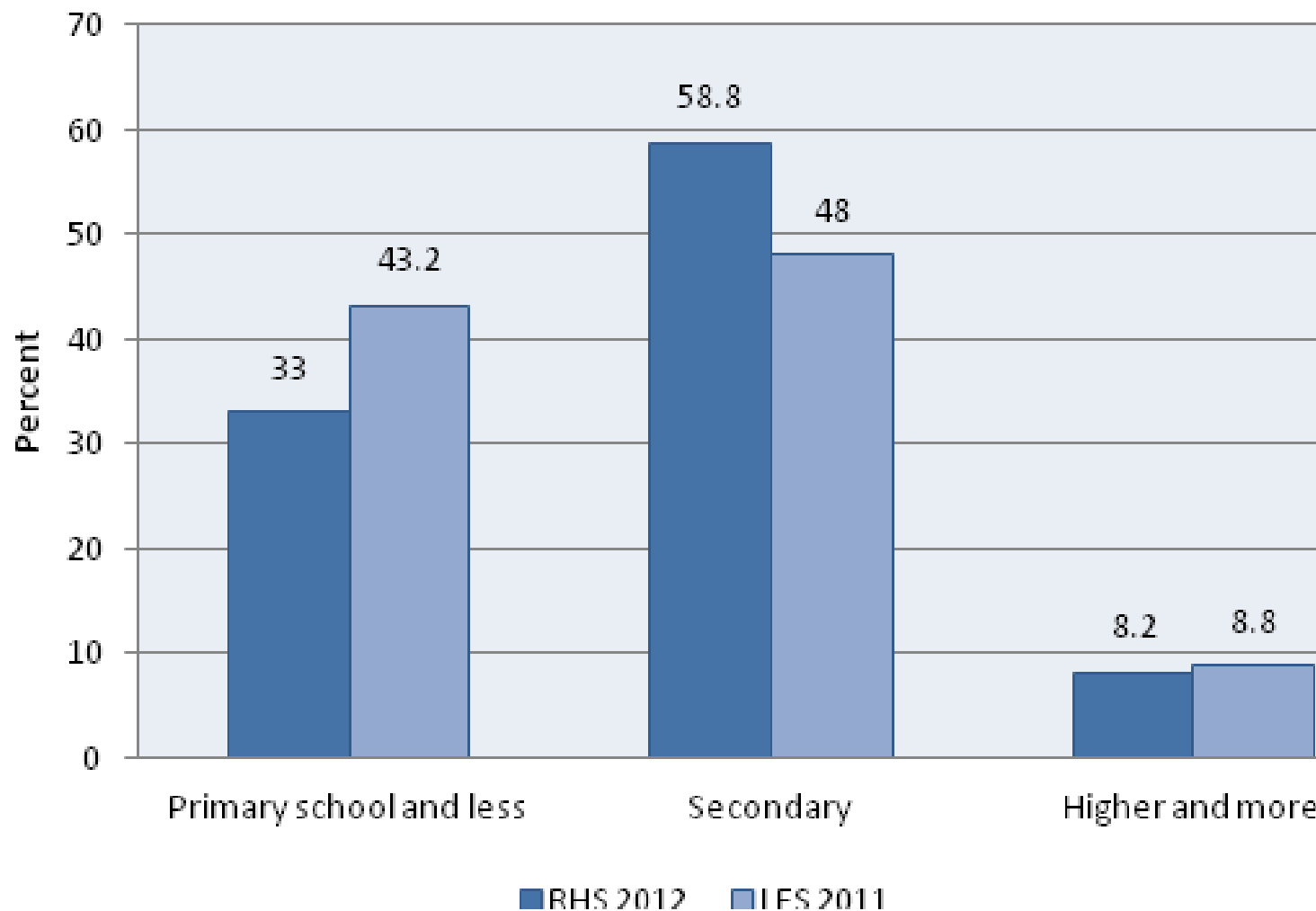
2.2: Migration – Conclusions

- ▶ Net migration is almost the exact reverse of unemployment – people migrate to where the jobs are
 - ▶ Rural–rural variation much higher than rural–urban
 - ▶ Long–term trend is around 10% drop in rural population share each generation
 - ▶ Highly rural areas ($< 50/\text{km}^2$) *do* show markedly faster outmigration.
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2.3: Services

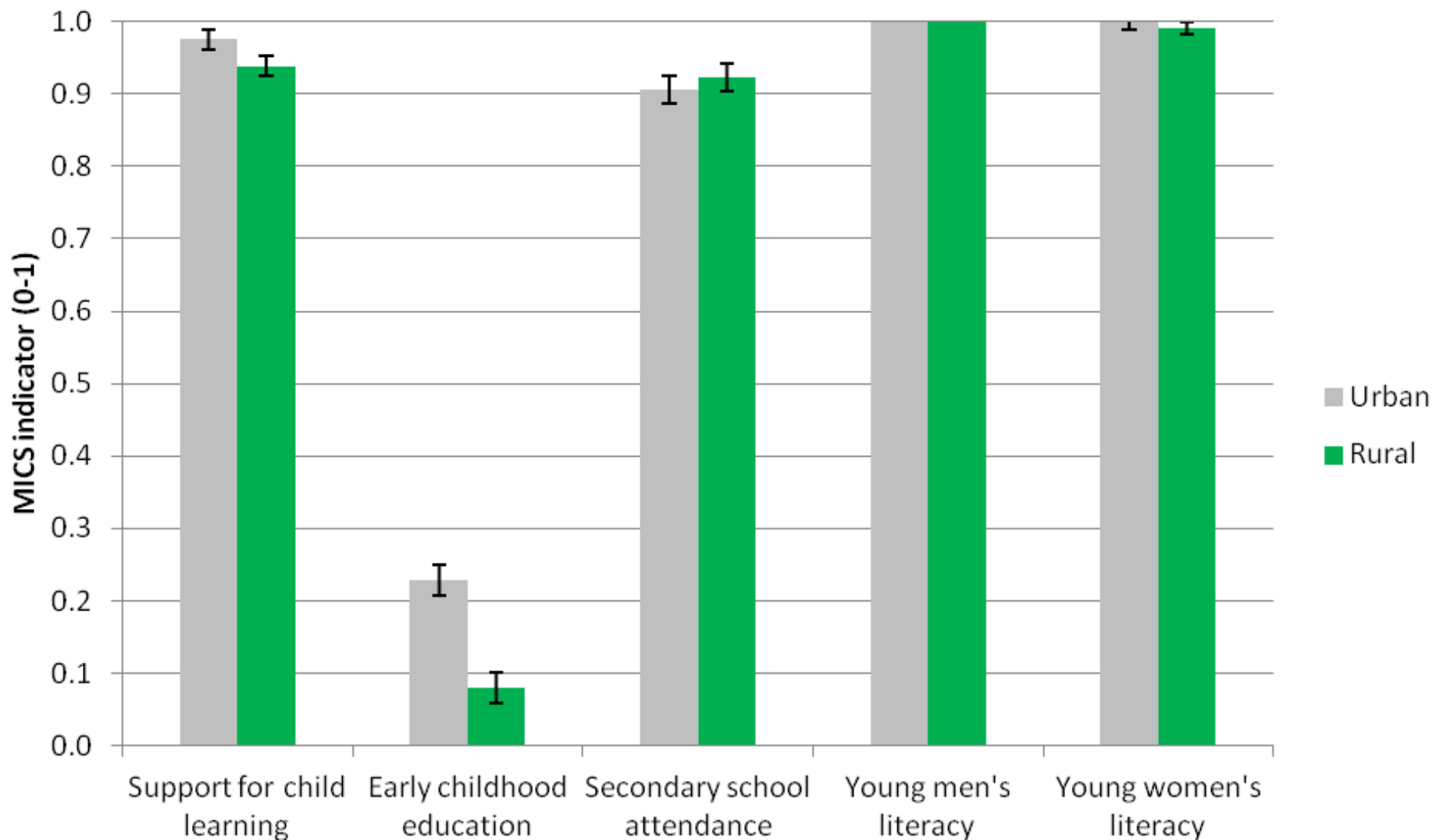
- ▶ **Education**
- ▶ Health care
- ▶ Local services (bank, post office, shop...)
- ▶ Various data sources

Highest level of education achieved in rural areas and overall



Source: Labour Force Survey, 2011; Rural Household Survey, 2012

Education




Source: UNICEF MICS 2011-12

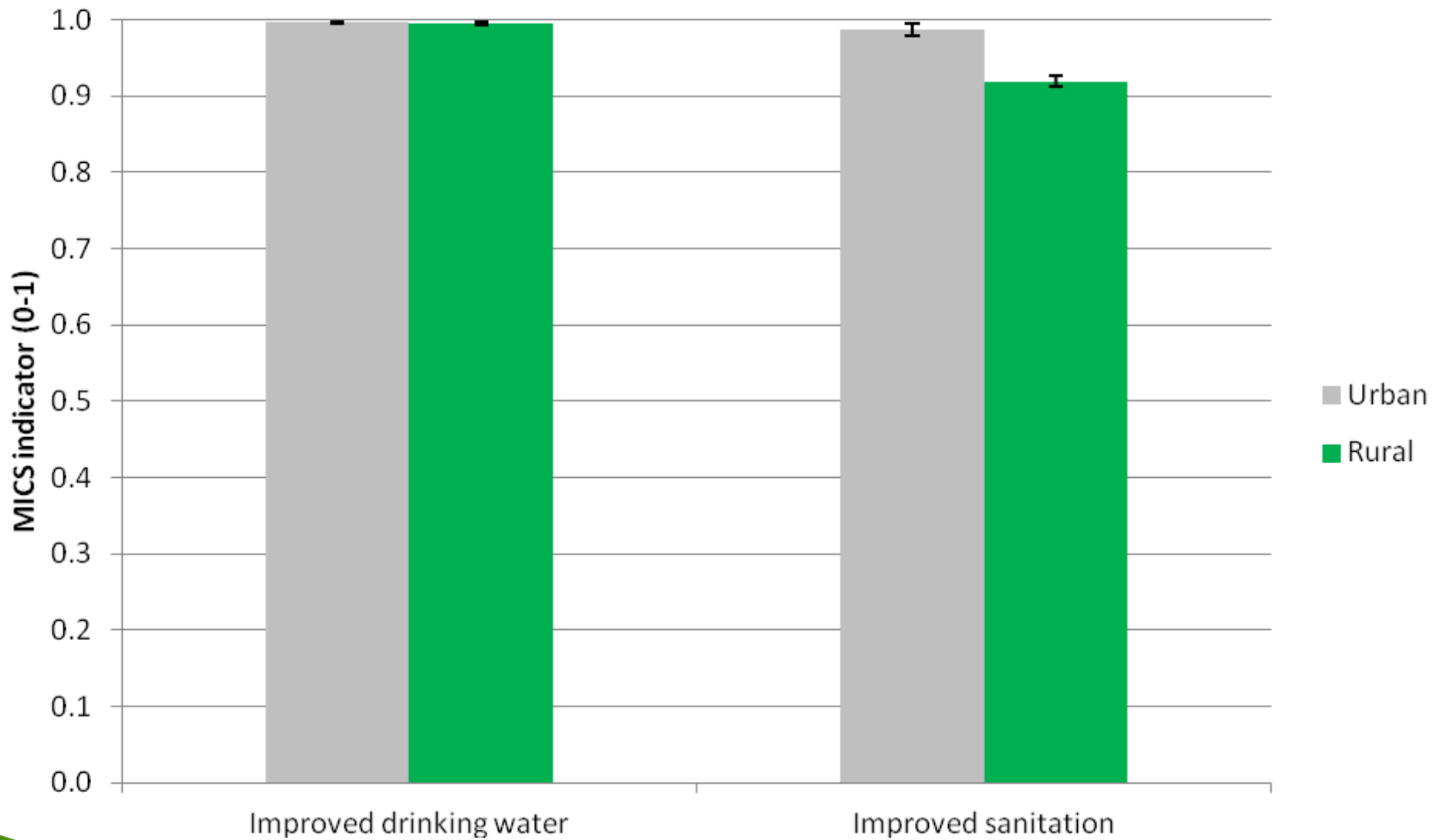
2.3: Services – Conclusions

- ▶ Contrary to expectations, access to **education** is generally no worse in rural areas (possibly better for secondary school, worse for kindergarten)
- ▶ UNICEF MICS on **health** found:
 - Rural children better nourished
 - No differences in immunisation, child diseases or antenatal care
 - Rural births more likely to be by caesarian
- ❖ The obstacle of distance is being overcome when accessing health care & education
- ▶ (though rural families may spend more time & money)

2.4: Infrastructure

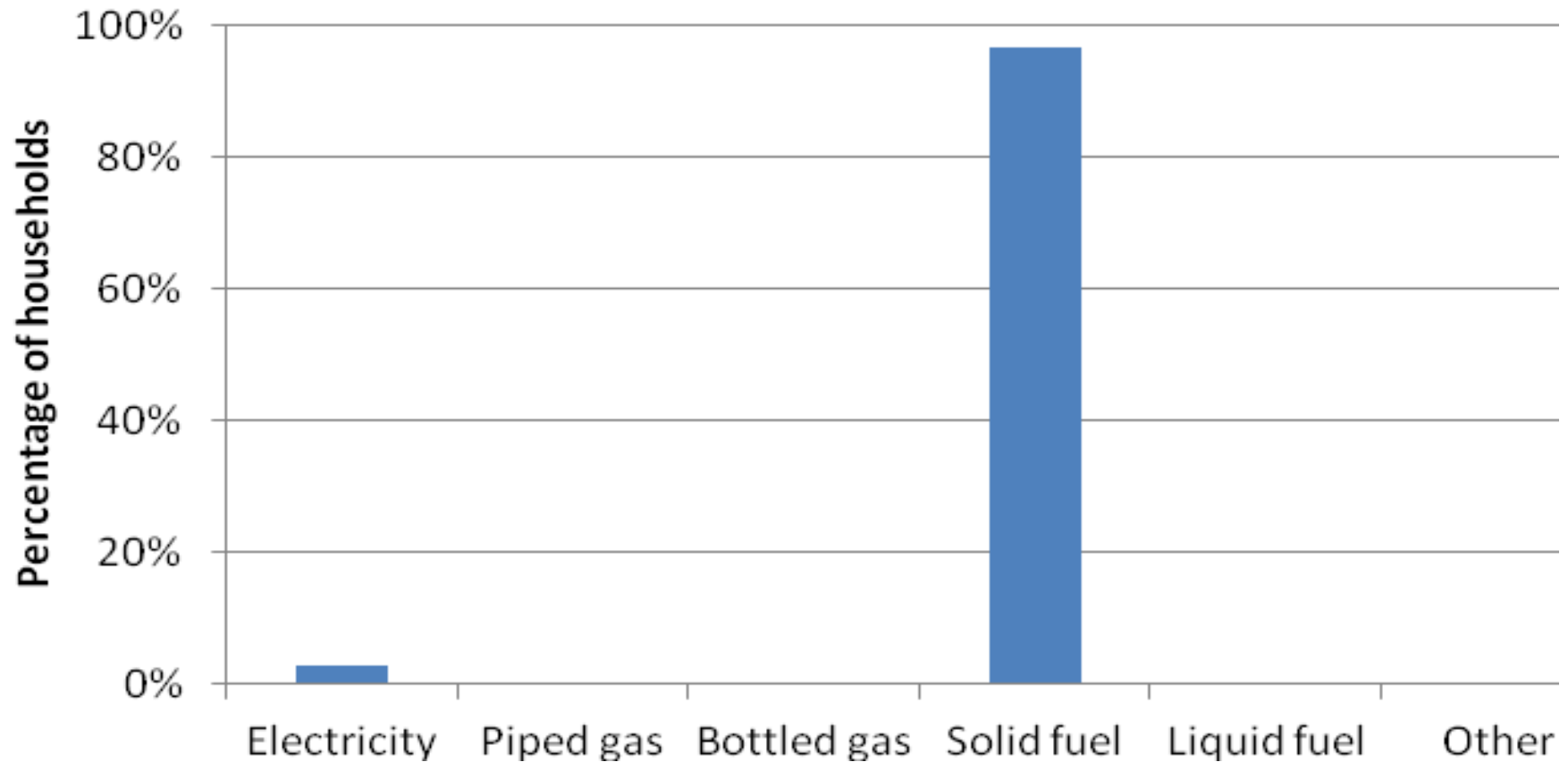
- ▶ **Water & sanitation**
 - ▶ **Cooking & heating**
 - ▶ **Computing & communications**
 - ▶ **Various data sources**
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Water & sanitation




Source: UNICEF MICS 2011-12

Main source of heating



Source: Rural Household Survey

2.4: Infrastructure– Conclusions

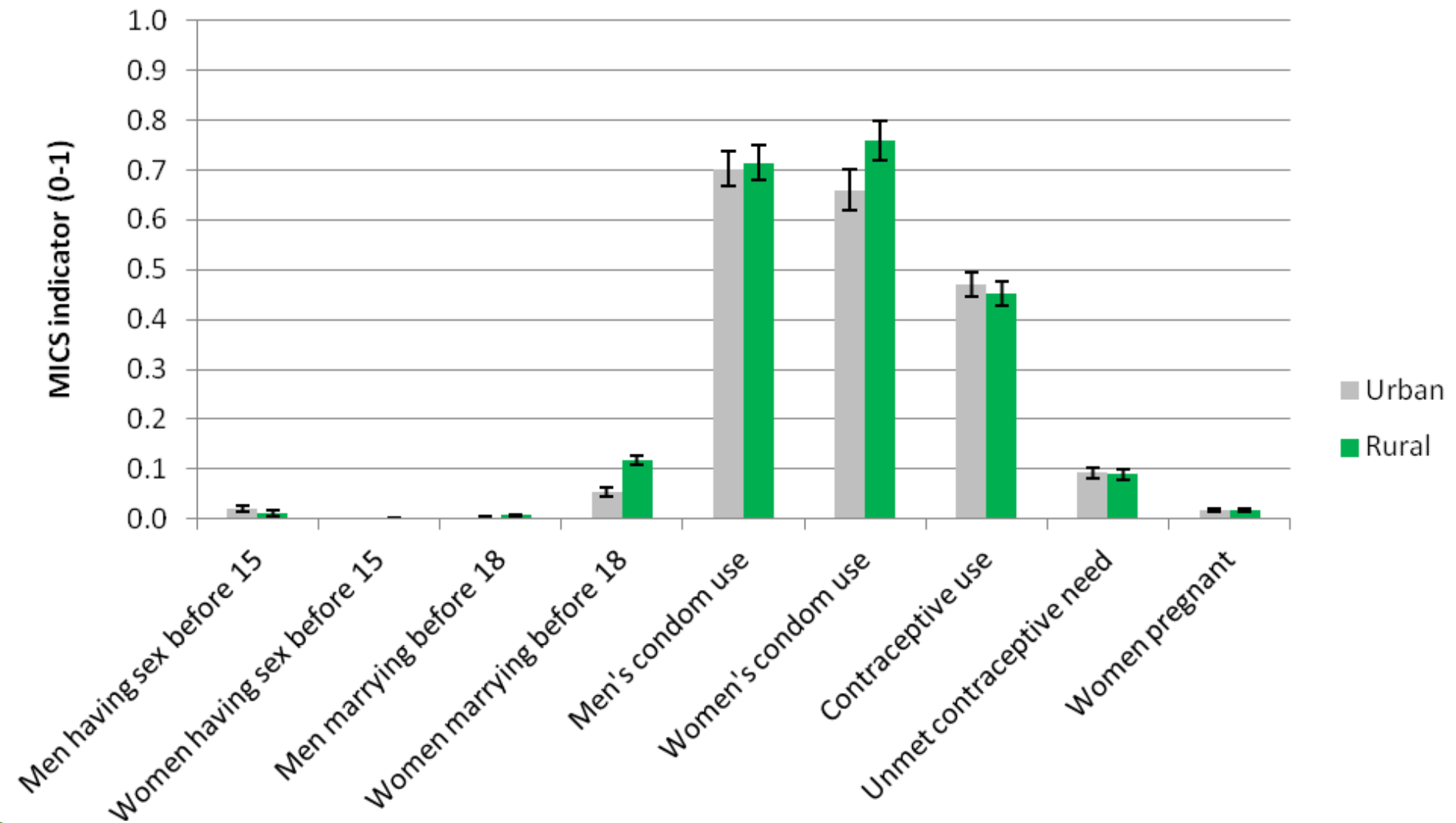
- ▶ Water & sanitation is *different* in rural areas – which are potentially *disadvantaged*
 - ▶ Cooking & heating is also *different* in rural areas – but arguably *advantaged*
 - ▶ ICT use is generally high; UNICEF MICS found it slightly lower in rural areas, but more strongly linked to education than rurality
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- ❖ Water & sanitation is the main non–transport rural infrastructure issue needing attention
 - ❖ Should monitor whether broadband developments keep pace in rural areas.
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2.5: Social

- ▶ **Sexual attitudes & behaviour**
- ▶ Social inclusion
- ▶ Social capital

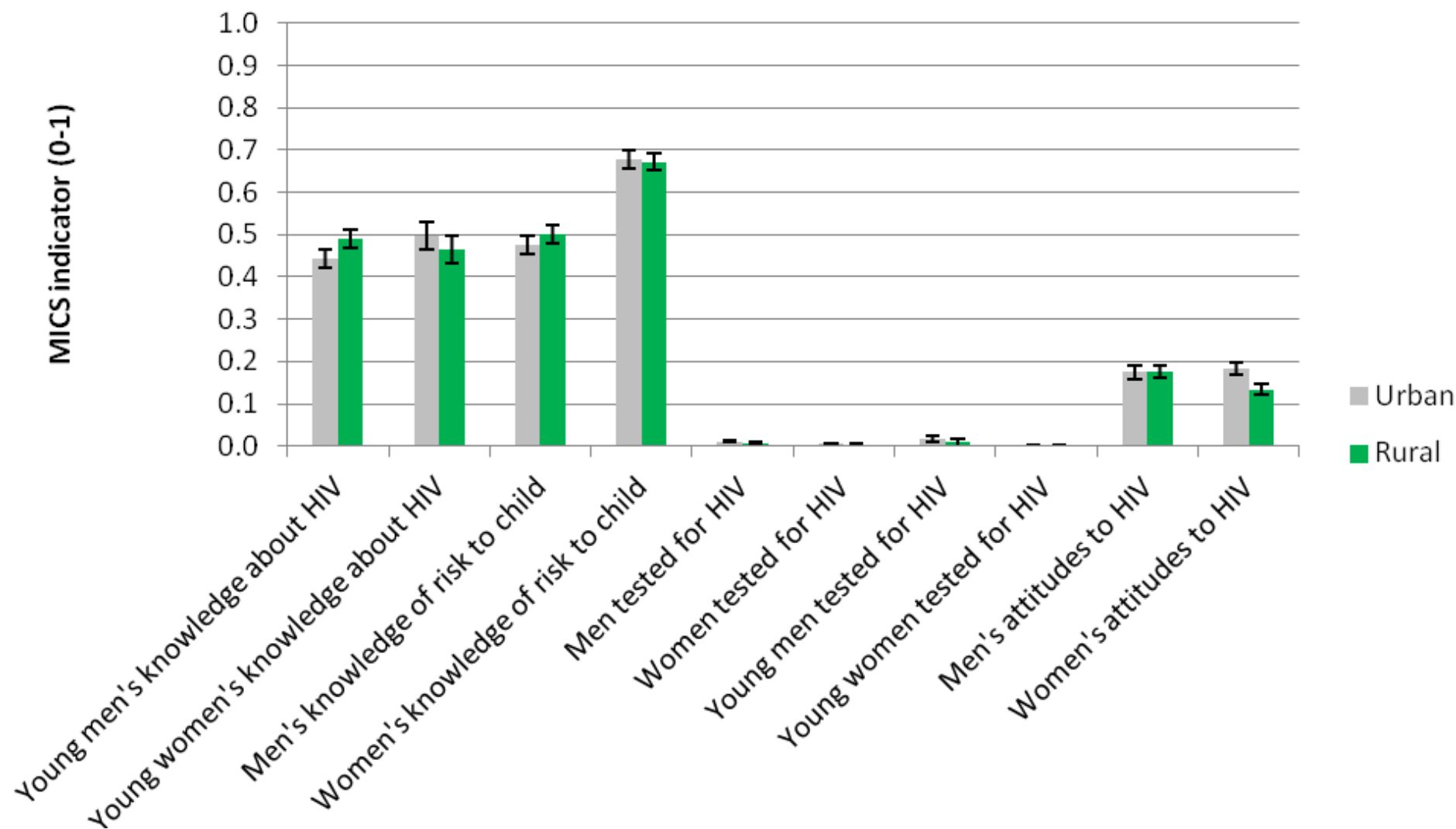
- ▶ Various data sources

Sexual attitudes & behaviour



Source: UNICEF MICS 2011-12

HIV: Knowledge, attitudes & behaviour



Source: UNICEF MICS 2011-12

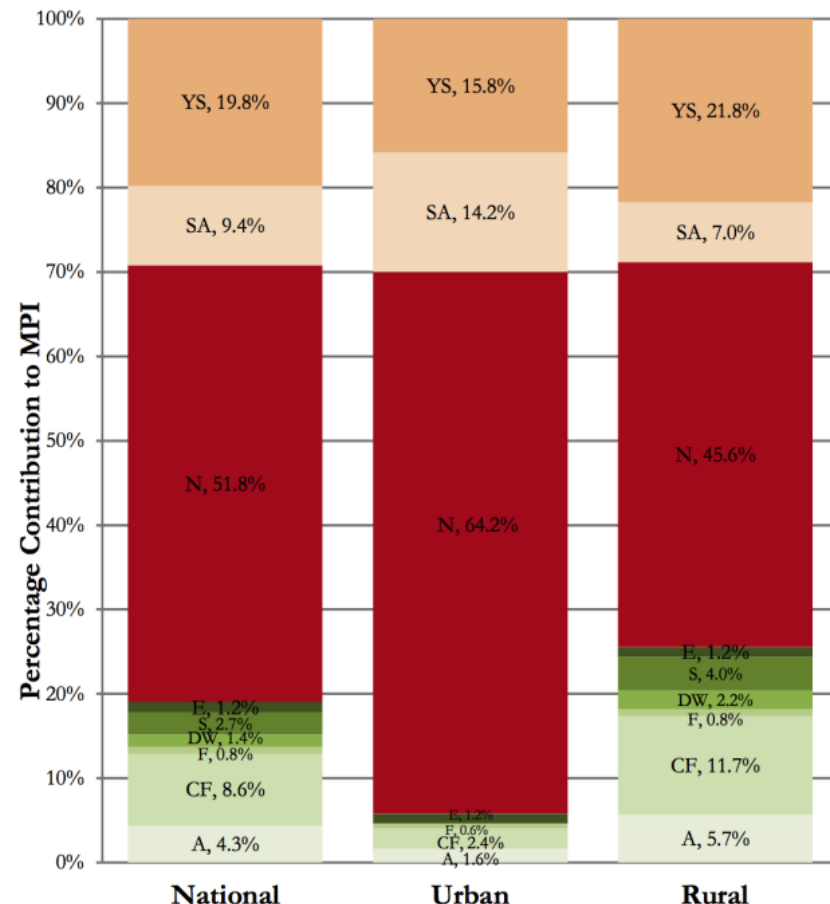
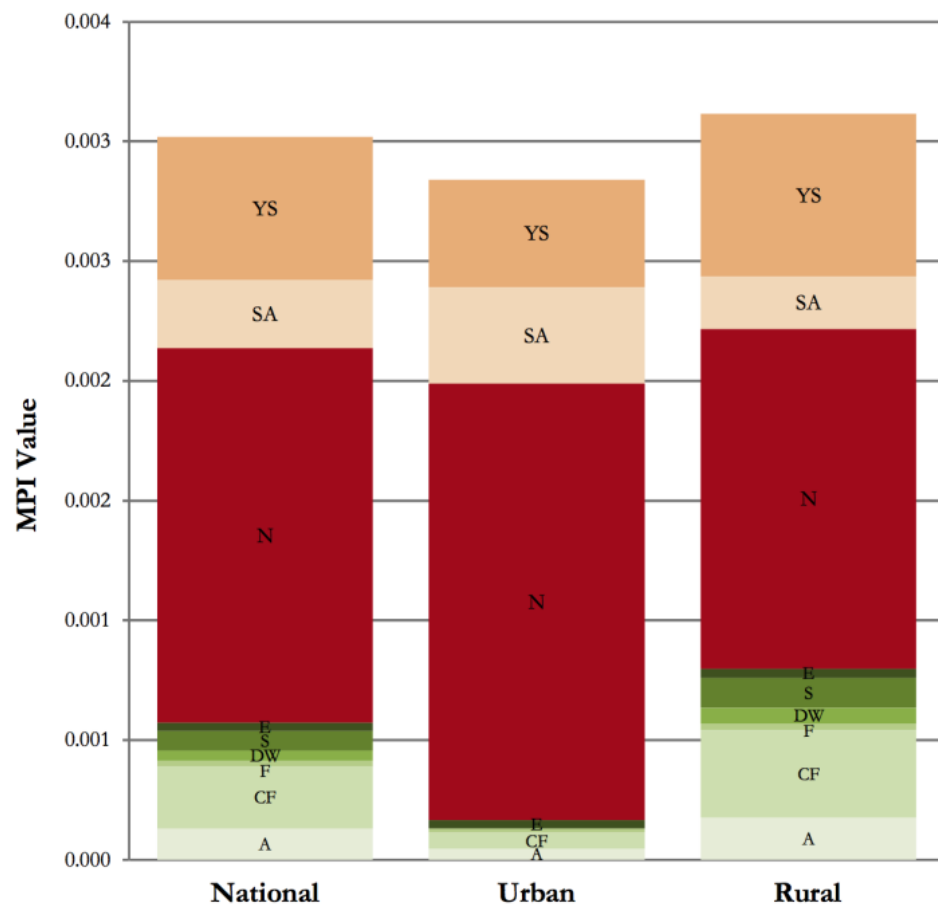
2.5: Social – Conclusions

- ▶ No major urban–rural differences in sexual attitudes & behaviour
- ▶ 2007 NHDR found no differences in “*General social inclusion*” & “*Long-term social inclusion*”, but higher “*Extreme social inclusion*” in rural areas – Mainly due to the number of (older) people without primary education
- ▶ 2009 NHDR on “Social capital” found people outside the principal cities less like to belong to associations but “*Family & neighbourhood*” ties stronger in rural areas
- ❖ Little evidence of a distinct rural culture.

2.6: Poverty


- ▶ 2010 “Multi-dimensional Poverty Index” (MPI) based on 2006 MICS
- ▶ 2007 Household Budget Survey

F. Contribution of Indicators to the MPI at the National Level, for Urban Areas, and for Rural Areas



YS = Years of Schooling CM = Child Mortality E = Electricity DW = Drinking Water CF = Cooking Fuel
 SA = School Attendance N = Nutrition S = Sanitation F = Floor A = Assets

2.6: Poverty – Conclusions

- ▶ MPI showed rural households have similar education, better nutrition but lower wealth
 - ▶ 2007 Household Budget Survey found a similar share of *people* were poor in rural areas, but this was concentrated in single-person households so a much bigger share of *households* are poor
 - ❖ Poverty in rural areas is slightly higher but markedly different in its nature & distribution
 - ❖ Poverty in small (elderly) households is a serious problem in rural areas.
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2.7: Distance & transport

- ▶ RHS showed long distances to nearest school, bank, post office & health centre (typically there is a nearby shop) – but no direct urban comparison
- ▶ Roads: New Čemerno tunnel cuts 30 minutes off Foča–Trebinje
- ▶ Buses: Sremčica vs Velika Moštanica...

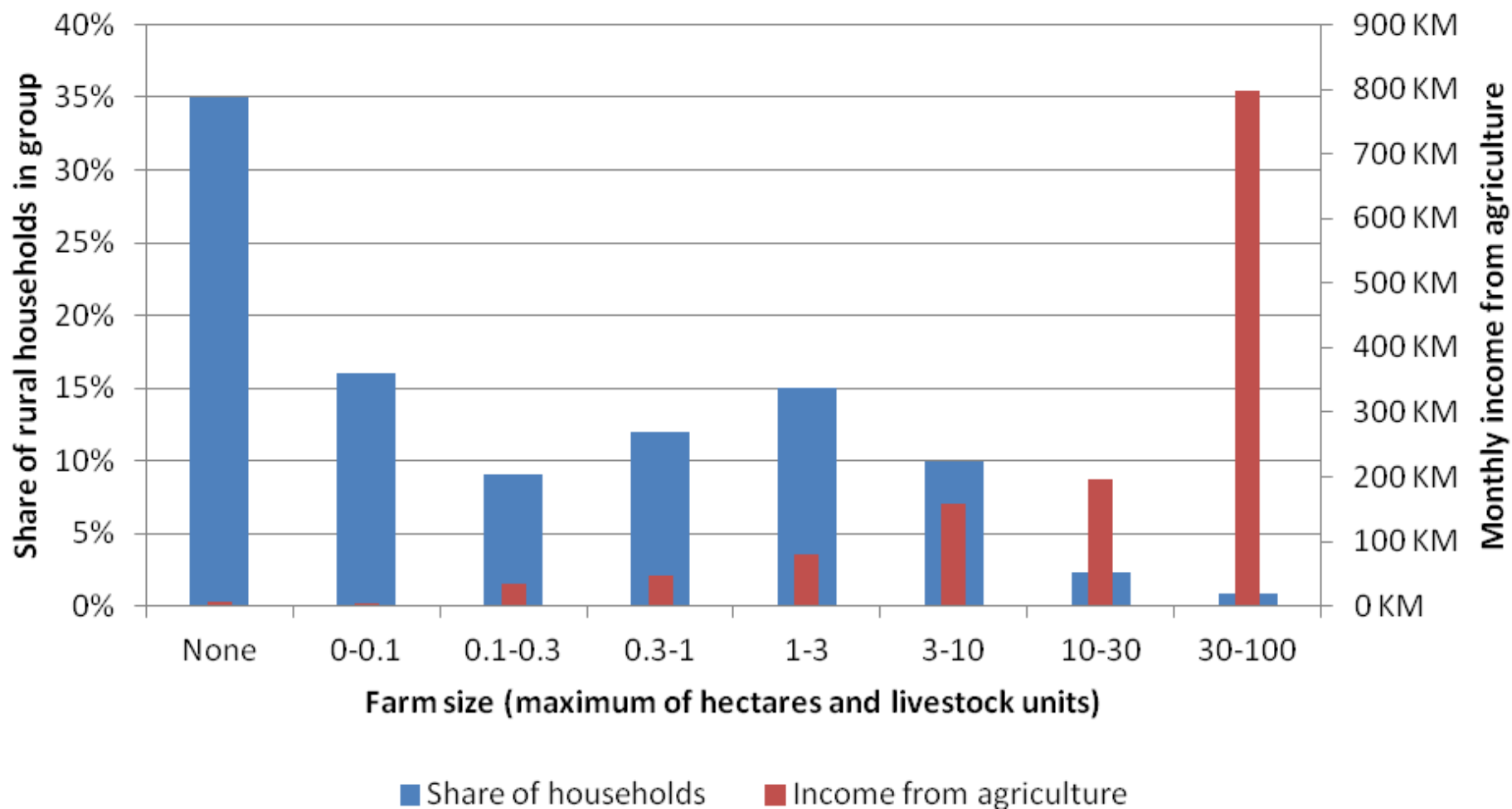
2: Are rural areas really different and disadvantaged? – Conclusions

- ▶ Rural–urban differences are fewer than commonly assumed
- ▶ There are rural advantages as well as disadvantages (e.g. nutrition, heating)
- ▶ But some specific, serious disadvantages do exist, and need specific solutions:
 - Water & sanitation
 - Early childhood care & education
 - Poverty in small households (i.e. retired)
- ▶ Distance is an unavoidable difference; roads & bus services make a critical difference.

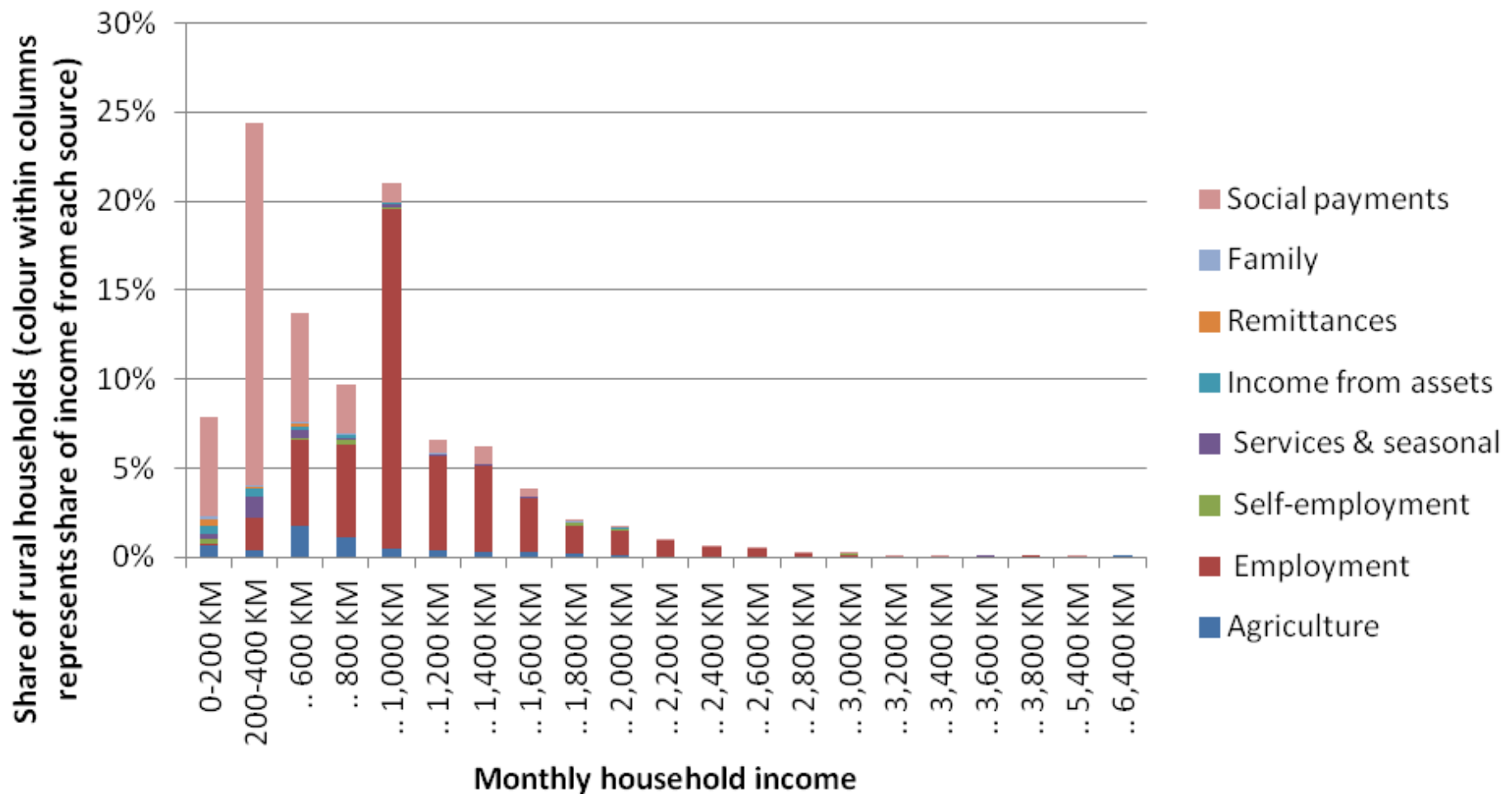
3: How important is agriculture?



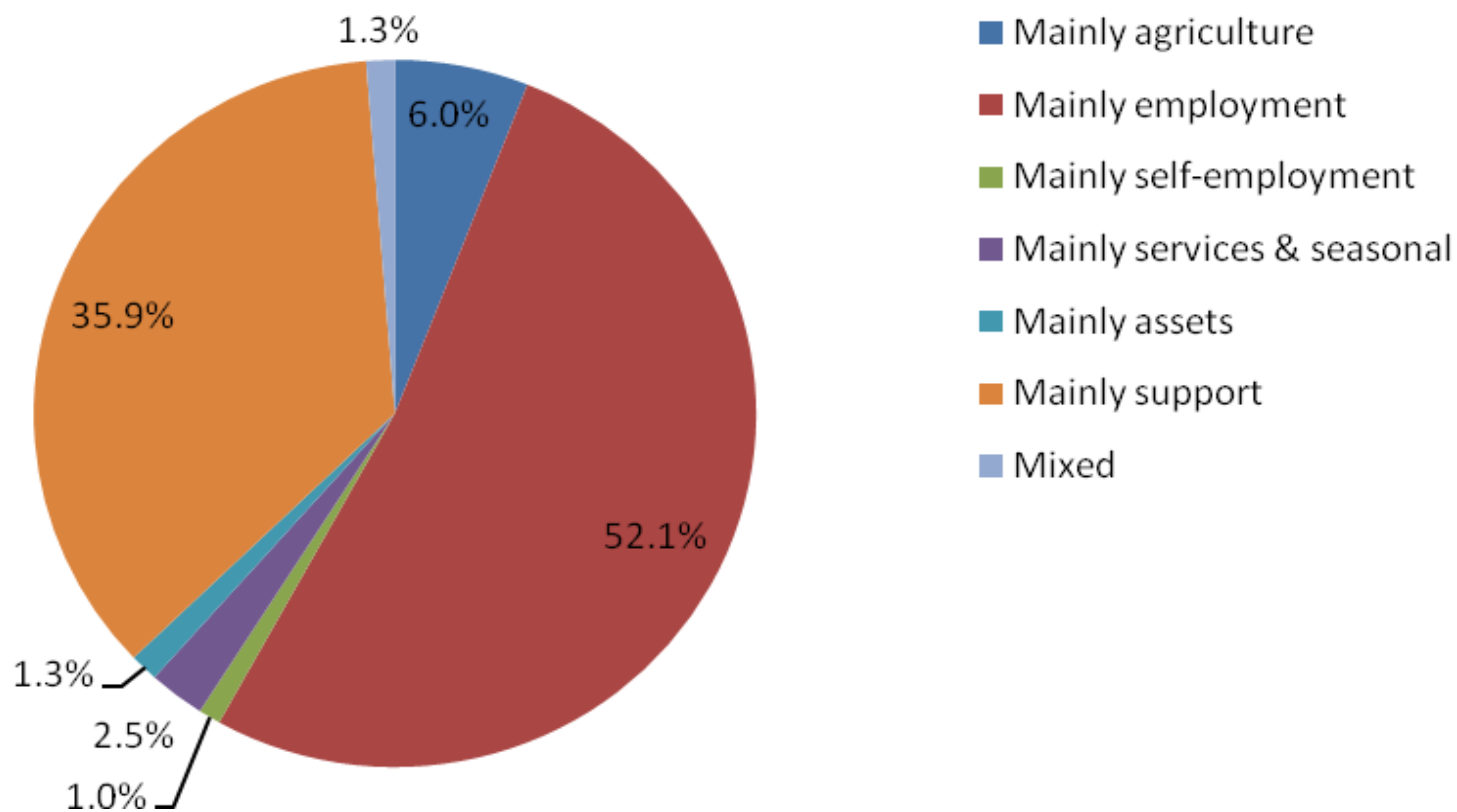
Share of rural households and monthly agricultural income, by farm size




breakdown of monthly income



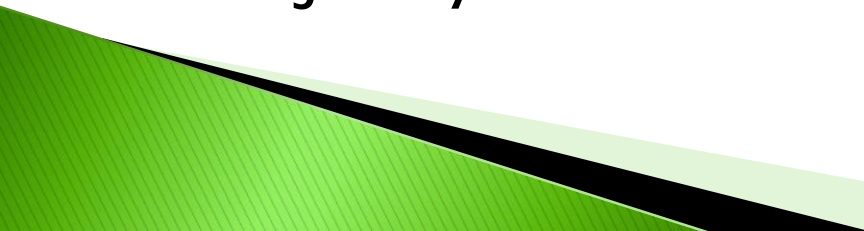
Breakdown of rural households by primary source of income



Agriculture – Key figures

- ▶ 6.6 % of rural household income comes from agriculture; it is more important as a source of food than as a source of income
 - ▶ 6 % of rural households get the majority of their income from agriculture; most depend on either employment or benefits
 - ▶ Agriculture is a relatively minor source of income for the community, even in the most agricultural municipalities
 - ▶ Formal employment in agriculture is very low, with most labour coming from unpaid family members.
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3. Agriculture – conclusions

- ▶ *In rural areas, agriculture matters a bit to a lot of people, but matters a lot to rather few*
or to put it another way:
 - ▶ *BiH is culturally agrarian but economically industrialised*
 - ❖ Agriculture cannot be the main engine for growth in rural areas
 - ❖ Agricultural support by-passes the large majority of the rural population.
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4: What most affects rural areas?

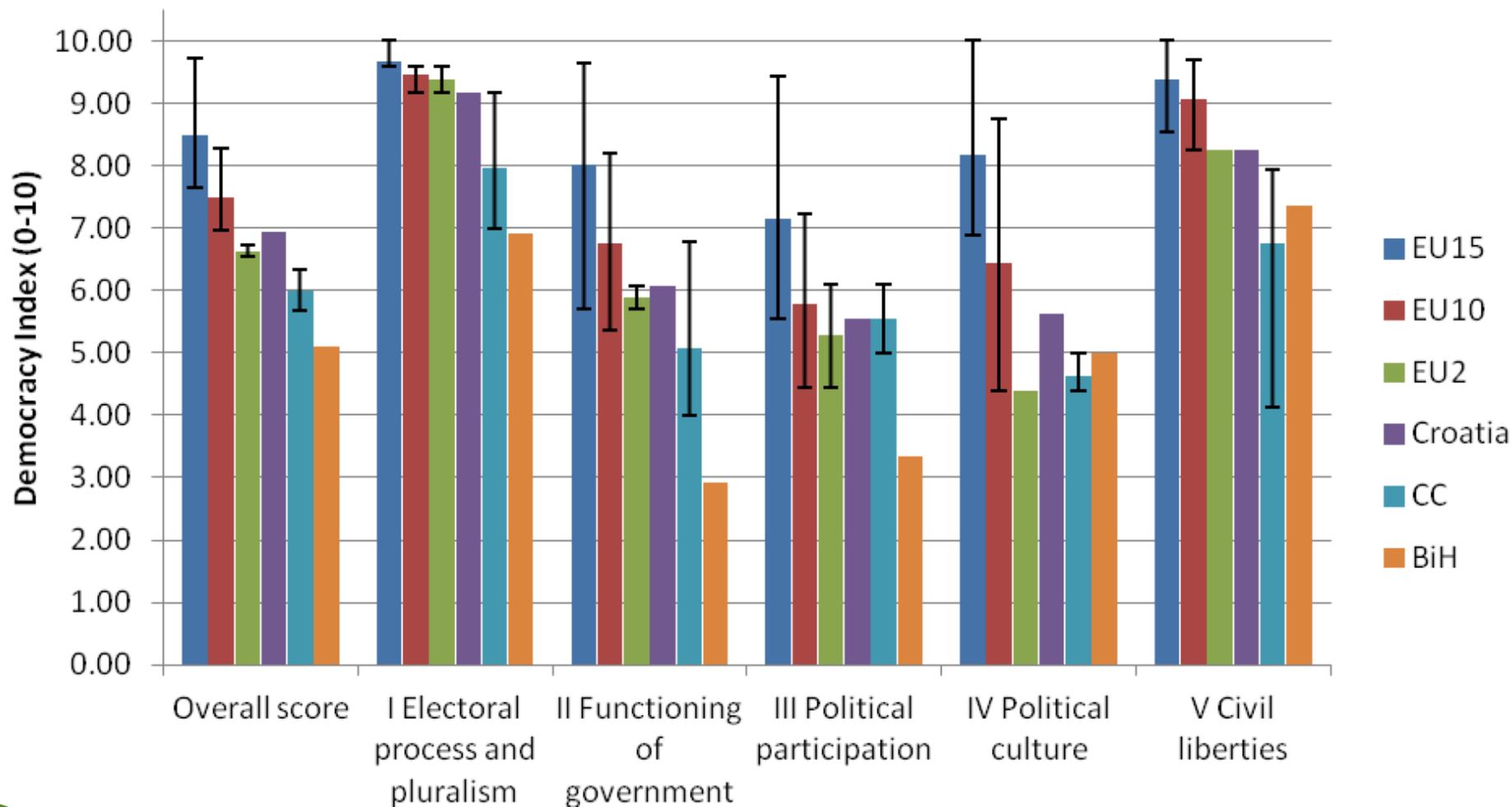


Factors benefiting BiH & its rural areas

- 1) Democracy & government
- 2) Business environment

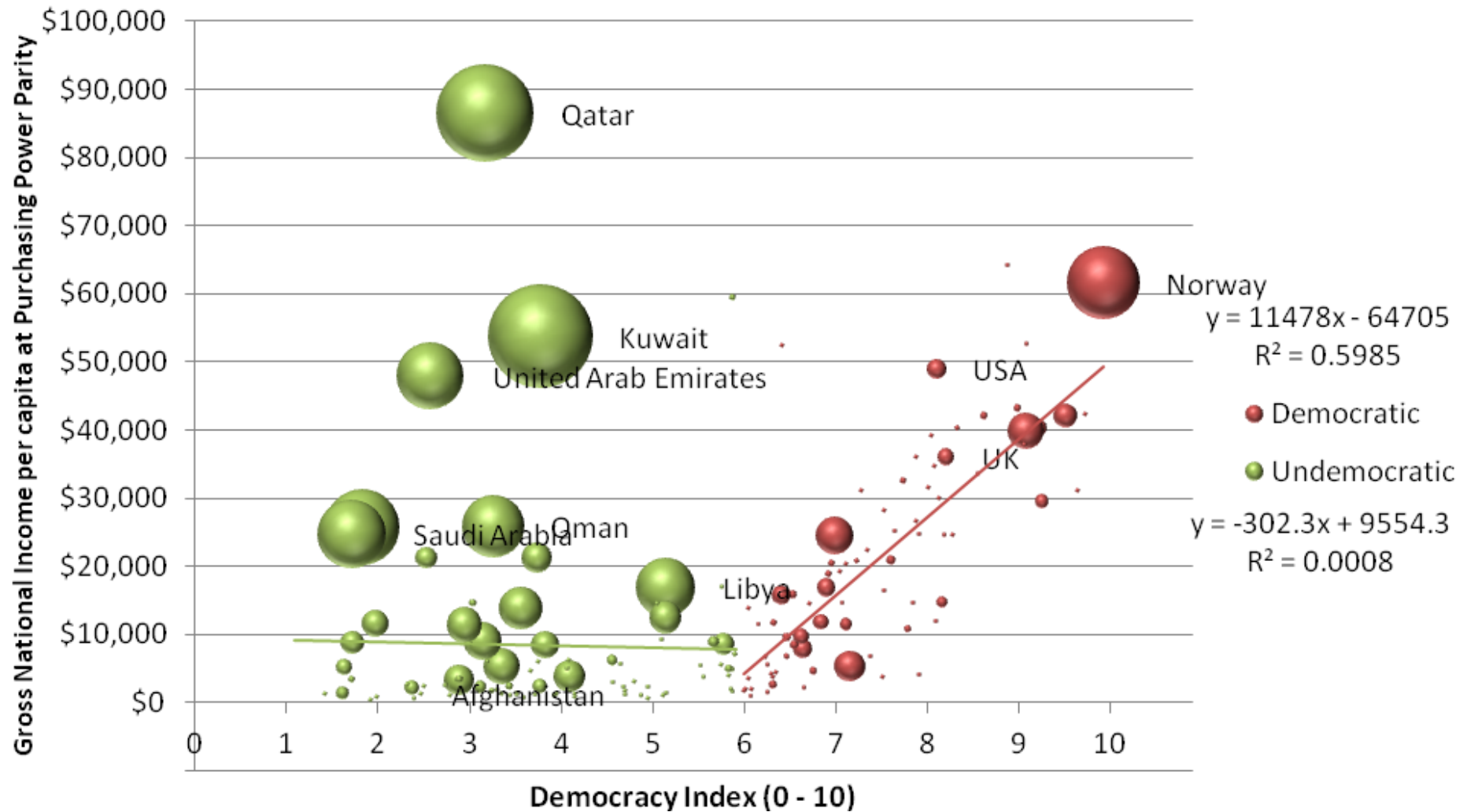


Democracy Index for BiH compared to current and potential EU Member States (highest is best)

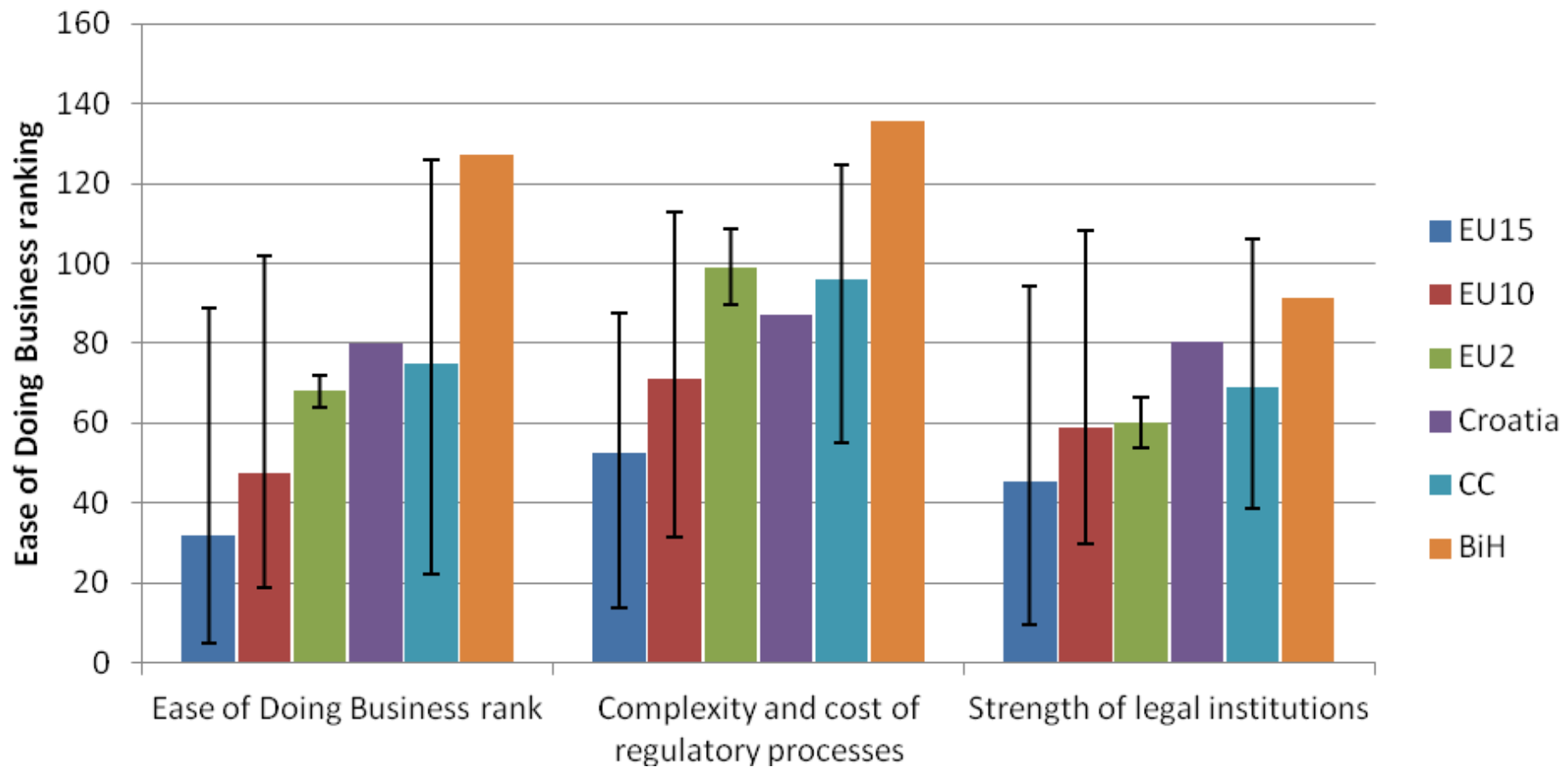


GNI vs Democracy Index

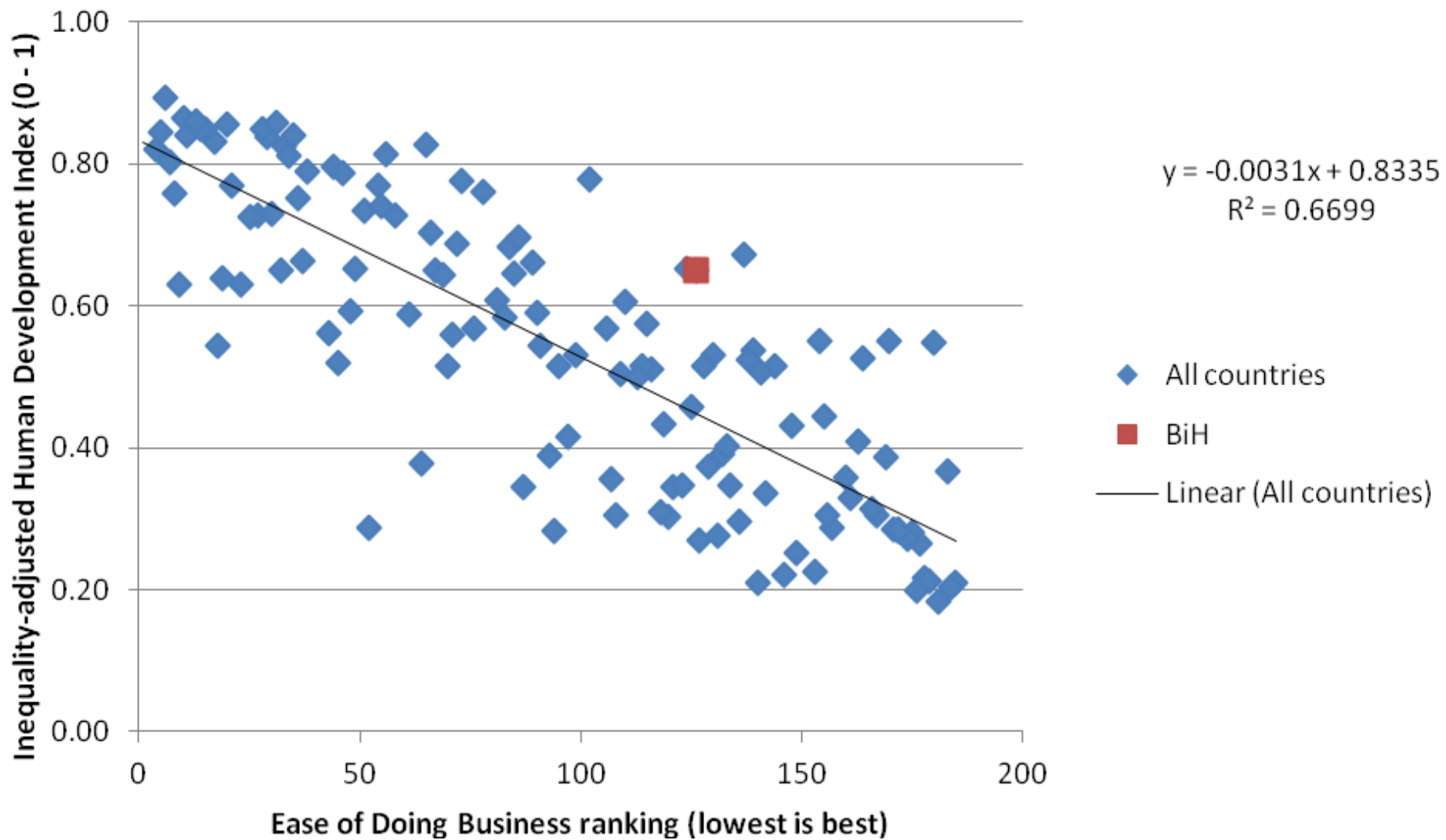
Bubble sizes indicate per capita oil production



Ease of Doing Business ranking for BiH compared to current and potential EU Member States (lowest is best)



IHDI vs Ease of Doing Business




4. What matters most? – Conclusions

- ▶ Rural areas are similar to and linked with urban areas, so...
- ▶ what is good for BiH is good for its rural areas
- ❖ It will be hard to increase income & human development without better democracy, more effective government, and lower bureaucracy.

5: Recommendations



What actions should we take?

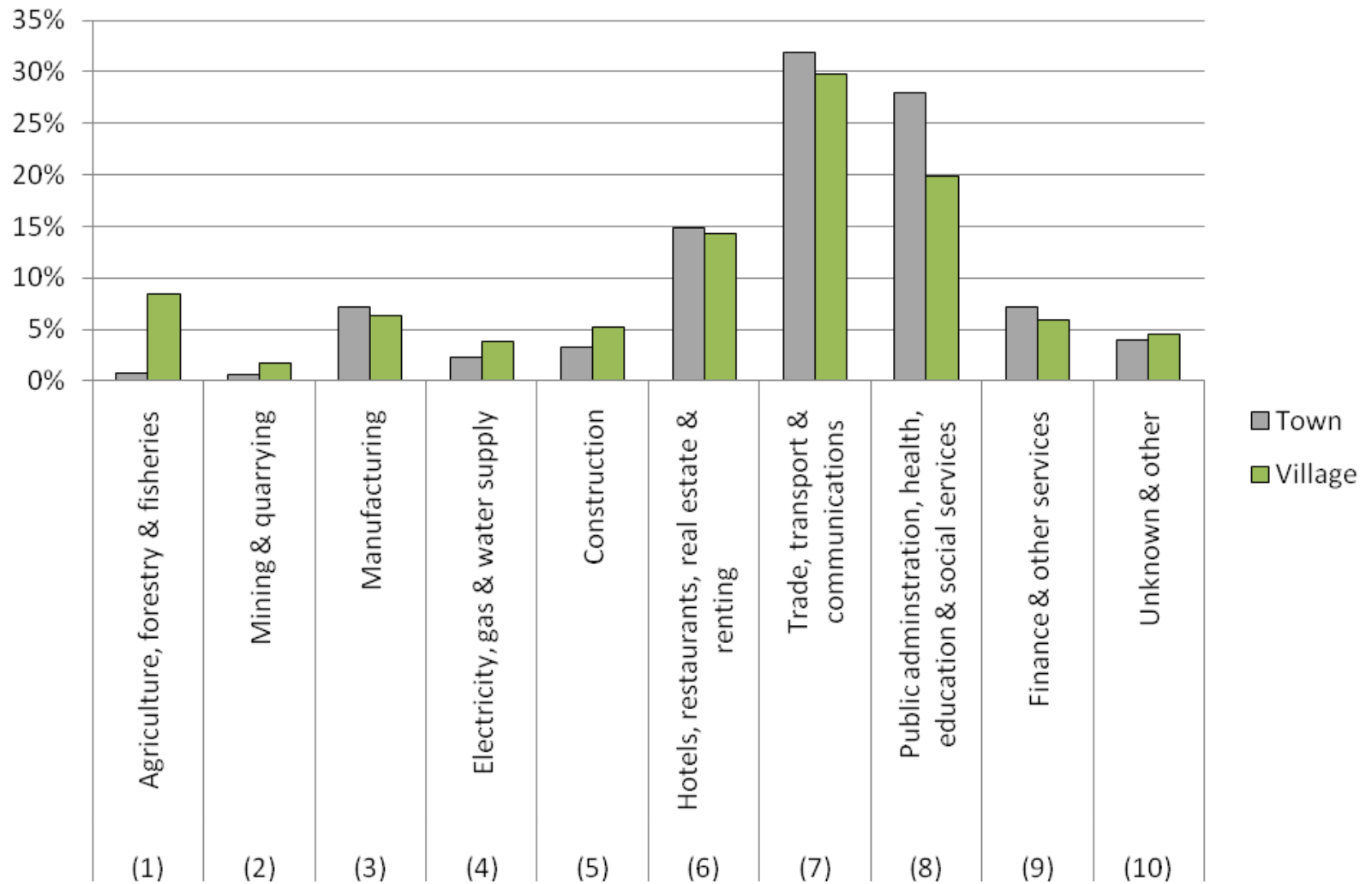
1. Make the changes that all of BiH needs
 2. Address the economic problems of the towns
 3. Improve transport to spread benefits from the cities to towns & villages
 4. Address specific rural disadvantages
 5. Use rural development measures to stimulate entrepreneurship, focussing on things that individual people & businesses will not do
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Over to the panel...

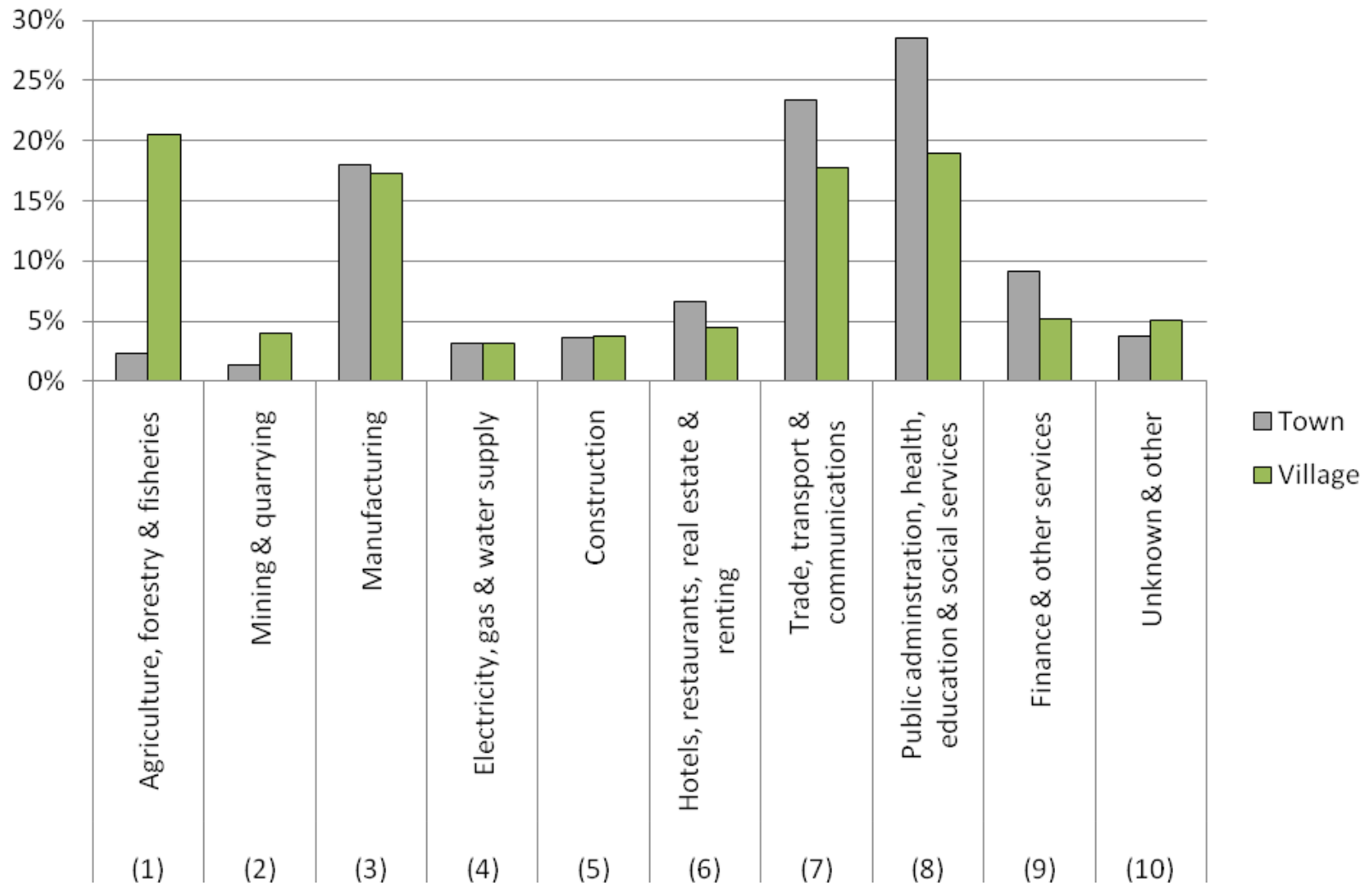
Supporting materials (1): UNDP study on rural enterprise in Montenegro, 2012



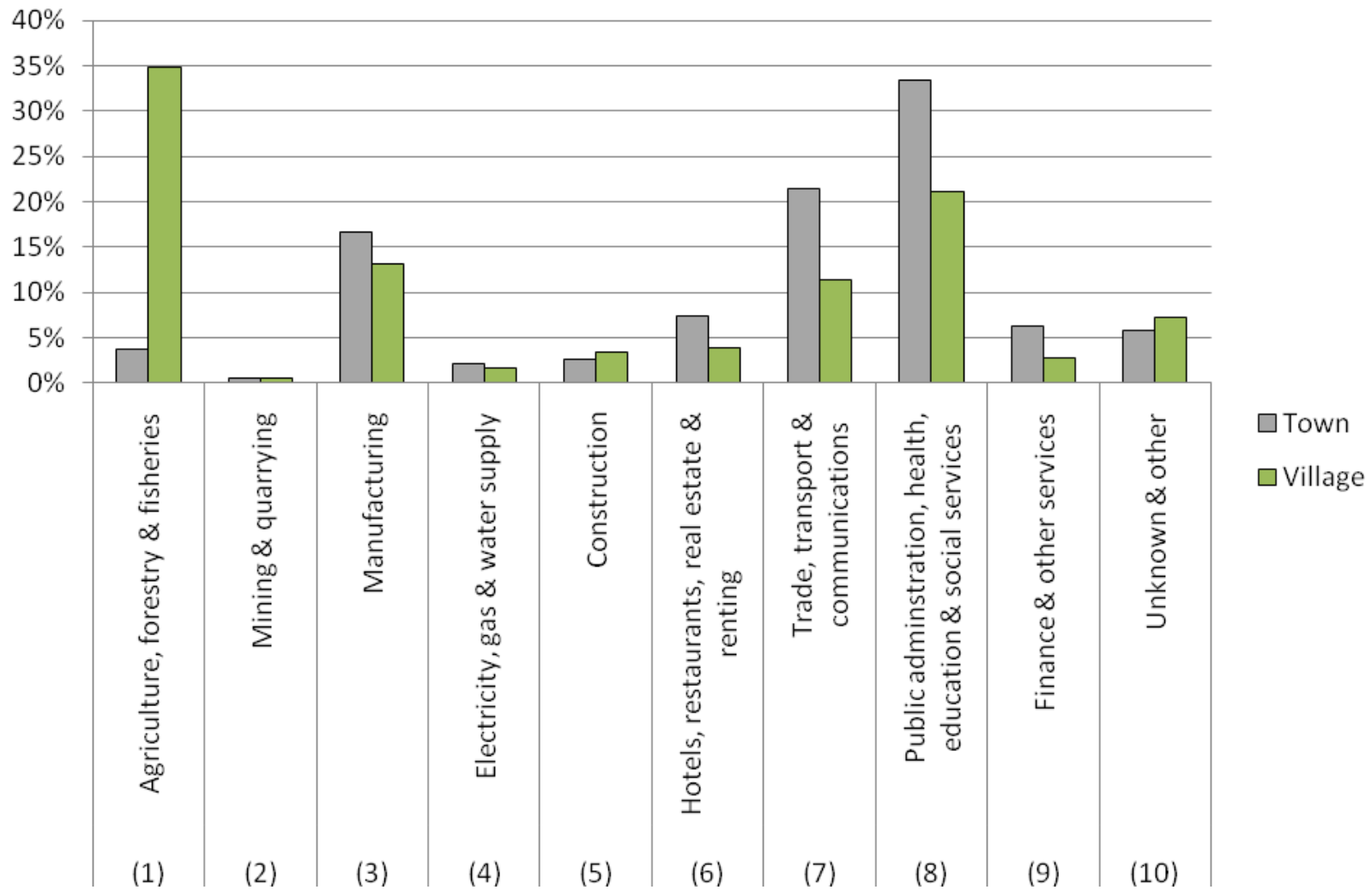
Employment structure in towns & villages for region 1: Coast



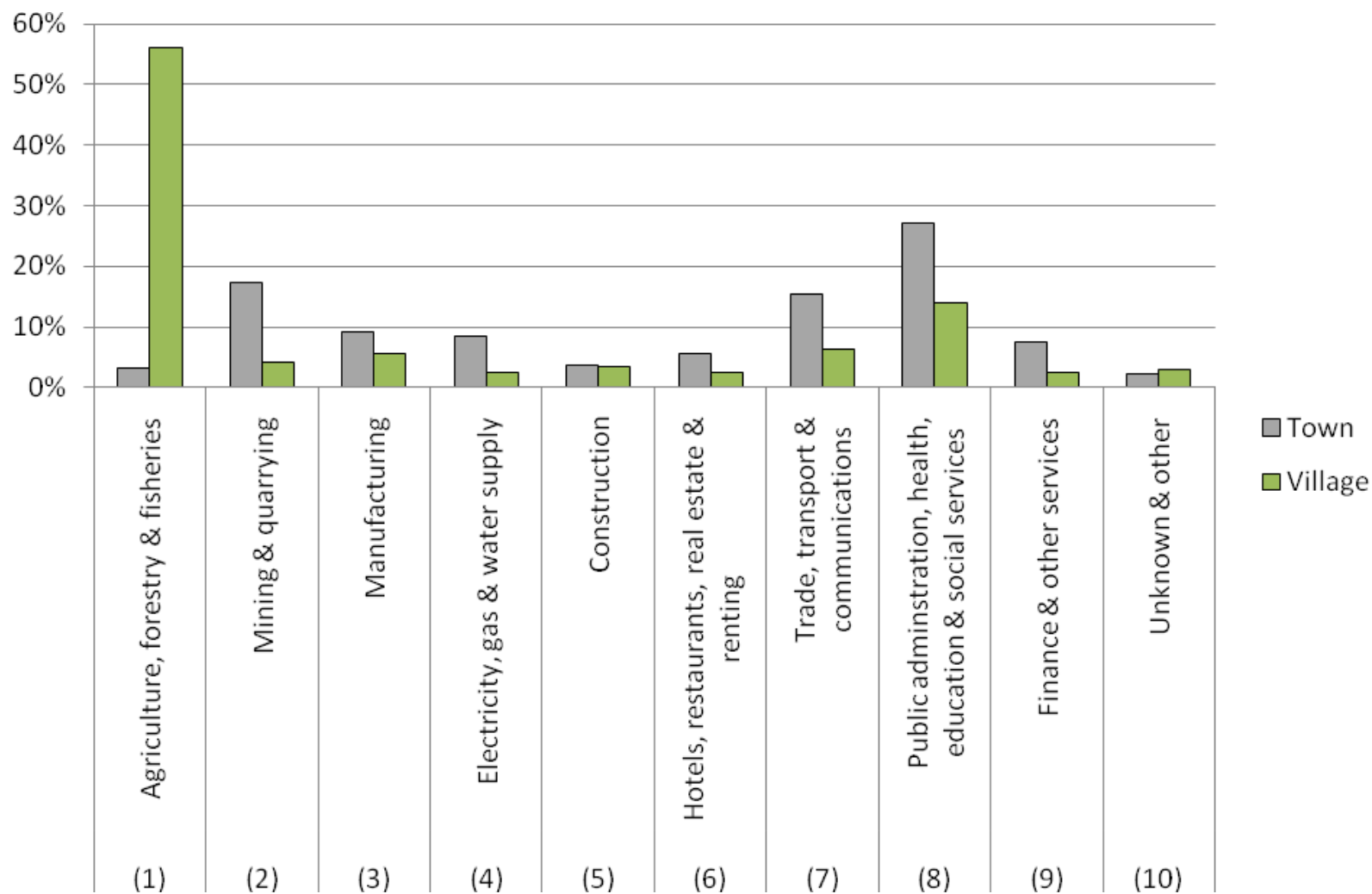
Employment structure in towns & villages for region 2: Capital



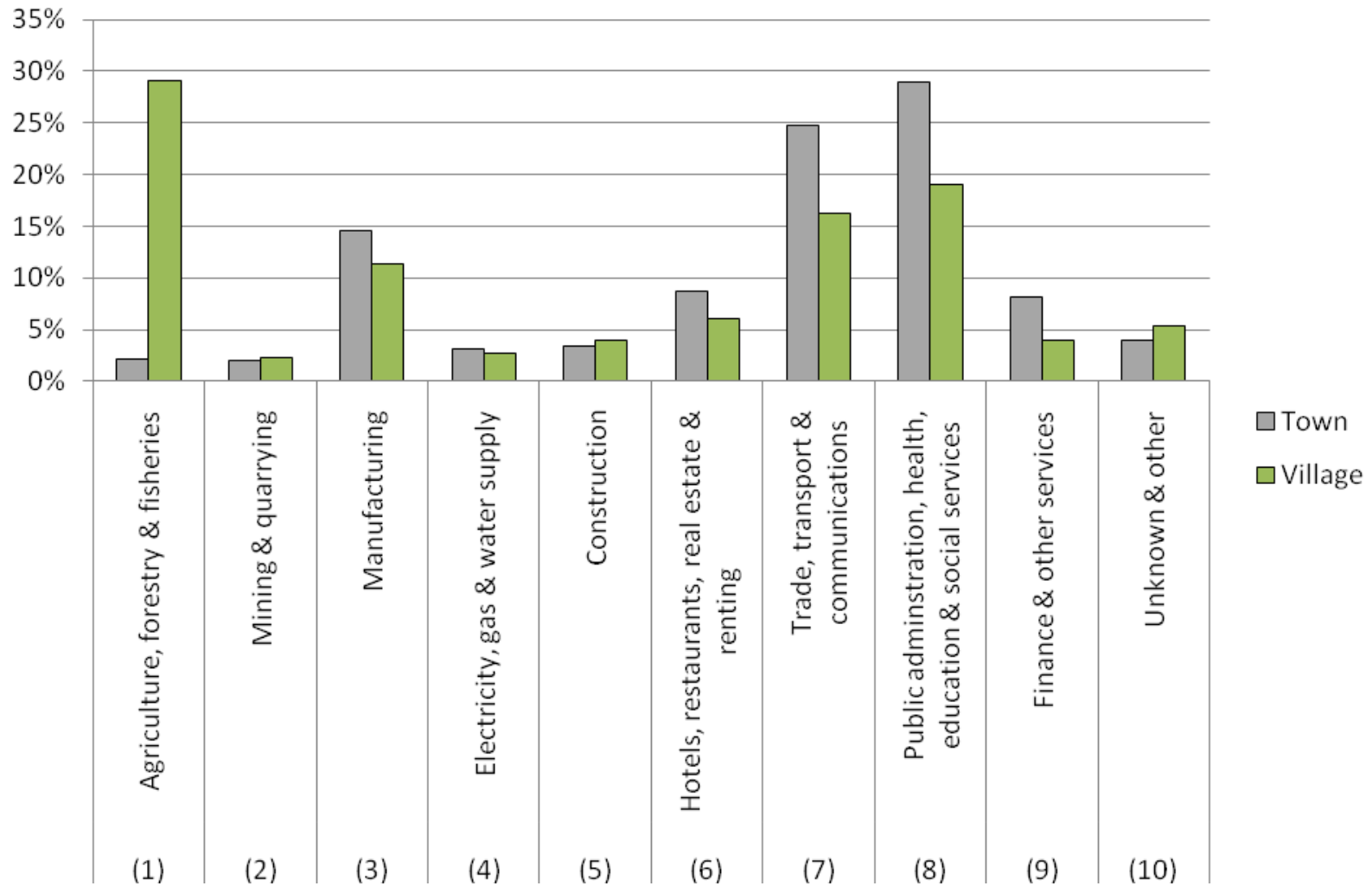
Employment structure in towns & villages for region 3: North-East



Employment structure in towns & villages for region 4: North-West



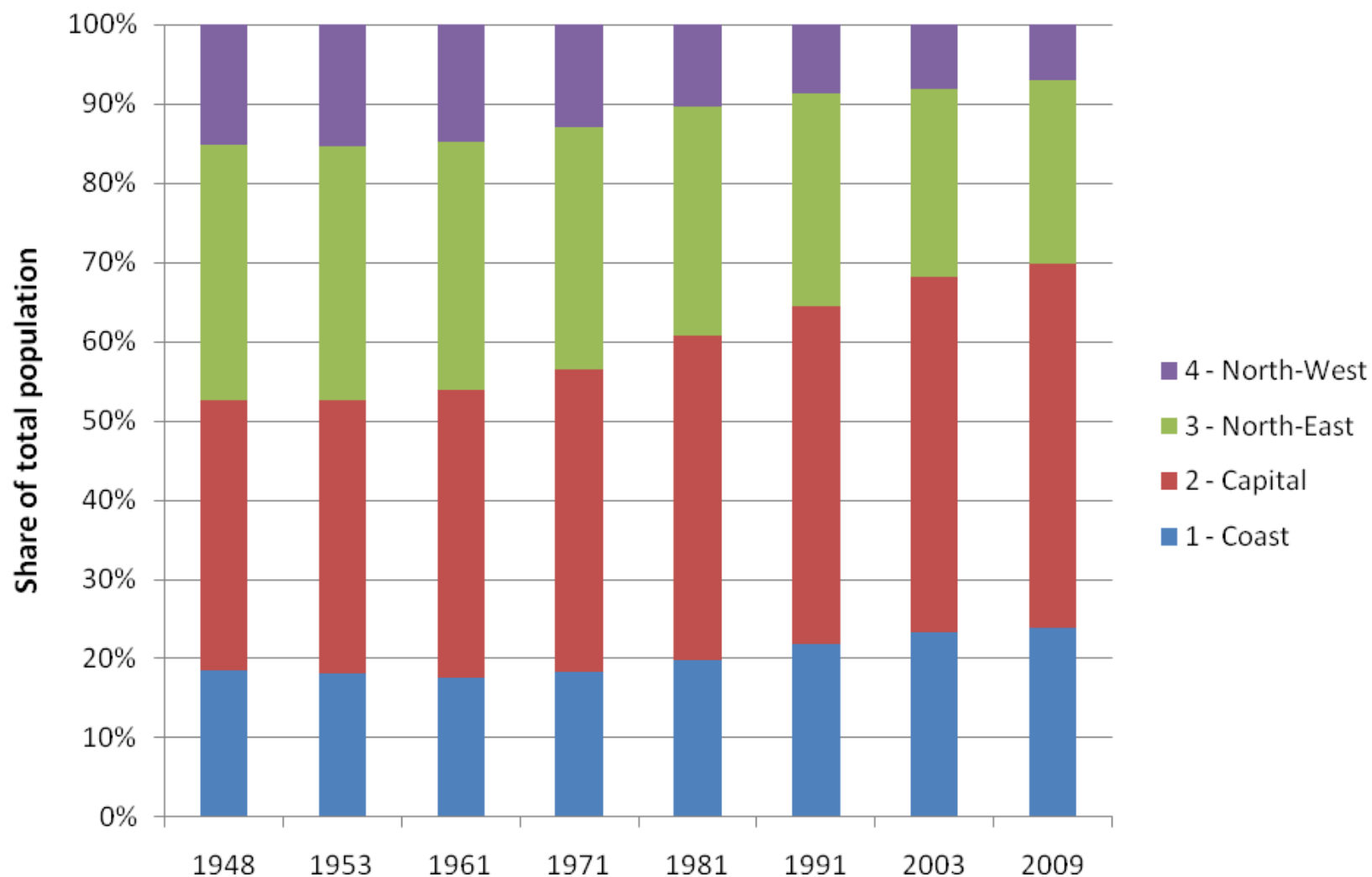
National employment structure in towns & villages



Unemployment by the two dimensions of rurality

Zone or Region	Unemployment in towns ($\geq 1,000$)		Unemployment in villages ($< 1,000$)		Overall unemployment	
	Number	Rate	Number	Rate	Number	Rate
Urbanised (south)	18,800	12.3%	1,400	4.3%	20,200	10.9%
1 - Coast	5,000	10.5%	700	5.0%	5,700	9.2%
2 - Capital	13,800	13.1%	700	3.8%	14,500	11.8%
Rural (north)	7,600	18.5%	4,000	10.4%	11,600	14.6%
3 - NE	5,400	18.4%	3,300	11.7%	8,700	15.1%
4 - NW	2,200	19.0%	700	6.7%	2,900	13.2%
MONTENEGRO	26,400	13.6%	5,400	7.6%	31,800	12.0%

Long-term inter-regional migration in Montenegro



Conclusions on internal migration

- ▶ The data presented above span more than 60 years of Montenegro's history and a series of crises: the Bosnian war, sanctions and the collapse of the German tourist trade; the progressive break-up of Yugoslavia, culminating in 2006 with the independence of Montenegro; the near-collapse and privatisation of state- and socially-owned industries (not yet complete); and the ongoing global financial crisis. There is no evidence to suggest that any significant proportion of the Montenegrin population has responded to any of these crises by moving from towns to rural areas, nor is there any evidence to suggest that this is happening now or is likely to happen in the near future. On the contrary, the clear and long-term trend is that people move from sparsely-populated areas towards centres of economic activity on the coast and around the capital.