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Enabling poor rural people
to overcome poverty

Bosnia and Herzegovina

Country strategic opportunities programme

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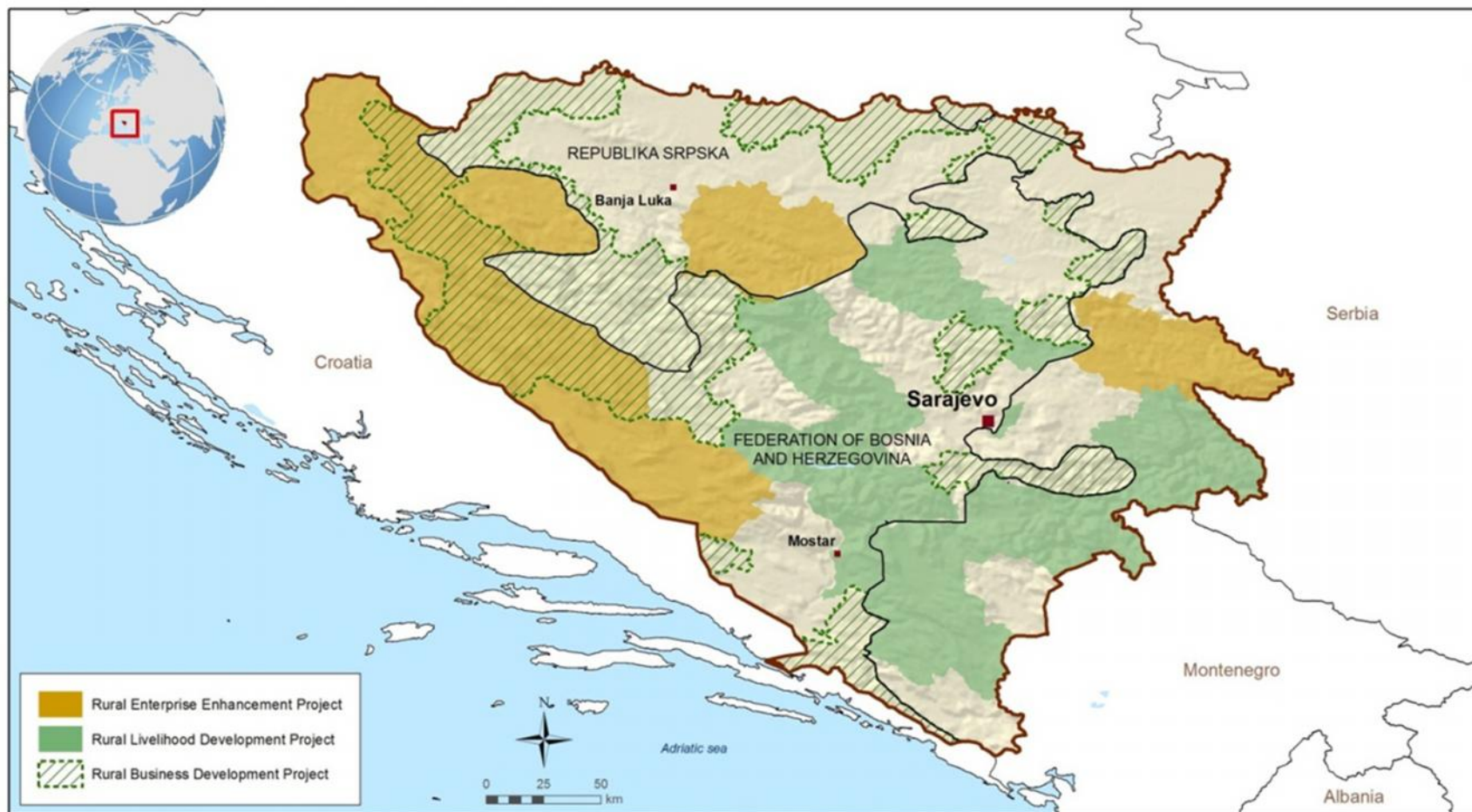
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Abbreviations and acronyms

FBiH	Federation of Bosnia and Herzegovina
RB-COSOP	results-based country strategic opportunities programme
SMEs	small and medium enterprises

Map of Bosnia and Herzegovina

Ongoing IFAD-funded projects



The designations employed and the presentation of the material in this map do not imply the expression of any opinion whatsoever on the part of IFAD concerning the delimitation of the frontiers or boundaries, or the authorities thereof.

Map compiled by IFAD | 18-03-2013

Summary of country strategy

1. Bosnia and Herzegovina is an upper-middle-income economy with a population of about 3.8 million. Smallholder farms continue to dominate agriculture production: there are over 500,000 privately owned smallholder farms in the country, and the average size of more than half of these is less than 2 hectares. Low yields, a relatively low level of mechanization, limited access to affordable credit, and unreliable wholesale linkages for processing, bulking, storage and marketing further constrain farmers' ability to expand their businesses. Farmers also face increased risks because of climate change, greater weather variability and changes in the operating environment for smallholders and agroprocessors. While its agriculture sector is potentially well positioned, with several comparative advantages, Bosnia and Herzegovina is not reaping the full benefits of ongoing trade liberalization processes. Furthermore, its complex governance structure, with limited coordination between the various levels of government, prevents the country from making effective use of European Union pre-accession assistance.
2. IFAD is one of the few agencies in the country working on an appreciable scale with non-commercial and commercial smallholder farmers and off-farm entrepreneurs in underdeveloped municipalities. Supporting the graduation from non-commercial farming to viable commercial enterprises, attractive to young people and the rural poor, is also a key government priority.
3. Accordingly, the overall development goal of this results-based country strategic opportunities programme (RB-COSOP) is to enable poor rural people in the country to improve their food security and increase their incomes through support to non-commercial and commercial farmers, and to on- and off-farm enterprises. In alignment with the Bosnia and Herzegovina Development Strategy (2008-2013), its Strategy of Social Inclusion (2008-2013) and the IFAD Strategic Framework 2011-2015, the strategy will contribute to reducing poverty in a way that enables a more sustainable and efficient use of natural resources, diversifies and improves rural livelihoods, and helps mitigate the risks posed by climate change, in particular to the most vulnerable people.
4. The RB-COSOP covers the period 2013-2018 and has three strategic objectives: (i) farmer organizations (producer associations, agricultural cooperatives) and their apex organizations are effective in supporting farmers in their transition from non-commercial to commercial agriculture; (ii) clusters of smallholders (both non-commercial and commercial), farmer organizations and small and medium enterprises are able to access – on a sustainable basis – technological innovation, business development and financial services to attain long-term competitiveness; and (iii) smallholders' and off-farm entrepreneurs' access to markets is improved through upgraded marketing infrastructure. Gender equity and environmental sustainability will be pursued as two important cross-cutting issues.
5. The target group for the country strategy will include: (i) non-commercial smallholder farmers and young commercial smallholder farmers, both men and women; (ii) producer associations and agriculture cooperatives with an outreach to non-commercial smallholder farmers; (iii) women and unemployed young people interested in non-farm wage employment and enterprise development; and (iv) on-farm and off-farm small enterprises with the potential to grow, improve their productivity and contribute to rural employment.

Bosnia and Herzegovina

Country strategic opportunities programme

I. Introduction

1. This results-based country strategic opportunities programme (RB-COSOP) for Bosnia and Herzegovina covers the six-year period from 2013 to 2018. In view of the significant changes in the socio-economic and institutional context, and in line with the of the priorities of the Consultation on the Ninth Replenishment of IFAD's Resources, the COSOP seeks to strengthen IFAD's result-oriented approaches to enhance quality and impact on the ground, while also strengthening the Fund's contribution to poverty eradication with a focus on gender equality and women's empowerment.
2. The strategy is the outcome of a participatory consultation process with key stakeholders, including smallholder farmers and their organizations, municipal governments, state and entity-level government representatives, key donor agencies, and others involved in the country's rural and agriculture development. A COSOP design mission visited Bosnia and Herzegovina in November 2012 to discuss some of the country's key challenges relating to rural development and its impact on sustaining rural livelihoods. All relevant state and Entity-level strategies were reviewed to ensure synergies with the strategy and the country programme. A strategic environmental assessment was also undertaken, and natural resource management and climate change issues were incorporated as a cross-cutting theme of the strategy.

II. Country context

A. Economic, agricultural and rural poverty context

Country economic background

3. With a per capita GNI of US\$4,700 (June 2011), Bosnia and Herzegovina ranks as an upper-middle-income economy. It has an estimated population of 3.8 million (July 2011), and 58 per cent of the population live in rural areas. The agriculture sector generates about 19.7 per cent of total employment (2010). GDP growth has averaged 6 per cent for the past five years with a low inflation rate. The country has, however, fallen behind on several Millennium Development Goal indicators: registered unemployment for women now stands at just above 40 per cent, and unemployment among young people is reported to be about twice as high as among the population as a whole.
4. In June 2008, the European Union and Bosnia and Herzegovina signed the Stabilization and Association Agreement. Pending completion of this process, an interim agreement regulates trade relations. The majority of Bosnian products can enter the European Union duty-free. Bosnia and Herzegovina is, however, not reaping the full benefits of these agreements since, due to the absence of European Union-compliant food safety institutions and an overall lack of compliance to the European Union regulatory frameworks, a broad range of products still remain banned from entering European Union markets.

Agriculture and rural poverty

5. Agriculture contributes to slightly less than 10 per cent of the country's GDP. Cultivable land amounts to 1 million hectares, but less than 20 per cent of agricultural land is suited to intensive agriculture and only about 1 per cent of the arable land benefits from some kind of irrigation. The sector is considerably exposed to climate change-related risks.

6. Smallholder farms continue to dominate agricultural production in Bosnia and Herzegovina. There are some 515,000 privately owned smallholder farms, and the average landholding size is 0.59 hectare per capita. Livestock production contributes to about one third of agriculture sector production. Overall, agriculture sector productivity is low both in terms of yields and labour productivity, and is constrained by the lack of investment in rural (marketing) infrastructure. Limited access to technological innovation and to effective business development services is an additional constraint keeping smallholders from reaching their competitive potential.
7. Trade liberalization (with the corresponding removal of custom duties) has not necessarily resulted in better "terms of trade" for smallholders. Input prices have increased, whereas the improved market opportunities have often been captured by traders and exporters. Over the last decades, the agriculture and livestock subsectors have suffered from a lack of investment and the disappearance of established market linkages. Unreliable wholesale linkages for processing, bulking, storage and marketing continue to be a main obstacle facing farmers seeking to expand their businesses. Uncertainties related to shifting policies (e.g. changes in crop subsidies nearly every year) are further eroding farmers' incentives to respond to changing market demands.
8. Access to affordable credit is limited (especially in the agriculture and rural sectors). This is partly because of the uneven coverage of financial institutions, which are mostly concentrated in urban areas and better-off municipalities, but it is also the result of a pattern of risk avoidance by commercial banks.
9. Notwithstanding the above, the agriculture sector is potentially well endowed. The moderate climatic conditions are favourable for a range of crop and livestock enterprises, and allow for an earlier agricultural season than most European countries. Shipping costs are relatively low; land, labour and electricity costs remain competitive. Despite these advantages, Bosnia and Herzegovina remains a net importer of agricultural and food products with only 35 to 40 per cent of its needs covered by local produce (with the exception of potatoes, eggs and lamb meat). As the country has not yet achieved self-sufficiency, there is still significant growth potential for the development of local agricultural value chains that cater for the needs of local markets and improve national food security. To preserve their preferential market access to the European Union and other export markets, as well as their existing share in these markets, farmers will need to adjust their production systems and technologies to meet the required quality and food safety standards.
10. With a rank of 81/187 in the United Nations Development Programme's 2012 Human Development Index, Bosnia and Herzegovina has high human development levels. It has recently made significant advances towards greater gender equity. Poverty in Bosnia and Herzegovina is not so much about absolute destitution, but is instead defined by social exclusion and a lack of access to the basic services that make up an acceptable standard of living. Recent country poverty analysis indicates that while there is little or no "extreme (food) poverty" in the country, 21 per cent of households suffer from chronic material deprivation and 20 to 30 per cent are "at risk" of falling into material deprivation. Poverty in the country as a whole reached 16 per cent in 2010 and 18 per cent in 2011.

Cross-cutting issues: gender and the environment

11. The recorded participation rate of women in economic activity is 43.1 per cent, but only 27 per cent of total income earned is captured by women. Woman-headed households constitute 19 per cent of rural households nationwide.
12. Climate change is likely to have a considerable impact on key economic sectors, such as agriculture, forestry and energy, and the country has been experiencing serious drought and flooding since the 1990s.

B. Policy, strategy and institutional context

National institutional context

13. Pursuant to the Dayton Peace Agreement of 1995, Bosnia and Herzegovina has a complex governance structure, with a Council of Ministers at the state-level and two autonomous Entities – the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska – and the self-governing Brčko District under its sovereignty. The complex institutional and political environment has contributed to frequent political gridlocks, with negative effects on economic reform processes and the creation of a state-level institutional infrastructure supportive of a market economy and European Union integration.
14. At the local administrative level, the country has 142 municipalities: 79 in the FBiH (organized in 10 cantons), 62 in Republika Srpska and one in the Brčko District. Municipalities are extremely variable in terms of size and population and play a key role in the country's self-governance system. Many municipalities support rural development (mostly agriculture), including by: formulating local development strategies; providing small subsidies to producers (and assistance to subsidy applicants); granting usufruct of municipal land to individuals, companies or cooperatives; financing agribusiness "incubators"; supporting small-scale bulking centres; and channelling support services to producers. Investments have been made to strengthen municipalities' capacity as drivers for local development.
15. The state-level Ministry of Finance and Treasury maintains oversight of donor-supported programmes and coordinates with the Entities' finance ministries, which are responsible for externally funded projects. The country, however, lacks a state-level ministry of agriculture. The state-level Ministry of Foreign Trade and Economic Relations plays an active role in coordinating donor programmes in the country, working closely with the donors in the agriculture and rural development sector.
16. The overall responsibility for coordination and management of IFAD-funded projects is vested in the two Entities through their respective ministries of agriculture. Project coordination, implementation and monitoring are undertaken by two project coordination units. Key File 2 provides a strengths, weaknesses, opportunities and threats (SWOT) analysis of the key partner organizations involved.

National rural poverty reduction strategy

17. In 2001, Bosnia and Herzegovina prepared its first Medium-Term Development Strategy, covering the period 2004-2007. Upon expiration of the strategy and as part of the European Union accession process, it prepared its National Strategy for Development (2008-2013) and its Strategy of Social Inclusion covering the same period. A key goal of the latter is to increase the participation of inactive and demotivated populations, and foster their reintegration into social life and labour markets through "equal opportunity" policies. Gender-sensitive and inclusive employment programmes are given high priority in this strategy.
18. The Strategy for Development identifies sustainable development and competitiveness as two of its five strategic objectives. Sustainable development is pursued through development of agriculture and of rural areas, environmental management and renewable energy, and transport infrastructure and communications. Competitiveness is meant to be attained by fostering local businesses, strengthening research and development, upgrading workforce skills, establishing a supportive business infrastructure and fostering sector-specific industrial clusters.
19. The Medium-Term Strategy for Development of the Agriculture Sector in FBiH and the Strategic Plan for Rural Development 2009-2015 in Republika Srpska are essentially construed around similar strategic priorities, namely: (i) improving agriculture and food sector competitiveness; (ii) developing institutions and improving legal frameworks in order to stimulate agricultural and rural

development; (iii) promoting the conservation and sustainable use of natural resources; and (iv) strengthening and diversifying rural livelihoods. An Entity-level budget analysis illustrates the importance of production-related expenditures.

Harmonization and alignment

20. At the country level, IFAD coordinates its work with the different tiers of government (municipalities), donor agencies and United Nations agencies. The Ministry of Foreign Trade and Economic Relations has established a donor forum for the agriculture sector. Although IFAD has not been able to participate in these meetings (mainly due to the absence of a country office), the IFAD Country Team has been actively liaising with the government and donors during implementation support to compensate for this absence. All design and supervision missions liaise with key multilateral donors such as the European Bank for Reconstruction and Development, the European Union, the International Finance Corporation, the OPEC Fund for International Development and the World Bank; and with key bilateral donors such as the Czech Embassy, the Swedish Embassy, the Swiss Agency for Development and Cooperation, and the United States Agency for International Development. During project identification, IFAD works closely with all key donors and the Government to share lessons and avoid duplication of efforts.

III. Lessons from IFAD's experience in the country

A. Past results, impact and performance

21. IFAD's assistance to Bosnia and Herzegovina commenced in 1996, soon after peace was restored in the country. Currently, IFAD's portfolio for the country comprises six projects valued at US\$167.0 million, of which IFAD funding amounts to US\$70.0 million. The first projects focused on emergency relief and rehabilitation, and were aimed at reestablishment of the livestock sector. Second-generation projects mainly focused on the poorer and more disadvantaged regions of the country, providing basic organizational and technical support to producer associations and strengthening market linkages. The most recent generation of IFAD-funded projects has supported income diversification, strengthening of rural livelihoods in the context of economic transformation and post-conflict stabilization, and preparation for meeting the new requirements introduced by the European Union accession process.
22. Overall, IFAD-financed projects in Bosnia and Herzegovina have benefited over 116,000 households (18 per cent of the country's rural population). They have established/supported 85 producer associations and cooperatives, with a total membership of 12,581 men (78 per cent) and 3,551 women (22 per cent). These have disbursed 5,687 smallholder loans (valued at US\$22 million) and 146 loans to small and medium enterprises (SMEs) (valued US\$6.6 million). The projects have funded the construction of 285 small rural infrastructure schemes aimed at improving market linkages and rural living conditions.
23. In terms of impact, these projects have resulted in an increase of over 60 per cent in average monthly agricultural income for beneficiary households. Fruit production has increased by 57 per cent. The volume of smallholder milk production marketed to dairies has increased by 58 per cent, and sales of fruit and vegetables have increased by 57 per cent. As a result, the overall food security situation has improved; and rural livelihoods have become more diverse and more resilient to climate change-induced variability.

B. Lessons learned

24. Through its investments in rural disadvantaged municipalities, IFAD's country programme has considerably contributed to the rejuvenation of rural livelihoods and invigoration of smallholder farming. Support to producer associations and agriculture cooperatives has enabled smallholders to begin realizing economies of scale and to access markets on a competitive basis. IFAD's experience has shown

that smallholders (non-commercial and commercial) who joined producer groups in the milk and fruit value chains were able to increase their market share as well as their incomes. The value chain approach proved effective in nurturing commercial linkages between small-scale producers and the private sector. Investments in marketing infrastructure (e.g. rural roads, small bridges) have greatly benefited rural households, while also stimulating rural growth. Access to finance contributed to the creation of rural employment opportunities for young men and women and spurred agricultural growth in the rural economy.

25. In addition, in terms of emerging lessons, it has become clear that: (i) producer associations, agriculture cooperatives and rural SMEs will need to become much more service- and business-oriented to be able to respond to changing markets and benefit their memberships; (ii) financial service providers will need to further extend the range, appropriateness and affordability of their services in rural areas; (iii) rural business development services will be crucial in facilitating the transition of not-for-profit producer associations into for-profit cooperatives; (iv) investment in small-scale rural marketing infrastructure can be a catalyst for both agricultural growth and small enterprise development. IFAD has tested innovations and learned lessons through its grants programme, scaling these up within its loan-financed projects. Experience from regional and in-country grants has also helped IFAD sharpen its focus on gender and the environment.

IV. IFAD country strategic framework

A. IFAD's comparative advantage at the country level

26. IFAD's development work with non-commercial and commercial smallholder farmers and off-farm entrepreneurs in Bosnia and Herzegovina has already had a significant impact, but the stakes for smallholder agriculture and rural development are rising. IFAD therefore believes that its comparative advantage lies in continuing to work closely with these target groups, including women and unemployed young people, so that: (i) farmers achieve significantly higher productivity and are competitive in globalizing markets; (ii) smallholders have a larger market share in the most promising value chains; (iii) food value chains (e.g. processing) are upgraded to meet consumer quality and food safety expectations locally and regionally (including compliance with European Union standards); and (iv) smallholders' exposure to climate change-induced variability and risks is mitigated. IFAD is one of the few agencies in the country working to any notable extent on these issues with smallholder farmers.
27. IFAD has supported technological and institutional innovation processes that have led to the emergence of farmer organizations and their apex organizations, strengthened value chains contributed to economically conducive environments at municipal level, and facilitated access to business development services. However, two key challenges still remain: first, strengthening public and private service providers so that they can offer the appropriate strategic services (business training, marketing support, market information and expertise, technology development and transfer); and second, ensuring that these strategic services effectively reach IFAD's target groups. IFAD's country programme will capitalize on existing opportunities by deepening and scaling up its support to smallholders (business development services, technological innovation and access to finance), to producer associations (organizational and business development), to cooperatives (business development, technological innovations, access to financial services), to agriculture-based SMEs (business development), to innovative off-farm economic activities (business development and access to finance), and to municipalities (conducive environments for local development and marketing infrastructure).

B. Strategic objectives

28. The overall development goal of this RB-COSOP is to enable poor rural people in Bosnia and Herzegovina to improve their food security and increase their incomes through support to non-commercial and commercial farmers, and to on- and off-farm enterprises. The COSOP will contribute to reducing poverty in a way that enables a more sustainable and efficient use of natural resources, diversifies and improves rural livelihoods, and helps to mitigate the risks posed by climate change, in particular to the most vulnerable people. The RB-COSOP will also assist Bosnia and Herzegovina in complying with European Union directives for transforming agriculture and in meeting the European Union accession targets for food safety and production standards. For the 2013-2018 period, the following strategic objectives (SOs) are proposed:

- **SO1: Farmer organizations (producer associations, agricultural cooperatives) and their apex organizations are effective in supporting farmers in their transition from non-commercial to commercial agriculture.** Farmer organizations need to be strengthened and their skills, capacities and capabilities continuously upgraded, as their “graduation” – from producer associations to business-oriented cooperatives or to SMEs – requires the attainment of specific organizational capabilities and management skills. Support will be required at technological, organizational, and managerial levels. IFAD-financed projects will be designed to work closely with those farmer organizations that effectively support non-commercial smallholder farmers in their efforts to capture market opportunities and meet the requirements set by local and foreign markets (e.g. food safety standards).
- **SO2: Clusters of smallholders (both non-commercial and commercial), farmer organizations and SMEs are able to access – on a sustainable basis – technological innovation, business development and financial services in order to attain long-term competitiveness.** Service delivery will be coordinated in order to develop functional and reliable market linkages between smallholders, aggregators and SMEs. The supply and capacity of these services will be enhanced by forming networks of service providers at municipal, regional and national levels. Technological support will be provided at various levels (farmers, farmer organizations). With regard to strategic business development services, IFAD will favour a multi-pronged approach based on: (i) forming networks of local economic development organizations and private service providers actively involved in upgrading their rural development or business development services (e.g. setting up agribusiness incubators); (ii) supporting structured resource-sharing among network partners, including the exchange of technical expertise, joint planning and bidding, and joint marketing; and (iii) strengthening the demand (and competition) for such services by providing the necessary resources to producer organizations seeking to acquire specific strategic business development services. IFAD will target initiatives that facilitate access to small loans and will support interventions that create the necessary conditions for the creation of sustainable finance systems by stimulating the demand side (e.g. by facilitating linkages between market-oriented farmer organizations, or the more commercially oriented individual smallholders, and the private banking sector). It will support smallholders, non-farm enterprises linked to the agriculture sector and small rural entrepreneurs in accessing these financial services. It will develop special graduation programmes to ensure that unemployed young people in rural areas have access to financial support for starting up productive enterprises. It will also foster the development of innovative initiatives and new business ventures in non-farm rural sectors (agritourism, food processing, handicrafts or the service sector).

- **SO3: Smallholders' and off-farm entrepreneurs' access to markets is improved through upgraded marketing infrastructure.** Investments in marketing infrastructure will be complementary to efforts made under SO2. This infrastructure will contribute to upgrading logistical arrangements in order to improve commodity flows along the supply chains.
29. **Cross-cutting issues:** Through explicit support, investment and training for rural women (particularly younger women), IFAD will contribute to developing their capacity to play a greater role in economic growth. With regard to climate change, IFAD will favour the adoption of sustainable farming practices, including better-adapted crop varieties and livestock breeds. It will also promote climate-resilient economic activities that build on the country's natural assets. Additional funding from the Adaptation for Smallholder Agriculture Programme Fund will be mobilized to tackle environmental and climate change issues related to the implementation of the foreseen pipeline interventions.

C. Opportunities for innovation

30. The IFAD country programme will scale up its positive experience of establishing value chain linkages for non-commercial and commercial smallholder farmers through producer associations and agriculture cooperatives. It will facilitate smallholder farmers' access to markets and financial services through innovative tripartite arrangements between financial service providers, agroprocessors and farmer organizations. Smallholders, farmer organizations and rural entrepreneurs will be supported to meet European Union food safety and environmental standards. In collaboration with farmer organizations and the private sector, the country programme will also explore the potential for commercialization through geographic marketing and product branding of specialty foods.
31. Coordinated service delivery will be constructed on effective partnerships and networks. Strengthened coordination will be required (i) within clusters (among value chain actors) and (ii) between service providers. To deliver technological innovation business development services and financial services, in a coordinated and sustainable way, public-sector actors (ministries, local economic development agencies, regional development agencies, municipalities), private-sector actors (private local economic development organizations, associations of entrepreneurs) and civil society actors (farmer organizations) will need to acquire the necessary skills, capacities and strategic knowledge. Strategic skills will relate to business development and business planning, innovation management, contract farming, or even the use of programmatic approaches to agricultural development. Capacity development will require enhanced coordination and knowledge transfer between policymakers and research and extension organizations, whereas strategic knowledge relates to such issues as organic production and certification, geographical indications and marketing, and compliance with European Union standards.
32. To support the sector in acquiring the necessary knowledge and skills, IFAD will explore the possibility of outsourcing some of the tasks at hand.
33. In order to enhance poor people's access to affordable financial services, IFAD will continue to promote innovative ways for commercial banks and microcredit organizations to expand their outreach into rural poor areas.

D. Targeting strategy

34. The target group for the country strategy will include: (i) non-commercial smallholder farmers and young commercial smallholder farmers, both women and men; (ii) producer associations and agriculture cooperatives with an outreach to non-commercial smallholder farmers; (iii) women and unemployed young people interested in non-farm wage employment and enterprise development; and (iv) on-

farm and off-farm small enterprises with the potential to grow, improve their productivity and contribute to rural employment.

35. The targeting approach will include: (i) geographic targeting, with priority given to the poorest municipalities including those that have not benefited from previous IFAD-funded projects; (ii) targeting of value chains that are attractive to smallholders and the rural poor; (iii) direct targeting, for women, young people, rural households and pro-poor institutions; and (iv) self-targeting, of individuals who are interested in participating in project activities.

E. Policy linkages

36. IFAD's policy dialogue agenda will be derived from its strategic objectives and its strategic focus. In identifying its policy agenda for Bosnia and Herzegovina, IFAD will monitor the country's progress in the European Union accession process. Other donors are also pursuing a strong policy agenda through a series of development policy operations. IFAD will follow up on those policy processes, especially with regard to agriculture and rural development, in order to align its efforts with the country's broader policy reform efforts.
37. IFAD will take full advantage of opportunities for enhanced policy dialogue with the Government. It will, for instance: (i) engage in fact-driven policy dialogue with the Government on how best to strengthen its efforts to create an enabling policy and legal framework; (ii) participate with other donors in the agriculture sector donor forum; and (iii) strengthen the capacity of smallholder farmers, farmer organizations and their apex organizations to lobby with the Government on policy issues of concern to them. IFAD will also provide support through country grants for thematic studies on policy issues.

V. Programme management

A. COSOP monitoring

38. Monitoring will be undertaken through an annual review organized by the Country Programme Management Team (CPMT). Annual reviews will aggregate key indicators for each of the strategic objectives. (A results management framework is outlined in appendix III.) The annual reviews will also be used as an opportunity to update the logical framework. A mid-term review of the RB-COSOP will be undertaken in 2015, and arrangements for self-evaluation at RB-COSOP completion will be made in 2018.

B. Country programme management

39. The country programme manager (CPM) will be expected to play a principal role in ensuring that the opportunities that become available during the RB-COSOP period are capitalized upon, for both lending and non-lending activities. The CPM will organize CPMT meetings to review progress in implementation, hold knowledge exchange seminars and workshops on topics of interest to the country programme, identify issues related to innovation and scaling up, and draw lessons from successes and failures. He or she will also play a key role in ensuring continued donor coordination and in identifying opportunities for partnering in both lending and non-lending activities such as policy dialogue, cofinancing and knowledge management.

C. Partnerships

40. IFAD has forged a range of partnerships in the country. At the state level, IFAD will work with the Ministry of Finance and Treasury and the Ministry of Foreign Trade and Economic Relations. At the Entity level, IFAD will collaborate closely with the finance and agriculture ministries of each Entity. Municipal governments have been important partners for IFAD and have played a key role in identifying and financing part of the costs of physical and marketing infrastructure in rural areas. IFAD will

actively support local economic development organizations (private and public) to strengthen their capacity to deliver development services.

41. Synergies will continue to be built with other donors and financing agencies, including the European Bank for Reconstruction and Development, the European Fund for Southeast Europe, the European Union, the International Finance Corporation, the OPEC Fund for International Development, the United Nations and the World Bank, and also the Czech Development Agency, the Swedish Embassy, the Swiss Development Cooperation, and the United States Agency for International Development. The country programme will also engage in partnerships that can help promote the sustainable use of natural resources through the provision of cofinancing opportunities or technical assistance.
42. Agriculture cooperatives and producer associations are emerging as important organizations that help link smallholder producers to markets. IFAD will support well-performing agricultural cooperatives in reaching out to non-commercial smallholder farmers and in exploiting competitive markets. The private sector engaged in the provision of business development services (private consultancies), financial services, agroprocessing, marketing and export will have an important role in IFAD's country strategy.
43. Commercial banks and microcredit organizations will be key partners in providing financial services to IFAD's target group. In facilitating access to loans, IFAD will also explore the possibility of structuring and supporting the demand for credit to the private banking sector, in order to improve smallholders' access to competitive loans and foster public-private partnerships in rural areas.

D. Knowledge management and communication

44. Knowledge management and communication is expected to be an ongoing process during the RB-COSOP period. IFAD has used its loan and grant programme to generate and share lessons and will continue to do so in the future. The key sources of knowledge generation are found at three levels (beneficiary, implementing agency and donor). The project coordination unit/agriculture projects coordination unit will hold regular inter-Entity workshops to share experiences, and IFAD will also document these during the supervision and review processes.

E. PBAS financing framework

45. The current RB-COSOP covers two performance-based allocation system (PBAS) cycles: 2013 to 2015 and 2016 to 2018. Bosnia and Herzegovina ranked 4.04 on its rural sector performance in 2012. Based on this performance and its GNI, the country has approximately US\$12.7 million available for 2013 and 2015. The allocation for 2016 to 2018 is likely to at least match this allocation.

F. Risks and risk management

46. **Inefficient targeting of poor farmers or elite capture by the strongest farmers' organizations or members.** This risk will be mitigated through (i) disaggregation of monitoring and evaluation data by type of farm (registered and non-registered); (ii) capacity-building of a wide range of members to ensure transparency, good governance and effective management systems; and (iii) a focus on cooperatives with a fairly large membership.
47. **Environment and climate change.** Investments will ensure that use of water and land resources are adapted to climate variability, and that natural assets and energy are used efficiently. IFAD will engage in policy dialogue to favour the adoption of institutional support and policy measures that can help to speed up climate change adaptation measures in agriculture.
48. **Poor access to business development and financial services.** Financial services will be provided through a range of institutional arrangements including

both commercial banks and microcredit organizations that have broad outreach and through partnerships between the private sector and farmer organizations to enable them to establish financing arrangements along value chains that can reduce the risks incurred by participating financial institutions and increase their appetite for rural lending.

49. **Reported over-indebtedness.** A credit bureau is now in place and offers the possibility of cross-checking the debt profile of potential borrowers. It also provides technical assistance to potential borrowers to ensure that they have a sound business plan prior to making investments. In addition, participating microcredit organizations have put in place risk mitigation strategies and have strengthened their capacity to screen loan applications.
50. **Poor management of collective privately owned infrastructure and equipment.** Support will only be provided to organizations that cofinance a major share, have a large number of members and sound internal management capacity. Fiduciary aspects and financial management risks are considered medium and improving. The main risks include: (i) the country's complex governance structure; (ii) the lack of a uniform and consistent budget discipline across the public resource management system; (iii) weak compliance with procurement laws; (iv) weak capacity of internal audit; and (v) widespread corruption. The World Bank is currently undertaking the first public expenditures and financial accountability assessment in Bosnia and Herzegovina, which will allow IFAD to obtain more information of the state of public financial management.

RB-COSOP formulation and consultation process

RB-COSOP FORMULATION AND CONSULTATION PROCESS

Initiation of the RB-COSOP Approval and Formulation Process:

1. The process for planning for the RB-COSOP was initiated in November 2010 when preparatory studies and a background and strategic note in the context of scaling up was undertaken. In September 2012 a Country Programme Management Team was set up at headquarters and planning for the in-country work mission was initiated. A formulation mission visited the country between November 11 and November 29, 2012 under the guidance of the Country Programme Manager. The mission was also joined by a team undertaking a Strategic Environmental Assessment for the country to assess how environmental and climate change aspects could be incorporated as an integral part of the country strategy. The COSOP Design Mission also benefitted from the findings of the Supervision and Implementation Support Mission in the country to supervise the Rural Enterprise Enhancement Project (REEP) and the Rural Livelihoods Development Project (RLDP).
2. The RB-COSOP design mission met key stakeholders in the country including Government representatives at the State level and the and two Entity levels, donor agencies investing in the agriculture sector, potential implementing partners, farmer organizations, small holder farmers and rural entrepreneurs. To build government ownership for the process and make them a key partner in the preparation of the new RB-COSOP, meetings were held with the Ministry of Foreign Trade and Economic Relations and Ministry of Finance and Treasury at the State level to keep them informed of the process. At the Entity level, meetings were held in the Federation of Bosnia and Herzegovina with the Ministry of Agriculture Water Management and Forestry and in Republika Srpska meetings were held with the Ministry of Agriculture, Forestry and Water Management and the RS Ministry of Finance. Meetings were also held with all main donors such as the World Bank, the European Commission, the European Bank for Reconstruction and Development, Internal Finance Corporation, UNDP, USAID, Swedish Embassy, Swiss Development Cooperation, etc. A list of people met is in Appendix 13.
3. **Members** of the RB-COSOP mission participated in two workshops. The first was conducted on November 17, 2012 as part of the consultation process for the Strategic Environmental Assessment. The COSOP mission made a presentation to share the process of identifying overall strategic objectives at the country level and invited participant feedback on some of their key constraints in enhancing agriculture growth and productivity and other issues in the rural areas of the country linked specifically to environmental and natural resource management issues. A stakeholder workshop dedicated exclusively to the RB-COSOP design was held on November 27th, 2012 in Sarajevo to share the findings of the mission and the strategic objectives of the country strategy and other key parameters. Wrap-up meetings were held at the Entity and State level to finalize the main elements of the RB-COSOP for Bosnia Herzegovina and identify pipeline projects.
4. The draft COSOP was submitted for review to members of the CPMT in December 2012. After formal peer review by the OSC Secretariat on May 30, 2013 and incorporation of all comments received, the RB-COSOP was further fine-tuned, and the final version was discussed and validated during an in-country wrap-up meeting held on July 18, 2013. The document would be submitted to the Executive Board for Approval in December 2013.

Country economic background – Bosnia and Herzegovina

Land area (km2 thousand) 2010 1/	51	GNI per capita (USD) 2010 1/	4 700
Total population (million) 2010 1/	3.76	GDP per capita growth (annual %) 2010 1/	1
Population density (people per km2) 2010 1/	74	Inflation, consumer prices (annual %) 2011 1/	4
Social Indicators		Economic Indicators	
Population growth (annual %) 2010 1/	0	GDP (USD million) 2010 1/	16.58
Crude birth rate (per thousand people) 2010 1/	9	GDP growth (annual %) 1/	5.5
Crude death rate (per thousand people) 2010 1/	10	Agriculture growth	0.8
Infant mortality rate (per thousand live births) 2010 1/	8		
Life expectancy at birth (years) 2010 1/	75		
		Sectoral distribution of GDP 2010 1/	
Total labour force (million) 2010 1/	1.48	% agriculture	10
Female labour force as % of total 2010 1/	40	% industry	26
Education		% services	64
School enrolment, primary (% gross) 2010 1/	17		
Adult illiteracy rate (% age 15 and above) 2010 1/	n/a	Consumption 2010 1/	
		Government expenditure (as % of GDP)	21
		Household final consumption expenditure, etc. (as % of GDP)	80
Nutrition		Gross domestic savings (as % of GDP)	-1
Child undernourishment	1.6%		
Malnutrition prevalence, height for age (% of children under 5) 2008 1/	n/a	Balance of Payments (USD million)	
Malnutrition prevalence, weight for age (% of children under 5) 2008 1/	n/a	Merchandise exports 2010 1/	4 803
		Merchandise imports 2010 1/	9 223
Health		Balance of merchandise trade	-4 420
Health expenditure, total (as % of GDP) 2011 1/	5.6		
Physicians (per thousand people) 2010 1/	n/a	Current account balances (USD million)	
Population using improved water sources (%) 2010 1/	99	before official transfers 2010 1/	-3 505
Population using adequate sanitation facilities (%) 2010 1/	95	after official transfers 2010 1/	-1 008
		Foreign direct investment, net 2010 1/	188
Agriculture and Food		Government Finance	
Food imports (% of merchandise imports) 2010 1/	18	Cash surplus/deficit (as % of GDP) 2010 1/	-2
Fertilizer consumption (kilograms per ha of arable land) 2010 1/	n/a	Total expense (% of GDP) a/ 2010 1/	41
		Present value of external debt (as % of GNI) 2010 1/	37
Food production index (2004-2006=100) 2010 1/	n/a	Total debt service (% of GNI) 2010 1/	8
Cereal yield (kg per ha) 2010 1/	3 858		
Land Use		Lending interest rate (%) 2010 1/	8
Arable land as % of land area 2010 1/	20	Deposit interest rate (%) 2010 1/	3
Forest area as % of total land area 2010 1/	43		
Agricultural irrigated land as % of total agric. land 2010 1/	n/a		

a/ Indicator replaces "Total expenditure" used previously.

1/ World Bank, *World Development Indicators* database CD ROM 2012-2013

RB-COSOP results management framework

Country Strategy Alignment	Key Results for RB-COSOP			
Strategic Objectives (SOs)	Outcome that RB-COSOP is expected to influence.	Milestone indicators showing progress towards SO	RB-COSOP Institutional, Policy Objectives	
<p>BiH's Development Strategy: (i) sustainable development (SD); (ii) employment generation; and (iii) European integration. Agriculture and Rural Development (ARD) is under SD – FBIH is currently developing ARD strategy whereas RS has recently updated. Both ARD strategies are prioritising: (i) competitiveness and improvement of the agricultural and food sector, (ii) institutional development and improvement of the legal framework in order to stimulate agricultural and rural development, (iii) conservation and sustainable use of natural resources, and (iv) improvement of rural livelihoods and diversification.</p>	<p>SO 1: FO (PAs and Cooperatives) and their apex organizations are effective in supporting farmers in their transition from subsistence to commercial agriculture</p>	<p>Likelihood of sustainability of PAs/cooperatives/SMEs</p> <p><u>Strengthened organizational skills and capabilities</u> enable 180 Agricultural Cooperatives, PA and SMEs to provide effective services to their members and 'cooperants'.</p> <p><u>Inclusion of non-commercial farmers, women and youth</u> is ensured by supported FOs.</p> <p>Strengthened <u>organizational skills</u> allows FOs and SMEs to meet requirements (local and foreign) in terms of quantity and quality of produce</p>	<p>180 PAs/ cooperatives/ SMEs, grouping 12,000 subsistence and commercial smallholders, youth and women, are strengthened in their organizational capabilities.</p> <p>In order to include subsistence smallholders, FOs adopt specific approaches.</p> <p>N. of PAs (or % of total) that graduate into <u>business-oriented</u> Cooperatives or SMEs.</p>	<p>Given the rather supportive policy framework for PAs and Agriculture Cooperatives, policy dialogue will focus on ensuring that non-commercial farmers (subsistence) remain included and benefit from state-led support initiatives, in particular the unemployed youth and women</p>
<p>SD strategies seek to enhance long term competitiveness of the agricultural sector. Support in the RS is organized through centralized systems; in FBIH, support is structured through municipalities and cantons. Support to rural financing especially for capital investments is also identified as a priority.</p>	<p>SO 2: Clusters of smallholders (both non- and commercial), FOs (Producer Associations, Agricultural Cooperatives), and SMEs are able to access - on a sustainable basis - technological innovation, business development and financial services to attain long-term competitiveness.</p>	<p>Improved performance of service providers to selected clusters</p> <p><u>Networks of BDS providers</u> are: (i) coordinating private and public (e.g. LED) 'strategic' BDS providers; and (ii) supporting the continuous improvement of their performance.</p> <p>FOs and SMEs are able to <u>select and contract out</u> the necessary strategic BDS.</p> <p>Networked private/public service providers are <u>offering 'strategic' BDS</u> to PAs, Cooperatives and SMEs.</p>	<p>N. of FOs and SMEs that have access to technical innovation and 'strategic' BDS</p> <p>180 FOs and 600 SMEs benefit from specialised technical assistance and 'strategic' BDS to expand their businesses.</p> <p>400 young men and 200 young women trained in business skills for rural entrepreneurship.</p>	<p>Policy dialogue on setting up strategic BDS networks while strengthening the demand side for these services.</p>
		<p><u>Technological innovation to be</u></p>	<p>N. of farmers adopting economically viable and</p>	

Country Strategy Alignment	Key Results for RB-COSOP	
Investment in rural (including market) infrastructure is a key priority of the two Entity Governments.	<p>SO 3: Smallholders' and off-farm entrepreneurs' access to markets is improved through upgraded market infrastructure.</p>	<p>Producers benefit from improved access to markets 150,000 people (50% women) benefit directly from market infrastructure.</p> <p>Likelihood of sustainability of market infrastructure (e.g. storage facilities, collection points, rural roads)</p> <p>Likelihood of sustainability of groups managing infrastructure</p>
	<p><u>provided</u>: (i) at farmer level through qualified TA (e.g. production technologies for high-value crops); (ii) at FO level through specialised TA (e.g. on compliance to food standards required by the local, regional and international markets) combined with targeted investments (e.g. for storage, grading, sorting, packaging).</p> <p><u>Improved access of the rural poor to affordable financial services.</u> Smallholders, FOs, small rural entrepreneurs and non-farm enterprises are able to access cost-effective and quasi-market based financial services. Rural unemployed youth enabled to initiate productive enterprises.</p> <p>Creation of employment opportunities Innovative initiatives and new business ventures in off-farm rural sectors (agro-tourism, food processing, handicrafts or the service sector) generate employment. Beneficiaries adopt sustainable agricultural practices, are less vulnerable to climate change, and use water and energy efficiently.</p>	<p>environmentally sound production technologies 18,000 smallholder farmers (non-commercial and commercial, including 25% women) are adopting technological innovations that (i) improve labour productivity, (ii) raise crop yields and (iii) improve the productivity of their livestock and respond to market and environmental requirements (e.g. those related to EU food safety).</p> <p>N. of active borrowers 4000 households (including 400 female-headed) and 250 rural entrepreneurs (30% women and youth) obtain loans and expand their production capacity by 30%.</p> <p>Off-farm employment 600 jobs (of which 200 for women and youth) created in rural areas through the initiation of 200 rural enterprises, using natural resources sustainably. % change in water and energy efficiency.</p>
		<p>N. of market infrastructure constructed or rehabilitated 330 market infrastructure schemes constructed or rehabilitated.</p> <p>N. of groups formed/strengthened to manage infrastructure</p>
		Policy dialogue on supporting private-public partnerships and ensuring that environmental concerns are included into the design.

Previous COSOP results management framework

Project	LRFDP (Note 1)	REEP (Note 2)	RLDP (Note 2)
Project Status	Closed (2001-2008)	Closing (2006-2012)	On-going (2010-2015)
Project Area	21 poorer and disadvantaged Municipalities (10 in FBiH and 11 in RS)	25 poorer and disadvantaged municipalities (14 in FBiH and 11 in RS)	29 poor and disadvantaged municipalities (15 in FBiH and 14 in RS)
Total Project Cost	USD 29.45 million (IFAD US\$ 14.04 million OPEC Fund USD 5.0 million Italian FFAM Grant US\$ 0.77 million Government USD 6.38 million CEN Gender Grant USD 0.10 million beneficiaries USD 3.15 million)	US\$ 26.9 million (IFAD US\$ 11.9 million, OFID US\$ 6.0 million, Government US\$ 2.8 million, Beneficiaries US\$ 4.0 million, PFIs US\$ 2.3 million)	USD 25.7 million (IFAD US\$ 11.11 million OFID US\$ 6.0million, Government US\$ 2.5 million, Beneficiaries \$ 3.9 million, PFIs US\$ 2.1 million)
Beneficiary households	38,600	48,300	29,100
OUTPUTS			
Farmer Organisation	Established/supported 23 PAs and I cooperative <ul style="list-style-type: none"> Total members 3,396 (39% women) 100 milk collection centres (65,000 litre capacity) Milk sold to dairies increased from 2.5 to 11.3 million litre/annum (between 2004 and 2008) Training milk production/ hygiene provided to 4,150 trainees (25% women) 	Established/supported 36 PAs and cooperative <ul style="list-style-type: none"> Total members 7,044 (17% women) Training provided to 13,734 persons (18% women) in milk hygiene, silage, vegetable and berry production and beekeeping Milk collected by project supported PAs from 3,701 producers and sold to one dairy processor and 2 cheese processors amounted to litre 32.1 million (2011) 6 SMEs supported introduced international food safety standards (HACCP, ISO, Global GAP and HALAL) 	Established/supported 25 associations and cooperatives <ul style="list-style-type: none"> Total members 1,590 (14% women) Training in animal husbandry provided to 1,386 trainees (31% women) Training in fruit production provided to 298 trainees (20% women)
Access to Finance	9 commercial banks and 2 micro-credit organisations collaborated with project and delivered: <ul style="list-style-type: none"> 3,462 Farm and off farm enterprise loans for total amount of BAM 14.7 million (US\$ 9.8 million) 71 SME loans for total amount of BAM 6.4 million (US\$ 4.3 million) 	5 commercial banks and 5 micro-credit organisations collaborated with project and delivered: <ul style="list-style-type: none"> 2,842 Farm and off-farm micro loans for total amount of BAM 18.8 million (US\$ 12.5 million) 98% of farmer and micro loans are of less than BAM 10,001 (US\$ 6,600) compared to GNI/capita of US\$ 4,770 73 SME loans for total amount of BAM 3.5 million (US\$ 2.3 million) Women borrowers received 46% of the number of loans and 35% of the loan amount 88% of the loan amount disbursed by MCOs and 12% by commercial banks 	

Market Linking Infrastructure	Financed 139 market linking sub-projects	Financed 134 market linking sub-projects	Financed 25 market linking sub-projects
	<ul style="list-style-type: none"> cost of US\$ 10.5 million 97 feeder roads (163.9 km) 5 small bridges and stream crossings 17 Village water supply systems 20 animal watering points 	<ul style="list-style-type: none"> Total cost of BAM 18.4 (US\$ 12.3 million) Beneficiaries contributed BAM 6.1 million (33% of total cost) 84 feeder roads (112.9 km) 9 small bridges and stream crossings 29 village water supply systems 12 miscellaneous other investments 	<ul style="list-style-type: none"> Total cost BAM 2.9 million (US\$ 1.9 million) Beneficiaries contributed BAM // million (//% of total cost) 13 feeder roads (15.7 km) 6 Water supply 6 other
EFFECT and IMPACT			
Project	LRFDP	REEP (Note 3)	RLDP
	<p>Average livestock ownership/household</p> <ul style="list-style-type: none"> From 2.5 to 8.4 cows <p>Average milk yield/cow/lactation/year</p> <ul style="list-style-type: none"> From 1,750 to 2,744 <p>Total Job creation by SME obtaining project loans</p> <ul style="list-style-type: none"> 83 full time and 420 part time <p>Household agricultural income</p> <ul style="list-style-type: none"> Data from one dairy company (Agrocentar in FBiH) show individual producers increased annual milk delivery to dairy from 3,000 to 6,000 litre and thus increased their milk sale revenue from KM 1,488 to 3,364 over 2002-2007 period 	<p>Average livestock ownership/household</p> <ul style="list-style-type: none"> From 2.1 to 5.5 cows <p>Average milk yield/cow/lactation/year</p> <ul style="list-style-type: none"> From 2,800 to 4,500 <p>Total Job creation by 50 SME which received BAM 2.68 million of project loans</p> <ul style="list-style-type: none"> 116 full time and 81 part time jobs (BAM 13,500 per job created) <p>Average monthly household agricultural income</p> <ul style="list-style-type: none"> From BAM 11,700 to BAM 12,800 in 2011 	

(BAM/US\$ average exchange rate about 1.5 BAM/1 US\$)

Note 1: Output and Impact data for LRFDP from PCR

Note 2: Output data for REEP and RLDP from M&E system and Supervision Reports

Note 3: Impact data for REEP from Panel Impact Surveys in both FBiH and RS

Project Pipeline during the RB-COSOP period

Concept Note: BOSNIA AND HERZEGOVINA: Rural Competitiveness and Diversification Project (RCDP)

A. Background

1. The complex governance structure in BiH and ineffective coordination between various levels of government not only hinders the country in making effective use of the EU's pre-accession assistance for the transposition and implementation of the EU 'acquis' but also constraints the country in increasing its competitiveness and in improving its longer term economic perspectives. For this reason, given the 2013-2015 PBAS allocation, only one intervention is considered for the present lending cycle. Additional funding will also be mobilized¹ to tackle environmental issues identified during the SEA exercise.
2. The present RB-COSOP will be assessed in 2015, and the country's progress as regards the EU-accession process will orient the intervention to be financed under the 2016-2018 lending cycle.
3. In close coordination with the State Government and the two Entity Governments, a project tentatively titled the 'Rural Competitiveness and Diversification Project (RCDP)' has been pre-identified for financing by IFAD during the current RB-COSOP period. This project, identified by the two Entity Governments, aims to capitalize on the lessons from previous IFAD and other donors' investments. RCDP would replicate some of the most successful IFAD experiences in the country. These experiences relate to (i) strengthening of farmer organizations and rural enterprises; (ii) technological innovation, business development and financial services; and (iii) upgrading of market infrastructure. The intervention would also tackle environmental issues related to climate change.
4. IFAD would field a mission to the country in October/November 2013 to elaborate the design of the RCDP. The choice of specific geographical areas would be made during the project identification.
5. It is also foreseen that the pipeline projects (a second one to be identified in 2015) will keep on capitalizing on on-going interventions. In fact, during the 2013-2018 period, two interventions will still be under implementation: (i) the Rural Livelihood Development Project (RLDP); and (ii) the Rural Business Development Project (RBDP). RLDP is scheduled for completion in June 2015; RBDP is a five-year intervention that was approved by the IFAD Executive Board in December 2011, and the ratification process is, to-date, still underway. RBDP start-up is foreseen by beginning of 2014, and expected completion is in 2018.
6. **Geography.** BiH is a country in the southeast Europe on the Balkan Peninsula with an area of 51,129 km² (47% of its area is covered with forests). It is virtually a land-locked country with a small (about 20 km) coastline on the Adriatic Sea and borders with Serbia, Montenegro and Croatia. Only some 20% of the total agricultural land can be classified as favourable for intensive agricultural production, mostly in lowland areas located in the valleys of the Una, Sava, Vrbas, Bosna, Drina, Sana and Spreca rivers. The geographical location and the complex mountainous reliefs lead to a diversity of climatic conditions across the country. Overall, BiH is located in two main climate zones. The southern part of the country has a Mediterranean climate characterized by sunny warm summers and mild rainy winters, and central and northern parts have continental climate that is characterized by hot summers and cold and snowy winters. The average annual temperature is 10.4°C. Summer is moderate, with an average temperature of around 16-17°C. Winters are quite harsh with average temperatures reaching below freezing for 2-3

¹ Possible sources of funding may comprise the Adaptation Fund.

months; the average winter temperature in Bosnia and Herzegovina is around -3°C . The annual average precipitation is about 800-1,000 mm.

7. Studies by the United Nations Framework Convention on Climate Change (UNFCCC) suggest that current development efforts and the livelihoods of the rural households and communities – and key economic sectors such as agriculture and forestry more in general – are at threat due to climate change; noticeable droughts and flooding incidences have been experienced since the 1990s. A regional analysis of the South-Eastern Europe, also affecting BiH, found that among the most relevant climate change-induced alterations affecting the agricultural sector are (i) increasing temperatures (extreme weather events, frost damage, increases in hot days and decreases in rainfalls), (ii) reduced total growing season of some crops, (iii) reduced yields of stone fruits (due to warmer winters), and (iv) adverse effects on livestock (due to greater heat stress).
8. **Population.** BiH has not had a population census since 1991, shortly before the Civil War which tore the country apart between 1992 and 1995. Since then, the three constituent parts (i. Federation of Bosnia and Herzegovina – FBiH, ii. Republika Srpska – RS, and iii. Brcko District – BD) have been unable to agree on the information to be collected. However, agreement was apparently reached and a census was due to take place in April 2013. Meanwhile all agencies operate on the assumption of a total population of 3.5 million in 2007, increased to 3.75 million according to 2011 estimates. This figure is substantially lower than the 1991 figure of 4.38 million. About 200,000 people were killed during the war and many more remained disabled. The war also resulted in a change in the ethnic composition throughout the country, with a visible decrease in Croats residing in BiH. Furthermore, population estimates in 2010 showed that 64.2 percent of total people resided in FBiH, 33.8 percent in RS and 1.9 percent in BD.
9. **History, political system, governance.** The 1992-95 conflict in BiH caused almost complete destruction of the economy, infrastructure, livelihoods and the social fabric of rural life. As mentioned above, the conflict has resulted in about 200,000 people's deaths and many becoming disabled; it has also resulted in changes in the ethnic composition. BiH consists of a complex governance structure that was established in accordance with the Dayton Peace Agreement of 1995. It consists of a Council of Ministers at the State-level and two autonomous Entities - the Federation of Bosnia and Herzegovina (FBiH) and the Republika Srpska (RS) - plus the self-governing Brcko District (BD) under State sovereignty. The complex institutional and political environment leaves scope for political obstruction of many reforms and frequent political gridlocks, which in turn have impeded rapid advances on economic reform. This has retarded the development of a nationwide institutional infrastructure fully supportive of a market economy and EU integration. At the local administrative level, the country has 142 municipalities: 79 in the FBiH, 62 in RS and 1 in BD. The municipalities of FBiH are organized into ten cantons whereas RS does not have an administrative tier at the canton level. The municipalities are extremely variable in terms of size and population. Considerable investment has been made in the capacity of the municipalities for local development and governance.

B. Strategic context and rationale for IFAD involvement, commitment and partnership

10. Poverty and rural development context. Poverty in BiH is not so much about absolute destitution but it is rather defined by social-exclusion and a lack of access to the basic services that make up an acceptable standard of living. BiH's Social Exclusion Index is 50.32%, indicating that half of the BiH population is, in some way, excluded within the society, being denied access to social, economic, and political rights. The country is placed 74th in UNDP's Human Development ranking, with a value 0.733 in 2011. The most recent analysis of poverty in the country indicates that while there is little or no "extreme (food) poverty" in BiH, between 19 to 21% of the households

(HH) suffer from chronic material deprivation and between 20 to 30% are "at risk" of falling into material deprivation.

11. During the recent period of strong growth (2004-2007), poverty in BiH dropped from 17.7% in 2004 to 14.0% in 2007 but has increased to 16% in 2010 and 18% in 2011. The country is thus unlikely to achieve its Millennium Development Goals regarding the eradication of poverty and extreme hunger and unemployment set for 2015. Many of the poor households have a high dependency ratio, lower levels of educational attainment, limited access to a regular source of cash income from formal employment, pension or remittances. Of these poor households, around 75% live in rural areas.
12. Despite overall improvements in terms of poverty alleviation, progress has been uneven between urban and rural areas and rural communities suffer from a number of limitations constraining agricultural production and general well-being (harsh climatic conditions, ineffective agricultural technologies, underdeveloped rural infrastructure). In particular, rural poverty correlates strongly with altitude and uneven access to land, irrigation, agricultural equipment, finance and advisory services. In BiH rural poor are: (i) unemployed or with limited employment opportunities, especially affecting rural youth, (ii) households (HH) with insufficient assets or without access to pensions or remittances and (iii) female-headed HH who earn on average 20% less than male-headed HH.
13. Economy, policy and institutional issues. With a per capita Gross National Income (GNI) of US\$ 4,700 in June 2011, BiH ranks as an upper middle-income country. The long inter-ethnic war in BiH caused widespread destruction of the economy, of infrastructure and livelihoods, and has also damaged the social fabric of society. The destruction of rural infrastructure, housing and public utilities has considerably hampered growth and development; production decreased by 80% from 1992 to 1995 and unemployment rose to unprecedented levels. After a period of successful post-conflict reconstruction, the economy has picked up and the Gross Domestic Product (GDP) growth has averaged 6% for the past five years with a low inflation rate.
14. The service sector is the largest contributor to employment, with 49.3%, followed by the industry sector at 31%, and agriculture with 19.7% in 2010. The country has however fallen back on its MDG indicators, especially with regards to employment and women's share in the non-farm sector. Official or registered unemployment for women now stands now at just above 40%, and unemployment amongst young people is also reported to be approximately twice as high as among the population as a whole.
15. In June 2008, the EU and BiH signed the Stabilization and Association Agreement (SAA). Pending completion of the process for the SAA to enter into force, an Interim Agreement now regulates trade relations. The EU is the main trading partner of the country representing 63% of total imports and 73% of total exports. The majority of Bosnian products can enter the EU duty-free. BiH is however not reaping the full benefits of these agreements as, due to the absence of EU-compliant food safety institutions and an overall lack of compliance to the EU regulatory frameworks, a broad range of products still remains banned from entering EU markets.
16. Following the Dayton Peace Agreement, BiH has a complex governance structure, as mentioned above. Municipalities (as well as cantons in FBiH) play a key role in the self-governance system in BiH. Although municipalities are not directly in charge for defining policies and supporting agricultural / rural (or economic) development, many of them support rural development (mostly agriculture). Their support ranges from formulation of local development strategies, to provision of small scale subsidies to producers, assistance to apply for subsidies and provision of municipal land for agriculture to individuals and companies / cooperatives. In tandem with other development actors, municipalities also provide support to agribusiness

incubators, channelling support services to producers, or even setting up a credit guarantee fund or cover part of the interest rates. Considerable investments have been made in strengthening their capacity as drivers for local development and municipalities (and cantons) have historically represented the entry-point for the implementation of IFAD interventions.

17. The State-level Ministry of Finance and Treasury (MOFT) keeps oversight of donor supported programmes and coordinates with the Entities' Ministries of Finance, which are responsible for externally-funded projects. In addition, the State Ministry of Foreign Trade and Economic Relations (MOFTER) plays an active role in coordinating donor programmes in the country and works closely with the donors in the agriculture and rural development sector.
18. In 2001, with the support of the World Bank and the UNDP, BiH prepared its first Medium Term Development Strategy (MTDS, 2004-2007). Upon expiration of the MTDS and as part of the EU accession process, BiH prepared its national Strategy for Development (SD) and its Strategy of Social Inclusion (SSI, 2008-2013). These strategic documents benefitted from a broad stakeholder consultation process. A key goal for the SSI is to increase the participation of inactive and discouraged populations and fostering their re-integration in social life and in labour markets through 'equal opportunity' policies. Gender-sensitive and inclusive employment programmes are of high priority in this strategy. The SD identifies five strategic objectives: (i) Macro-economic stability; (ii) Competitiveness; (iii) Employment; (iv) Sustainable Development; and (v) European integration. The 'Sustainable Development' objectives are pursued through the following: faster and more efficient development of agriculture and of rural areas, environmental management and renewable energy, as well as transport infrastructure and communications. The 'Competitiveness' objective is meant to be attained through fostering of local business chains, strengthening research and development, upgrading workforce skills, establishing a supportive business infrastructure and fostering of sector-specific industrial clusters.
19. The two Entities have formulated their respective strategies for agricultural/rural development, the Medium-Term Strategy of Agricultural Sector in FBiH (2006-2010) and the RS Rural Development Strategy (2009-2015). These two strategic programmes are essentially construed around similar strategic priorities, and namely: (i) improving the competitiveness of the agricultural and food sector; (ii) institutional development and improvement of the legal frameworks in order to stimulate agricultural and rural development, (iii) conservation and sustainable use of natural resources; and (iv) improvement of rural livelihoods and diversification .
20. The IFAD Country Programme. IFAD's assistance to BiH commenced in 1996, soon after peace was restored in the country. To date, IFAD's BiH portfolio comprises six projects valued at US\$ 167.0 million, of which IFAD funding amounts to US\$ 70.0 million. The first two IFAD-supported projects, focused on emergency relief and rehabilitation, were aimed at the reestablishment of the livestock sector which has been decimated by the war. These projects contributed significantly to the post-war revival of rural livelihoods through herd restocking (introduction of over 15,000 high quality dairy cows and 13,000 sheep of improved breeds). IFAD's second generation projects have mainly focused on the poorer and disadvantaged regions of the country. In these regions, support to smallholders has mainly been operationalized through the provision of basic organizational and technical support to Producer Associations (e.g. support on how to develop the Association's activities, on how to improve milk quality etc.). The Livestock and Rural Finance Development Project (LRFDP), for example, has succeeded in developing farmer's small-scale commercial livestock operations by strengthening the market linkages along the dairy chain. This approach was replicated with horticultural crops, non-timber forest products and organic produce, in subsequent IFAD interventions. In line with the 2005 COSOP, the most recent generation of IFAD projects supported income

diversification, strengthening of rural livelihoods in the context of economic transformation and post-conflict stabilization, and preparing to meet the new requirements introduced by the EU accession process. Projects included the Rural Enterprise Enhancement Project (2008-2012), the on-going Rural Livelihoods Development Project (2010-2015) and the soon-to-be initiated Rural Business Development Project (2014-2018).

C. Possible geographic area of intervention and target groups

21. The specific municipalities in the two Entities where the project will be implemented will be selected based on: (i) municipalities' ranking in terms of socio-economic development (priority will be given to the most underdeveloped municipalities, including those that have not benefited from previous IFAD projects); (ii) potential for capitalizing upon the opportunities provided by the project; and (iii) willingness of the Municipal Government to contribute to the project activities.
22. The target group for the project would comprise the (i) non-commercial (subsistence) and commercial smallholder farmers, both women and men; (ii) Producer Associations and Agriculture Cooperatives with an outreach to non-commercial smallholder farmers; (iii) women and unemployed youth interested in non-farm wage employment and enterprise development; and (iv) on-farm and off-farm small enterprises with the potential to grow and enhance their productive potential and contribute to rural employment.
23. Priority will be given to the following: (i) landless poor rural people who are able to become economically self-sufficient; (ii) rural poor people who have given up livestock and are reliant on crop production only on less than 3 ha; (iii) smallholders with up to 5 cattle and/or 3 ha of rain-fed land; (iv) poorer rural women; (v) rural youth; (vi) micro and small on-farm/off-farm entrepreneurs; and (vii) organizations and rural and agricultural small operators, including Producers' Associations and Cooperatives.
24. The project will roughly cover 50 municipalities (about 25 in each entity), and will directly target 60,000 rural households. The final selection of municipalities – the geographic targeting – would be made during project design. As explained below (under the Project Components and activities section), the geographic coverage of the 'network of specialized service providers' sub-component under the 'Business Development Services and Competitiveness' Component (Component 2) will be nation-wide, as it will aim at creating a functioning and sustainable network of service providers in tandem with other local and international partners.

D. Justification and Rationale

25. The justification for the Rural Competitiveness and Diversification Project (RCDP) is based on the need to help smallholder farmers become more competitive and enable non-farm households to diversify their livelihoods. This is in line with the State and Entity level rural and agriculture development strategies, as well as the BiH Social Inclusion Strategy (2008-2013). This transformation is considered key for economic growth and rural development in the country. The IFAD financed investment will help smallholders capitalise upon the opportunities for production of niche products and assist rural households in undertaking a range of non-farm activities. The development hypothesis on which this project is premised is that organizing smallholder farmers and providing them technological, organizational and managerial skills, together with business development and financial services, and upgraded market infrastructure to enhance their access to markets can improve their competitiveness.
26. It is important to note that IFAD is one of the few agencies in the country working with the poorest segments of rural societies in under-developed municipalities; this is essentially IFAD's comparative advantage in Bosnia and Herzegovina. IFAD's

previous project experience has demonstrated the high impact of working with smallholder farmers.

27. Taken together, IFAD projects have directly benefited over 116,000 households or some 394,000 people or nearly 18% of the country's rural population (the number of indirect beneficiaries is not included in this figure). The interventions have established or supported 85 Producer Associations (PAs) and Cooperatives, with a total membership of 12,581 men (78%) and 3,551 women (22%) in their endeavours to link up with the dairy, meat, fruit and vegetable value chains and markets. The Partner Financial Institutions have disbursed 5,687 smallholder loans (valued at US\$ 22 million) and 146 on-farm and off-farm SMEs loans (valued US\$ 6.6 million). The interventions have funded the construction of 285 small rural infrastructure schemes (196 feeder roads with a total length 285.5 km, 14 small bridges, 52 village water supply systems and 20 animal watering points), aimed at improving market linkages and rural living conditions. In terms of impact, these projects resulted in an increase in average monthly agricultural income for beneficiary households of over 60%, mainly as a result of increased sales of milk, meat and fruits. The increases in annual milk (51%) and meat production (17%) was mainly the result of an increase in animal ownership (32%), but also through increases in milk yields per lactation (16%). Fruit production has increased by 57%, while yield per hectare increased by 3%. The volume of smallholder milk production marketed to dairies has increased by 58% (and from 2.5 million litres to 11.3 million litres under the Livestock and Rural Finance Development Project), and sales of fruit and vegetables has increased by 57%. As a result, the overall food security situation has improved and rural livelihoods have become more diverse, strengthening their resilience in dealing with climate change induced variability.
28. IFAD experience has shown that Farmers Organizations (FOs), comprising PAs and 'Agricultural' Cooperatives, supported by the project, have also played a noteworthy role in influencing public policy to the benefit of certain sub-sectors. For instance, these have played an important role in the creation of incentive schemes for dairy producers and subsidies or the creation of a supportive legal framework for apiculture. The IFAD-supported projects have also assisted FOs in their negotiations with commercial banks and microcredit organizations encouraging them to increase their presence in rural areas and offer financial services for poor rural households. Through its investments in rural disadvantaged municipalities, IFAD's country programme has considerably contributed to the rejuvenation of rural livelihoods and invigoration of smallholder farming. Support to PAs and Agriculture Cooperatives has provided smallholders with a pathway to start realizing economies of scale and to access markets on a competitive basis.
29. Experience has also shown that (non-commercial and commercial) smallholders that joined producer groups in the milk and fruit value chains, were able to increase their market share as well as their incomes. The value chain approach proved to be effective in the nurturing of commercial linkages between small-scale producers and the private sector. The investments in market infrastructure (e.g. rural roads, small bridges), benefitting an important number of rural households, has also spurred rural growth. Access to finance, allowing for the start-up of new enterprises or the expansion of existing businesses, contributed to the creation of rural employment opportunities for young men and women. This either directly through the development of new agro-based industries or indirectly through multiplier effects contributed to agricultural growth in the rural economy.
30. Additionally, in terms of emerging lessons, it has become clear that: (i) PAs, Agriculture Cooperatives and rural SMEs, though already operational as instruments in helping (non-commercial) smallholders to access improved production technologies and markets, will need to become much more service- and business-oriented to be able to respond to changing markets and benefit their constituencies; (ii) financial services providers, key for rural growth and employment

generation, will need to further extend the range and appropriateness of their services to rural areas; (iii) rural BDS will be crucial to facilitate the PAs transition from not-for profit into for-profit cooperatives and to support cooperatives in making realistic plans regarding the scale of their trading and their processing activities, their capacities in terms of service provision and the financial viability of their activities; (iv) investment in small scale rural market infrastructure can be catalyst for both agriculture growth and small enterprise development.

31. In addition to capitalizing on lessons learned from previous IFAD (and other donors' experiences), the innovative aspect of this project would include a greater focus and more active engagement with the private sector and rural entrepreneurs in creation of incomes and employment in BiH.

E. Key Project Objectives

32. The development objective of the project would be to help smallholder farmers enhance their productivity and become more competitive at local and international level, and help in developing the non-farm enterprise sector for rural employment and income generation. The project would be expected to directly benefit 60,000 rural households. The expected outcomes of the project would include:
 - (i) sustainable and economically viable organizations of smallholders and non-farm enterprises;
 - (ii) improved performance of service providers both for technological innovation and for BDS;
 - (iii) increased access to productive opportunities through sustainable access to technological innovation, business development and financial services;
 - (iv) improved access to markets through upgraded market infrastructure;
 - (v) improved access to financial services;
 - (vi) increased employment opportunities in the rural areas specially for youth and women.

F. Ownership, Harmonization and Alignment

33. The project follows up on a request from the RS and FBiH for the entirety of the country allocation of the present cycle. Throughout the years IFAD has forged a range of partnerships with the Government at the State, Entity and Municipal level, as well as with financial institutions, the private sector and farmer organizations. At the State level, IFAD will work closely with the Ministries of Finance and Treasury and the Ministry of Trade and Economic Relations to agree and coordinate the implementation of the overall country programme. At the Entity level, IFAD will work in close partnership with the two Ministries of Finance and the Ministry of Agriculture to identify priority areas of investment, geographical location of investment and the scope of the projects. Municipal Governments have been important partners for IFAD and have played a key role in identifying and financing part of the costs of physical and market infrastructure in rural areas. They would also help to facilitate opportunities for rural employment generation through a host of measures such as creation of special business zones, part financing, and access to facilities and incentives. IFAD would capitalise on these opportunities to catalyse rural growth and employment creation. IFAD will actively support Local Economic Development organizations (private and public) to strengthen their capacity to deliver strategic BDS.
34. The IFAD country programme will carry on building synergies with other donors and financing agencies. IFAD will work closely with the European Union to identify opportunities to assist the smallholder farmers in meeting EU production standards. The country programme will coordinate closely with the UN, World Bank, EBRD, EFSE and USAID in sharing lessons from their investments in the provision of financial services, infrastructure and agriculture value chain development. IFAD will build on the positive experiences of USAID's FARMA and LAMP projects and the work of the Czech Development Agency, Swedish Embassy and the Swiss Development Cooperation. EU, World Bank and IFC's investments in technical capacity building regarding Food Safety Standards in the country will be utilized for the benefit of smallholders by IFAD projects. Through its projects, IFAD will provide financing which

is complementary to EFSE and the World Bank SME Project as it will focus on loans for agriculture and agribusiness and rural enterprise development whereas these other initiatives focus on housing loans, medium sized enterprises and do not finance start-ups. IFAD will also build on its lessons from the grant provided to OXFAM Italia to pilot territorial marketing and explore the potential for branding products, expected to start in mid-2013.

G. Project Components and activities

35. The RCDP would include four components (i) Organizational and skills development; (ii) Business Development Services and competitiveness; (iii) Improved access to markets; and (iv) Project management and coordination. The components are expected to work in close complementarity with each other to maximize impact on the targeted households.
36. Organizational and skills development. This component would aim at enhancing the organizational and skills of smallholders (non-commercial and commercial), Producers' Associations, Agriculture Cooperatives, and of on-farm and off-farm enterprises. Activities would include training, on-the-job mentoring, and provision of advice to farmers to enhance their productivity, marketability of products as well as profitability. In this regard, the project would promote the production of high-value products, also those suitable for niche markets (in this regard, the formulation will capitalize on the market studies undertaken during the formulation of the Rural Business Development Project, on dairy, meat and fruits and vegetables products). The component would result in the graduation from subsistence to commercial farming (at individual level) and from Producers' Association to Agriculture Cooperatives (at Farmers' Organization level). The project would target those Agriculture Cooperatives that interact with the primary project beneficiaries (smallholders), which can guarantee their inclusiveness in value chains, and help them adopt food safety standards. The project would also target those enterprises that are able to guarantee the employment of youth and women.
37. Business Development Services and competitiveness. This component would have two main sub-components: (i) networks (local and national) of specialized service providers; and (ii) Voucher Systems to improve access to service providers. The first one will aim at improving the capacity of local service providers, resulting in the provision of 'specialized' services to the final client (namely smallholder farmers, their organizations, and related enterprises). In doing so, the project will also aim at fostering and setting up of a local (within the RCDP targeted municipalities) and then nation-wide network of service providers (through a phased approach); in this regard the geographic coverage of this sub-component would be wider in scope than that of RCDP, and for this synergies with other partners will be necessary to initiate a functioning network of BDS. The second sub-component would ensure beneficiaries' hiring and contracting of specialized services, including business, technological innovation services in order to improve competitiveness of their on-farm and off-farm enterprises. In this regard, and taking into account the natural comparative advantage of BiH in the area of non-timber forest products, medicinal aromatic plants and berries, the services would foster and support these sectors also taking into account their benefits vis-à-vis gender empowerment and climate change adaptation and increased smallholders' resilience.
38. Improved access to markets. This component would aim at increasing access to markets and business opportunities of the on-farm (including smallholders, Producers Association, and Agriculture Cooperatives) and off-farm enterprises. This would include construction/rehabilitation of rural roads – considered a priority from the borrowing government -, and the provision of more market-specific infrastructure, including but not limited to collective warehouses, collection points, cold storage facilities, grading, sorting and packaging equipment. The market infrastructure would complement efforts under Components 1 and 2 of the project, and to enhance the efficiency of specific value chains with market potential. The

dairy, meat, and fruits and vegetable sub-sectors have been analyzed during the formulation of the Rural Business Development Project; RCDP will capitalize on such studies to determine the most promising value chains, in terms of potential for improved competitiveness and market share. To this end, the project would also ensure that groups are in place that can collectively manage such equipment, to ensure their operations and maintenance (sustainability) after project end. In general, specific criteria will be put in place to ensure the right allocation of 'sub-project' grants, in terms – for instance – of maximization of number of beneficiaries for each investment, technical feasibility of the sub-project including sound exit strategy, direct linkage to viable value chains and others.

39. Project management and coordination. The project will capitalize on existing management and coordination models of the previous and on-going IFAD interventions, and namely on the implementation structures represented by the two Project Coordination Units in the two entities - PCU and APCU. This would also allow for capitalizing on IFADs' interventions past experiences.

H. Costs and financing

40. Based on past experience, it is estimated that the total project cost could range from USD 25.0 to USD 30.0 million. IFAD would provide a loan of USD 12.7 million approximately. IFAD would also try and secure a country grant associated with the loan (approximately USD 0.3 million). The Fund would try and mobilize additional funding (up to USD 10.0 million, e.g. from the Adaptation Fund) to integrate innovative technology contributing to climate change-related adaptation and mitigation efforts. The Government of Bosnia and Herzegovina would contribute part of the financing with Municipal Governments, Participating Financial Institutions, Farmer Organizations and small entrepreneurs contributing part of the share. IFAD would also assess the potential for co-financing or parallel financing opportunities in collaboration with other donor agencies during project design. The lending terms for BiH, as of April 2013, are Blend terms.

I. Organization and management

41. The RCDP would be built on the tested and proven arrangements for project coordination and management already in place for the on-going IFAD supported projects in BiH. The State Government would pass the proceeds of the loan and IFAD grant, if any, to the two Entity governments of the FBiH and RS through two subsidiary loan agreements. In each Entity, project implementation would be entrusted to the existing PCU/APCU implementing the on-going IFAD projects and are well versed in the systems, procedures and requirement of government, service providers, IFAD and co-financiers. PCU/APCU will implement the project in accordance with annual work plans and budgets prepared in consultation with the target group representatives, municipalities and service providers and approved by IFAD.

J. Monitoring and Evaluation indicators

42. The key monitoring indicators for the project would be refined during the project design. A tentative Project Logframe is attached (see Annex I of this Appendix). The relevant RIMS indicators would be identified once project components and activities have been finalised. The M&E indicators would try and capture the outputs, outcome and impact of the project. All data would be disaggregated by gender.

K. Risks

43. There are no major risks identified for the project at this juncture. Specific risks and mitigation strategies will be identified during project design.

L. Timing

44. It is expected that the project design would commence during the second half of 2013 and the project would be submitted to the IFAD Executive Board in September 2014. Tentative schedule includes the following:

- Oct/Nov 2013: Project design and Quality Enhancement (QE) inputs
- Dec 2013: PDR to QE
- Mar/Apr 2014: Submission to QA Panel, finalization and President's Report
- Jun/Jul 2014: Loan negotiations
- Sep 2014: Presentation to the IFAD Executive Board

Key File 1: Rural poverty and rural sector issues

Priority areas	Affected group	Major issues	Actions needed ²
Agricultural income	<ul style="list-style-type: none"> Smallholders - subsistence producers (e.g. non-commercial smallholders combining dairy and crop production). Smallholder - producers of high value crops. Poorer women involved in farming and female-headed households. 	<ul style="list-style-type: none"> Low labour productivity. Low milk and crop yields. Unfavourable farm-gate prices and high input costs. Fragmentation of agricultural holdings. Unclear land tenure and land usage rights. Agricultural education and training not suited to needs of smallholders. Technical weakness of extension services. Climate change (increased frequency of extreme events). 	<ul style="list-style-type: none"> Strengthen rural economic organisations, including PAs and Cooperatives involved in production and marketing. Maximise use of natural advantages in high-value production. Improve competitiveness of BiH agricultural sectors (quality, cost, quantity, food standards). Move away from direct production support to focus on supporting structural changes in agricultural sector (rural development - CAP second pillar). Integrate climate change adaptation to agricultural policies. Improve farmers' access to technological innovation.
Rural Unemployment	<ul style="list-style-type: none"> Youth. Women. Returnees and internally displaced people. 	<ul style="list-style-type: none"> Returnees facing important difficulties to (re)build up their livelihoods. Lack of rural job opportunities (skilled and unskilled). Limited access to specialized technical training. 	<ul style="list-style-type: none"> Upgrading and diversification of skills. Contribution to the creation of an enabling business environment, for SME development. Fostering the creation of small enterprises that offer employment. Awareness raising and promotion of potential rural growth sectors and activities (e.g. agro-tourism, NTFPs etc.). Provision of grants³ for promising enterprises, particularly those initiated by youth and women.

² Actions needed are not exhaustive, and are essentially focussing on actions that can be supported by IFAD.

³ Matching grants with Municipalities in RS and Cantons in FBiH to establish assets with a public goods element for the benefit of the target groups and innovation grants with the private sector and possibly donors/NGOs to support research in value-addition and technological innovation uptake.

Priority areas	Affected group	Major issues	Actions needed²
Smallholder farmers facing a difficult transition process	<ul style="list-style-type: none"> Small scale/subsistence producers 	<ul style="list-style-type: none"> Civil society organizations (e.g. PAs) are legally considered as non-for-profit. This constrains their possibilities to develop business ventures. Characterized by: (i) poor record keeping of membership and assets; (ii) low level of business planning; (iii) strong focus on state support programmes and attracting donations; (iv) poor integration of members in decision making; (v) low level of transparency in accounting; (vi) low level of integration in the marketing chain. Cooperatives - mostly operating similarly to limited liability share companies - active in marketing and input supply; - not inclined to open membership to small scale producers (this is even more so for the so-called 'private (family) cooperatives'); - often set up to capture subsidies. Characterized by: (i) weak identification with the needs of their members; (ii) poor level of business planning (based on donor funding); (iii) distinguish between founders and members ('cooperants') in transparent business and profit sharing; (iv) weak links with agribusiness sector (direct access to market is preferred). Databases on cooperatives are very poorly maintained and many cooperatives are inactive. The 'old' cooperatives also face lingering constraints, e.g. unresolved property rights. 	<ul style="list-style-type: none"> Support farmers' transition from subsistence to commercial agriculture, by ensuring the inclusion of non-commercial farmers in FOs. Support to FOs and their organizational development. Strengthen associative dynamics in both PAs and Cooperatives of recent establishment (support their operations on sound business and on cooperative principles).

Priority areas	Affected group	Major issues	Actions needed ²
Competitiveness and innovation	<ul style="list-style-type: none"> • Smallholders in agriculture and livestock. • Isolated rural households. • Rural Micro and Small enterprises. • New rural entrepreneurs. 	<ul style="list-style-type: none"> • Under-developed extension services (RS: extension providers organized in an Agency; FBiH: extension providers organized at cantonal level). • Absence of structured information on operating privately-organized advisory services (and the provided services). • Lack of official policy, action plan and registry on the skills transferred – limited number of advisors. • Advisory services lack expertise (business planning, local development, PPP, marketing, managing producer organizations, ..), and strategy to build up capacity lacking. • Extension services essentially geared towards ‘commercial’ (registered farmers) with a strong focus on ‘capturing’ subsidies using the ‘subsidy rulebook’. • Limited coordination between research and extension. • In RS an official network of government-constituted agencies exists, under the RS SME Development Agency. FBiH has no entity-level agency. In RS, the Agency’s functionality remains constrained by lack of clear policies, implementation plans and financial support. • Underdeveloped factor and output markets, e.g.: poorly defined property rights leads to ‘thin’ land markets and fragmented landholdings. • Unclear land tenure & land usage rights. • Limited infrastructure (rural roads, but also market facilities such as storage and warehousing), especially in the more remote areas. • Agricultural produce not compliant with EU standards as regards food safety and required export quality. • Insufficient market information. 	<ul style="list-style-type: none"> • Agricultural and business advisory services. • Technological innovation. • Investments in market infrastructure. • Improved market information systems (on price, quality, in national and international markets). • Support joint activities by farmers and small processors through PAs and cooperatives.

Priority areas	Affected group	Major issues	Actions needed²
Access to rural finance	<ul style="list-style-type: none"> Subsistence producers. Smallholder producers of high value crops. Rural (on-farm and off-farm) entrepreneurs. Rural women and youth. 	<ul style="list-style-type: none"> Lack of access to medium term loans for asset financing. Constrained liquidity especially to non-commercial smallholders. Relatively high interest rates and non-adapted repayment schedules. Collateral requirements for asset-less youth and women. Limited outreach in the rural areas. 	<ul style="list-style-type: none"> Interactions and discussions with several MFIs and commercial banks to boost competition by improving lending terms for the target group. Structure and facilitate linkages between smallholder and the private banking sector in order to increase the outreach to the rural areas including to IFAD's target group. Adaptation of repayment schedules to the timing of cashflows of borrowers.
Resilience to climate change	<ul style="list-style-type: none"> Subsistence producers. Smallholder producers of high value crops. Rural (on-farm and off-farm) entrepreneurs. Rural women and youth. 	<ul style="list-style-type: none"> Increased vulnerability of the agriculture sector to climate change. Increased frequency and intensity of extreme weather events, such as: (i) pronounced water scarcity during the summer; (ii) changes in the seasonal distribution of precipitations. Forest fires and floods: (i) put at risk complementary sources of revenues for poor-asset farmers; (ii) increase the risk of erosion and pollution. 	<ul style="list-style-type: none"> Promote the adoption of sustainable farming practices based on water saving, minimal soil disturbance and reduced use of agro-chemicals, and the adoption of better adapted crop varieties and livestock breeds. Promote adaptation measures such as land use diversification and the introduction of resilient economic activities that build on the country's natural assets. When possible, when infrastructure investments are made, ensure that environmental assessments are built into formal operational procedures governing investment decision-making, to conform to the principles of sustainable management of natural resources.
Policy constraints	<ul style="list-style-type: none"> Non-commercial farmers (subsistence producers). Commercial farmers. PAs and Cooperatives. Service providers. Private sector operators. Sector development perspectives. 	<ul style="list-style-type: none"> 'Ad-hoc' agricultural support programmes. The composition and timing of subsidies: direct production support (incl. subsidies). Public expenditure mostly targeted to commercial farmers. Underexploited potential. 	<ul style="list-style-type: none"> Existing policy framework supports the growth of PAs and Agriculture Cooperatives. Policy dialogue will be focused on how to ensure that non-commercial farmers keep on benefitting from state-led support initiatives to PAs and Cooperatives. Agriculture Cooperatives in RS also need policy support to resolve the issue of land titles and asset ownership. An approach which has worked well in this regard is to strengthen the Cooperative Unions and PAs and enable them to lobby for their own rights. Policy dialogue on designing, setting up, and funding stable and effective entity-level and local level systems for technological innovation and business development.
Social exclusion phenomena in rural areas	<ul style="list-style-type: none"> Returnees and internally displaced people. 	<ul style="list-style-type: none"> Poverty, insufficient education, lack of 'life' skills or as a consequence of discrimination. 	<ul style="list-style-type: none"> Measures (targeting approach adopted by the interventions) to ensure inclusion of the most vulnerable groups.

Key File 2: Strengths, weaknesses, opportunities and threats (swot analysis)

Institution	Strengths	Weaknesses	Opportunities	Threats
State-level Ministry of Foreign Trade and Economic Relations (BiH-MOFTER). State-level Ministry of Finance and Treasury (BiH MOF).	<ul style="list-style-type: none"> Active role in coordinating donor programs in the country and works closely with the donors in the agriculture sector. 	<ul style="list-style-type: none"> Insufficient coordination between Entity and State-level institutions in the planning and implementation of agriculture and rural development policies. Lack of resources. 	<ul style="list-style-type: none"> Enhanced intra-Entity dialogue. 	<ul style="list-style-type: none"> Further political destabilization through Entity-level political gridlocks.
FBiH Ministry of Finance (FBiH-MOF). RS Ministry of Finance (RS-MOF).	<ul style="list-style-type: none"> Main decision-makers in sector-specific resource allocations. 	<ul style="list-style-type: none"> Inadequate capacity for informed follow-up and monitoring of agricultural development programs. 	<ul style="list-style-type: none"> Involvement in articulation of sector policies and plans. RS-MOF strong involvement in development of rural finance policy/institutions. 	<ul style="list-style-type: none"> Inadequate appreciation of constraints facing projects.
FBiH Ministry of Agriculture, Water Management and Forestry (FBiH-MoAWMF) in Sarajevo. RS Ministry of Agriculture, Forestry and Water Management (RS-MoAFWM) in Banja Luka.	<ul style="list-style-type: none"> Agricultural/rural development strategies. Experience working with IFAD and other donor projects. Well-established implementation arrangements for project coordination. 	<ul style="list-style-type: none"> Direct support to production (60% 'amber box' support measures). Centralized approach to planning and implementation of rural development policies (all responsibilities in the hand of Agric. Ministry departments). Under-developed lower institutional level, in charge for implementing rural development policies. Fragmented institutional structure/Entity/Canton/ and Municipality levels. Inadequate capacity for policy analysis. Inadequate farm support services in extension/research. At project level: increased transaction costs. 	<ul style="list-style-type: none"> Political commitment for sector modernization. EU and donor support. Opportunities for benefit from access to EU markets. Possibility of replicating successful models for commercialization of smallholder production. Road map for growth, modernization and transformation in the context of EU accession. 	<ul style="list-style-type: none"> Political tensions between the Entities rendering cooperation and technological exchanges difficult Inability to effectively manage some of the natural resources such as land, pastures, watersheds.

Institution	Strengths	Weaknesses	Opportunities	Threats
State Veterinary Office, Food Safety Agency and Phytosanitary Agency.	<ul style="list-style-type: none"> • Donor-support towards alignment with EU food safety standards. 	<ul style="list-style-type: none"> • Slow alignment to the EU acquis. 	<ul style="list-style-type: none"> • Continued donor support (e.g. EU and WB) to further strengthen the existing capacity. 	<ul style="list-style-type: none"> • State-level coordination not succeeding.
Agricultural extension and business development services, including organizational development.	<ul style="list-style-type: none"> • RS-MoAFWM has established an agency for agricultural extension services (support to production). • In FBiH production support services are structured at cantonal level. 	<ul style="list-style-type: none"> • Lack of expertise and limited number of competent rural advisors. • Low level of institutional organization. • Lack of record keeping on knowledge and skills transferred. • Ineffective extension methods (e.g. emphasis on lectures). • Limited opportunities for capacity development. • Extension services focused on obtaining agricultural subsidies. • Limited capacity to support farmers in developing their business activities (e.g. preparation of business plans, and understanding of entrepreneurial mindset). 	<ul style="list-style-type: none"> • Donor support (WB) for the strengthening of agricultural extension services. • EU alignment will require set-up of farmer advisory services (focussed on compliance with EU legislation as regards environmental standards, animal welfare, etc..). 	<ul style="list-style-type: none"> • Predominant direct production support approach that orients agricultural advisors to 'administrative tasks' e.g. for the obtaining of subsidies.
Local Government (Municipalities and Cantons).	<ul style="list-style-type: none"> • Elected and accountable to local citizens. • Interaction/mobilization of local communities. 	<ul style="list-style-type: none"> • Despite systematic (donor) support their managerial capacity remain limited. • Limited funding for development initiatives. • Some municipalities focus only on "commercial" farmers. 	<ul style="list-style-type: none"> • With support from EU further progress in building up capacity and management capabilities. • Possibilities of collaboration with IFAD project in rural infrastructure funding and O&M responsibility. • Municipal governments have created 'green' business zones where they provide special incentives such as tax breaks, investment support and partial grant financing. 	<ul style="list-style-type: none"> • Pre-occupation with firstly improving local services may undermine their desire to support development activities.

Institution	Strengths	Weaknesses	Opportunities	Threats
Former Agriculture cooperatives.	<ul style="list-style-type: none"> Capacity to deal directly with producers to aggregate produce. Large network. Large membership base. Appreciable assets in land and buildings. Mostly deal with production. 	<ul style="list-style-type: none"> Relics from socialist system. Limited managerial capacity. Uncertain public confidence. Lack clear title to assets curtail their use as collateral. Most inactive at present. 	<ul style="list-style-type: none"> Recognized as essential instruments for linking small producers to markets. Facilitate exploitation of economies of scale. Good legal framework exists. Apex organizations exist to articulate for supportive policies. Government and donor support for capacity building. development of strategies and business plans, investment grants and project funding. 	<ul style="list-style-type: none"> Poor implementation of the cooperative law. Issue with the ownership of old cooperative property remain unresolved. Cash flow bottlenecks facing cooperatives due to delays in receiving timely payment from buyers and government subsidies. Apex organizations still have limited policy influence. Difficulty of accessing credit for investments.
Newly established Co-operatives.	<ul style="list-style-type: none"> Mostly business-oriented. Many with professional management. Generally involved in produce aggregation and marketing. Some value adding. 	<ul style="list-style-type: none"> Under-capitalized. Some oriented to capture support/subsidy and provide little value added. Limited value adding activity. Limited access to credit. 	<ul style="list-style-type: none"> Proven relevance for market linkages. Government and donor support for cooperatives for capacity building, development of strategies and business plans, investment grants and project funding. 	<ul style="list-style-type: none"> Inadequacy of existing framework which restricts their ability to operate on fully commercial basis. Uneven level of participation of poorer households and women. Cash flow bottlenecks facing PAs due to delays in receiving timely payment from buyers and government subsidies. Difficulty of accessing credit for needed investments.
Producer Associations.	<ul style="list-style-type: none"> Large membership base. Demonstrable success in produce aggregation. 	<ul style="list-style-type: none"> Legal constraints on not-for-profit status on Producers Associations. This limits their scope to develop commercial activities. Most are service rather than business oriented. 	<ul style="list-style-type: none"> Proven relevance for market linkages. Government and donor support for cooperatives for capacity building, development of strategies and business plans, investment grants and project funding. 	<ul style="list-style-type: none"> Inadequacy of existing framework which restricts their ability to operate on fully commercial basis. Uneven level of participation of poorer households and women. Cash flow bottlenecks facing PAs due to delays in receiving timely payment from buyers and government subsidies. Difficulty of accessing credit for needed investments.

Institution	Strengths	Weaknesses	Opportunities	Threats
Private enterprises.	<ul style="list-style-type: none"> • Political commitment to private sector development. • Over 30,000 registered and over 25,000 operating enterprises. • Willingness to exploit opportunities. 	<ul style="list-style-type: none"> • Weak legal framework. • Unfriendly business environment in comparison to neighboring countries. • Constrained access to finance and venture capital. • Proliferation of informal enterprises. 	<ul style="list-style-type: none"> • Multilateral and bilateral assistance in support of private sector development. • Efforts to improve business environment. • Progress with registration of property facilitates access to finance. • Need to create conditions to formalize informal enterprises. 	<ul style="list-style-type: none"> • Restrictive business environment could constrain formation of needed new businesses and deter foreign direct investment. • Continuation of the economic crises may undermine sector confidence and lead to entrenchment.

Key File 3: Complementary donor initiative/partnership potential

Donor	Nature of Project Program	Coverage	Status	Complementarity/Synergy
World Bank Group	<p>The Bank's new country partnership strategy (FY 2012 to FY 2015) aims to support the process of EU integration through a series of measures designed to strengthen competitiveness, environmentally sustainable growth and social inclusion. The World Bank supports a portfolio of 12 operations with commitments totaling US\$302.3 million (June 30, 2011). These operations are financed by seven IDA credits totaling US\$154 million, three IBRD loans of US\$130 million, and three GEF grants of US\$18.3 million</p> <p>World Bank operations relevant to IFAD country program include:</p> <ul style="list-style-type: none"> • Agriculture and Rural Development Project (ARDP) • Small and Medium Enterprises Access to Finance Additional Finance • Enhancing SME Access to Finance • Irrigation Development Project 	<p>Country wide</p> <p>Country wide</p> <p>Country wide</p> <p>Country wide</p>	<p>On-going</p> <p>On-going</p> <p>Closing 2013</p> <p>Just started</p>	<p>The World Bank is focussing on improving the overall macroeconomic and policy environment in order to make it conducive to sustained growth including the rural sector. IFAD and the World Bank collaborate by exchanging information and seeking complementarities whenever operations overlap.</p> <p>The World Bank ARDP has strengthened the State Veterinary Office and the Food Safety Agency, which will benefit all agricultural producers in the country marketing their produce by ensuring its conformity to local and international food safety and sanitary standards. It also aims at improving the efficiency of state and entity level institutions to develop agricultural programs and accelerate eligibility of BiH for IPARD.</p> <p>Small Enterprise Access to Finance could be tapped for loans by SMEs and PAs/cooperatives supported under IFAD projects.</p> <p>Experience gained by World Bank from the Irrigation project would also be helpful to IFAD if it becomes involved in small-scale irrigation projects in the future.</p>
EBRD	<p>The EBRD's focus will be on infrastructure and the financial and enterprise sectors. Its operations include</p> <ul style="list-style-type: none"> • In the financial sector, fostering small businesses, assisting of locally-owned banks and encouraging new investors • In the enterprise sector, activities range from support to large enterprise privatisations to advisory services for small businesses and energy efficiency investments 	Country wide	On-going	<p>Farming is not a target for EBRD. However, EBRD operations in the financial and enterprise sectors will indirectly impact IFAD project beneficiaries who could also benefit from development of new financial products and from support given to small businesses.</p>

Donor	Nature of Project Program	Coverage	Status	Complementarity/Synergy
UNDP	<p>UNDP and in close collaboration with other UN Agencies is focused on four key sectors in its BiH programme</p> <ul style="list-style-type: none"> • <u>Justice and Security</u> • <u>Social Inclusion and Democratic Governance</u> • <u>Rural and Regional Development</u> • <u>Energy and Environment</u>. <p>The Rural and Regional development sector includes:</p> <ul style="list-style-type: none"> • Improving local government capacity to plan, identify priorities and deliver results • Stimulating economic recovery through entrepreneurial activity and investment, increasing the competitiveness of local producers and income generation • Strengthening local priority infrastructure • Sustainable use of natural resources and energy efficiency 	Country wide	On-going	<p>Of particular relevance to IFAD is UNDP's Rural and Regional Development Program which is helping 70 least developed municipalities to develop a comprehensive approach to development at the local level, where IFAD project operate in close collaboration with local government (municipality) authorities.</p> <p>UNDP and IFAD would also collaborate in information dissemination through innovative partnerships which the UNDP has established with Al-Jazeera and national Geographic to broadcast a series on rural development.</p> <p>UNDP Resident Representative has also offered to highlight the work of IFAD in the country through his participation in local level events which show case IFAD investments at the municipality level.</p>
EU	<p>Since 2007 BiH has benefited from about more than €295 million from the Instrument for pre-accession assistance (IPA) which aims at providing targeted assistance to countries which are candidates and potential candidates for membership to the EU.</p> <p>In the period 2007-2013 BiH could potentially benefit from more than €660 million worth of EU assistance.</p> <ul style="list-style-type: none"> • Reform public administration, • Carry out economic reforms • Respect for human rights and gender equality • Support the development of civil society • Contribute to sustainable development and poverty reduction 	Country wide	On-going	<p>EU's strong support is instrumental in bringing BiH closer to EU standards in social, political and economic affairs.</p> <p>Of particular relevance to small producers is EU support to the country to develop and applying food safety and sanitary standards that would allow it continue to access the EU market. This is of tremendous importance as almost 92% of BiH's agricultural exports target EU or EU candidate countries.</p>

Donor	Nature of Project Program	Coverage	Status	Complementarity/Synergy
USAID	<p>USAID aim is to stabilize the country, closer to Euro-Atlantic integration.</p> <ul style="list-style-type: none"> • Democracy and governance work focuses on accountable institutions that meet citizens' needs. • support economic growth which focuses on a competitive, market-oriented economy that provides better opportunities for all • In addition to the FIRMA and FARMA Projects implemented in partnership with SIDA (see below), USAID has initiated the Fostering Entrepreneurship in Rural Areas by Improving Competitiveness and Market Potential in BiH Project. 	Country wide	On-going	<p>Of particular relevance to IFAD is the Program for Fostering Agricultural Markets Activity (FARMA) finance jointly by USAID and SIDA.</p> <p>FARMA provides assistance to agricultural associations, cooperatives, market integrators and small and medium enterprises in targeted sectors to take advantage of domestic, regional and international market opportunities. FARMA has already delivered results in the form of (i) increased competitiveness of BiH farmers and agribusinesses; and (ii) established new and profitable markets for BiH products.</p> <p>IFAD program has worked closely with FARMA in training project beneficiaries in milk hygiene. It uses of FARMA sectoral studies in Milk/meat, fruit/vegetables and MAPS to refine its approaches and its project beneficiaries can access FARMA technical and financial support.</p>
SIDA	<p>The target of Sweden's co-operation project in Bosnia is to combat poverty and to support the country in its move towards joining the EU.</p> <ul style="list-style-type: none"> • SIDA contributes to the construction of organizations that work with microcredit. Increasing employment and improving the conditions for growth for small and medium-sized enterprises is important. • In collaboration with USAID it finances FARMA and Fostering Interventions for Rapid Market Advancement (FIRMA) projects. The projects target interventions in the fields of: (i) market linkages; (ii) access to finance; (iii) technical support and capacity building; and (iv) EU integration and standards. The covered sectors include: (i) dairy; (ii) MAP and honey; (iii) fruits and vegetables. 	Country wide	On-going	<p>USAID/SIDA and Czech Development Agency (CzDA) are also funding a joint pilot project to build capacity within BiH veterinary laboratories and inspection services to help the country establish an EU-compliant food safety control system. The project is important for all BiH producers: Without it, BiH will not be able to export products of animal origin to the European Union.</p> <p>CzDA support to cattle improvement, bee keeping and cooperative and private farming would also present IFAD program with opportunities to coordinate with it for the benefit project area cooperatives and small producers. IFAD would identify opportunities with it on an on-going basis through participation in donor coordination meetings.</p>

Donor	Nature of Project Program	Coverage	Status	Complementarity/Synergy
Czech Developm. Agency	<p>Recent examples of development cooperation include the following projects in transport, waste treatment, human health training, mining etc</p> <p>In the agricultural sector CzDA support is focussed on</p> <p>Genetics fund and improvement of characteristics of cattle, introduction of environmentally friendly methods of bee breeding, and support of cooperative and private farming. It is also collaborating with USAID and SIDA in the establishment of an EU-compliant food safety control system.</p>	Country wide	On-going	
GIZ	<p>GIZ operates on behalf of the German Federal Ministry for Economic Cooperation and Development. Its aim is transforming the country's economy from a centrally planned system into a competition-based market economy</p> <p>Among GIZ priorities program are:</p> <ul style="list-style-type: none"> • Achieving greater domestic stability • Furthering economic integration with the EU • Sustainable economic development 	Country wide	On-going	IFAD would identify opportunities with it on an on-going basis through participation in donor coordination meetings.
Italian Cooperation	<p>Italian Cooperation has focused its interventions towards the support to sustainable development, rural development, actions for institutional strengthening and the protection of the most vulnerable category of the population through numerous initiatives of social nature.</p> <p>In particular, the initiatives in the agricultural sector aim at facilitating the diffusion of sustainable agricultural systems with a low environmental impact, cooperatives, access to market and credit for small producers, the elaboration of national plans for the management of natural resources and the protection of biodiversity.</p>	Country wide	On-going	<p>In the previous COSOP, Italian Cooperation provided direct support to IFAD BiH program through the Facility for Farmers Access to Markets (FFAM) by helping PA establish milk collection networks, acquire new skills in modern milk collection technologies and exposed producers to the technologies and management practices of milk producers in Italy.</p> <p>During the present COSOP, synergy and complementarity would be sought especially in the areas of diffusion of sustainable agricultural systems with a low environmental impact, cooperatives, access to market and credit for small producers,</p>

Donor	Nature of Project Program	Coverage	Status	Complementarity/Synergy
SDC	<p>During and after the war (1992 to 1995), Switzerland provided emergency aid and reconstruction assistance. From 1999, the focus shifted to long-term support for market-economy and democratic reforms and to reconciliation among the ethnic groups. The SDC/SECO programme for 2013-2016 is proposed to have three main thrust</p> <ul style="list-style-type: none"> • Local government and Municipal services • Health • Economy and Employment 	Country wide	On-going	SDC Bosnia program for 2013-2016 as proposed provide opportunities for synergy and complementarity with IFAD program in its Economic and Employment thrusts which provide vocational training to youth in agriculture, agro industries and other artisanal skills needed in rural areas, as well as providing support to SME development
Norway	<p>The Royal Norwegian Embassy in BiH operates an Embassy Fund from which it gives grants for different types of projects. The size of grants ranges from KM 10.000 to 50.000. There are specific procedures for applying for grants under this Fund.</p>	Country wide	On-going	PAs, Cooperatives and individual producers under the IFAD program would be assisted to apply to support from the Norwegian Embassy Fund whenever appropriate.

Key File 4: Target groups for the COSOP and proposed IFAD response

Typology	Poverty Level and Cause	Coping Actions	Priority Needs	COSOP Response
Very poor and vulnerable rural households with marginal farming activities (mainly unemployed or under-employed farmers with very small holdings; or landless, often use MAP and NTFP collection as income source).	Severe <ul style="list-style-type: none"> Loss of employment in large, enterprises after collapse of Yugoslavia. Returnees and Internally Displaced People). Drop in access to productive assets and rural job opportunities. Household level crises. 	<ul style="list-style-type: none"> Subsistence farming. Seasonal casual labour on and off-farm, including gathering of MAPs, NTFPs. Remittances. Migration to urban areas and international. Heavy reliance on pensions. 	<ul style="list-style-type: none"> Job opportunities. Retraining in technical and management skills. Support to grassroots organisation and build-up of social capital. Microloans / basic financial services. 	<ul style="list-style-type: none"> Targeting to increase participation of the very poor in FOs. Support to their inclusion in PAs and Cooperatives (through a targeting approach at PA and Coop. level based on mobilisation, training, empowerment). Access to advisory services. Micro credit to develop farm and off-farm activities. FOs with access to technical and strategic business advisory services.
Very poor rural women (a special case of the very poor).	Severe <ul style="list-style-type: none"> As above, plus: <ul style="list-style-type: none"> social, economic exclusion. double burden of domestic and farm labour. inadequacy of welfare support system. 	<ul style="list-style-type: none"> As above. 	As above, plus: <ul style="list-style-type: none"> Targeted opportunities. Gender sensitisation of institutions to increase commitment. 	As above, plus: <ul style="list-style-type: none"> gender-targeting to ensure woman participation in project activities (ensure 30% minimum participation of women). women holding leadership positions in organisations support by the interventions. investment in labour saving rural infrastructure.
Poor Rural households (involved in crop and/or livestock production and on a pathway to commercial farming, as well as primary processing and off-farm activities such as handicrafts).	Moderate, variable <ul style="list-style-type: none"> small holdings. high cost of inputs. low productivity of animals and crop yields. insufficient technical knowledge. insufficient of access to markets and credit. 	As above, plus: <ul style="list-style-type: none"> more, higher value remittances. international migration of youth. involvement in associations. involvement in commercial agriculture. 	As above, plus: <ul style="list-style-type: none"> investment capital for livestock, crops and equipment. access to advice to improve output and product quality. remunerative, reliable links to markets, including information services. 	<ul style="list-style-type: none"> investment in market infrastructure. support to the organizational development of PAs and Cooperatives. access to technical and strategic business advisory services for producers, FOs, SMEs. enhanced and competitive financial services.

Typology	Poverty Level and Cause	Coping Actions	Priority Needs	COSOP Response
Unemployed Rural Youth.	Moderate, variable <ul style="list-style-type: none"> • absence of employment opportunities. • ambitions beyond local potential. • constraints on access to capital and training. 	<ul style="list-style-type: none"> • Migration to cities. • Migration to EU, mostly nearby states, but many to Germany as a preferred destination. 	As above, plus: <ul style="list-style-type: none"> • Special access to financing, reducing collateral demands. • Technical training. • Information on advantages of rural life at home. 	As above, plus: <ul style="list-style-type: none"> • Foster development of innovative initiatives in the non-farm rural sector including agro-tourism, handicrafts, service sector.