

Document: EB 2019/128/R.28  
Agenda: 7(d)(iii)(a)  
Date: 6 November 2019  
Distribution: Public  
Original: English

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Investing in rural people

President's memorandum

Bosnia and Herzegovina

Extension of the time limit for signature of the  
financing agreement for the  
Rural Enterprises and Agricultural  
Development Project

Note to Executive Board representatives

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Executive Board — 128<sup>th</sup> Session  
Rome, 10-12 December 2019

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For: Approval

## Recommendation for approval

The Executive Board is invited to approve the recommendation contained in paragraph 10 of this document.

### I. Background

1. At its 123<sup>rd</sup> session in April 2018, the Executive Board approved a loan of EUR 11.9 million to Bosnia and Herzegovina to help finance the Rural Enterprises and Agricultural Development Project (READP). The project is in line with IFAD's strategy as outlined in the results based country strategic opportunities programme for 2013-2018, especially in its emphasis on market linkages and the development of commercial farming and small agribusinesses.
2. READP is designed to introduce a replicable model for rural economic development and poverty reduction. It will unlock new rural business opportunities for rural poor people and youth, and connect smallholder farmers, farmers' organizations and agribusinesses to commercial markets.
3. Key project objectives. The overall goal is to contribute to rural economic development and poverty reduction by improving livelihoods, generating revenue and enhancing the living standards of target households. READP's objective is to increase the income of rural poor households and rural youth by engaging them in profitable agribusiness and employment opportunities. READP will create new avenues for beneficiary households to find jobs or set up income-generating activities.
4. Deadline for signature. The deadline for signature of the financing agreement is 13 April 2020. IFAD's rules for projects approved before the December session of the Executive Board in 2018 stipulate that if a financing agreement has not been signed within 24 months of approval, the allocation will be automatically cancelled.
5. In a letter dated 17 September 2019, the Government of Bosnia and Herzegovina conveyed its regret to IFAD for the delay in concluding procedures for acceptance of the financing agreement conditions and requested a 12-month extension of the deadline for the signing of the agreement.

### II. Status of loan signature

6. The financing agreement for the loan was negotiated in April 2018 but it has not yet been signed due to delays in the forming of the national and entity-level Governments since the elections of October 2018.
7. The Dayton Peace Agreement created a complicated governance structure for Bosnia and Herzegovina's three majority groupings: Bosnians, Serbs and Croats. The country is governed at an upper national level, as well as by its two constituting entities, Republika Srpska and the Federation of Bosnia and Herzegovina (Federation). The national level and the two entities are each endowed with their own parliament and government. To date, the Government of Republika Srpska has been appointed, whereas the Governments of the Federation and the national level have not. The signing of the financing agreement requires involvement of all three governments. After signature, the financing agreement must then be approved by the parliaments of the Federation and Republika Srpska; approved by the National Government; approved by the national parliament's two houses; and undergo final ratification by the presidency and publication in the Official Gazette. Due to the political situation, it remains difficult to predict the timing of ratification.
8. The complex governance structure and political tensions mean that the political system is prone to deadlock, therefore the date by which the governments will be formed is not known. Accordingly, it is not realistic to expect that the financing

agreement will be signed before 13 April 2020 and it is difficult to predict a date for signature.

9. The country portfolio has yielded good results and the strong commitment of the national and the entity-level Governments is clear from the performance of the recently completed Rural Business Development Project. The project exceeded the initial outreach targets by 361 per cent – an outcome in which additional cofinancing from the Government of Republika Srpska played a major part. At the field level, the project also produced good results, in terms of multiplying crop yields and incomes.

### III. Recommendation

10. Based on the information and rationale provided above, it is recommended that the Executive Board approve an extension of 12 months – to 13 April 2021 – of the deadline for signing the financing agreement for the Rural Enterprises and Agricultural Development Project.