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Investing in rural people

President's report

Proposed loan and grant to Bosnia and Herzegovina for the Rural Competitiveness Development Programme

Note to Executive Board representatives

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Abbreviations and acronyms

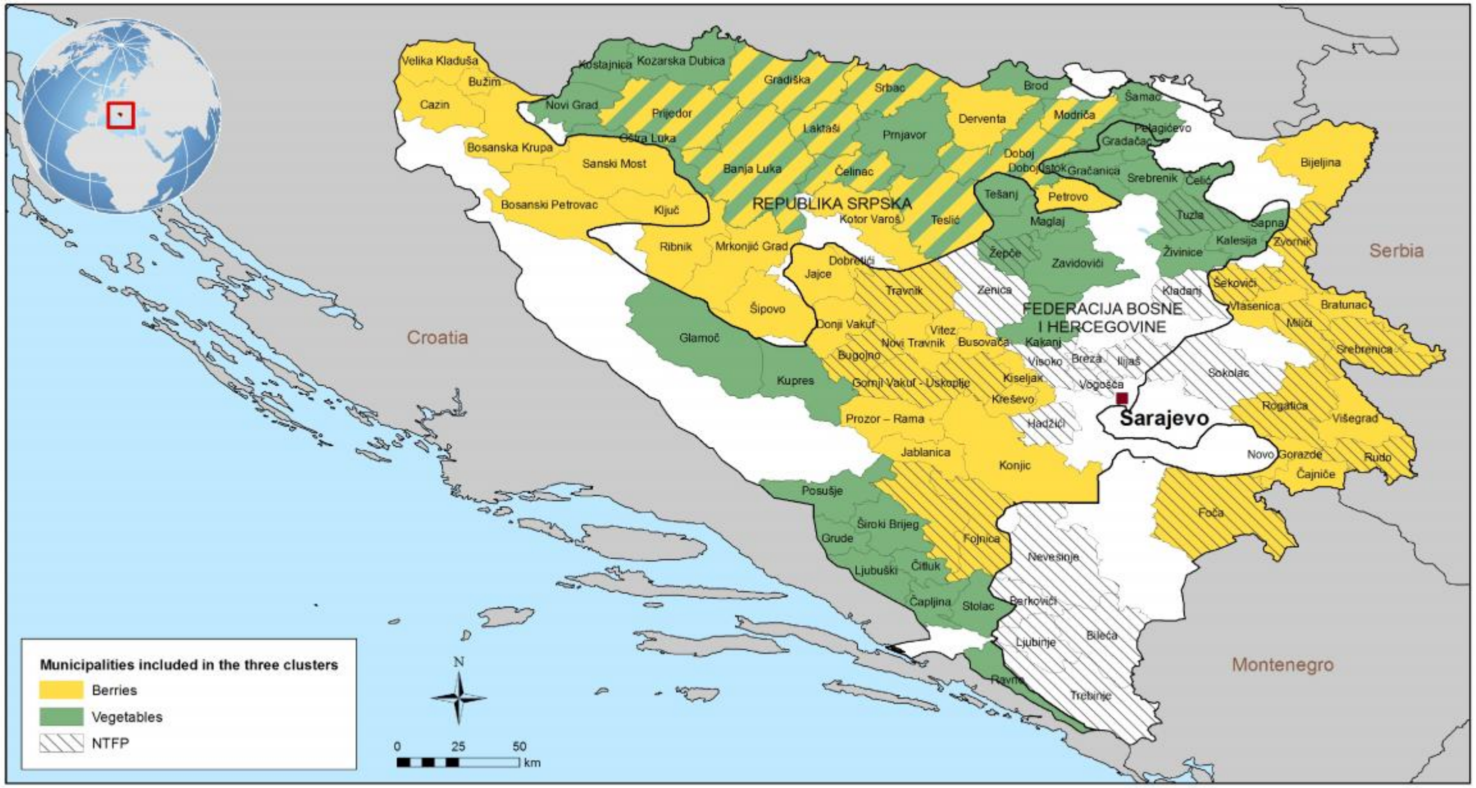
BDS	business development services
EU	European Union
M&E	monitoring and evaluation
NTFP	non-timber forest products
PBAS	performance-based allocation system
PCU	project coordination unit
RCDP	Rural Competitiveness Development Programme

Map of the programme area

Bosnia and Herzegovina

Rural Competitiveness Development Programme

President's report



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IFAD *Map compiled by IFAD* | 30-06-2015

Bosnia and Herzegovina

Rural Competitiveness Development Programme

Financing summary

Initiating institution:	IFAD
Borrower:	Bosnia and Herzegovina
Executing agency:	Federal Ministry of Agriculture, Water Management and Forestry of the Federation of Bosnia and Herzegovina; and the Ministry of Agriculture, Forestry and Water Management of the Republika Srpska
Total programme cost:	US$61.45 million
Amount of IFAD loan:	EUR 11.12 million (equivalent to approximately US$12.25 million)[1]
Amount of IFAD grant:	EUR 0.47 million (equivalent to approximately US$0.5 million)[1]
Terms of IFAD loan:	Ordinary: Maturity period of 18 years, including a grace period of 3 years, with an interest rate per annum equal to 100 per cent of the IFAD reference interest rate
Contribution of borrower:	US$4.67 million
Contribution of beneficiaries:	US$1.56 million
Cofinanciers:	Private sector
Amount of cofinancing:	US$29.72 million
Financing gap:[2]	US$12.75 million
Appraising institution:	IFAD
Cooperating institution:	Directly supervised by IFAD

[1] Exchange rate used is the exchange rate EUR/US$ of last day of month preceding negotiations.
[2] Subject to country selection and applicable and available additional financing from the 2016-2018 cycle of the performance-based allocation system (PBAS).

Recommendation for approval

The Executive Board is invited to approve the recommendation for the proposed financing to Bosnia and Herzegovina for the Rural Competitiveness Development Programme, as contained in paragraph 60.

Proposed loan and grant to the Bosnia and Herzegovina for the Rural Competitiveness Development Programme

I. Strategic context and rationale

A. Country and rural development and poverty context

1. The Dayton Peace Accords generated a complex governance structure for Bosnia and Herzegovina and the country's three constituent peoples – Bosnians, Serbs and Croats – and 17 recognized minorities collectively referred to as "others". The country is thus organized into two entities – Republika Srpska and the Federation of Bosnia and Herzegovina – a district (Brčko), 10 cantons (in the Federation of Bosnia and Herzegovina) and 143 municipalities (64 in Republika Srpska and 79 in the Federation of Bosnia and Herzegovina). This institutional complexity – the result of difficult coordination between government levels – contributes negatively to the investment environment. This is hindering Bosnia and Herzegovina's efforts to benefit from international trade with neighbouring countries and the European Union (EU). However the country's potential accession to the EU is providing a strong framework for reform (under the Stabilization and Association Agreement with the EU).

2. With a per capita gross national income of US$4,780 in 2013, Bosnia and Herzegovina is an upper middle-income country. Its population is an estimated 3.83 million (2013), with 58 per cent living in rural areas. Following post-conflict reconstruction, GDP growth averaged 2.5 to 3.0 per cent between 2012-2103, with low inflation. However, in 2014 GDP growth turned negative.

3. Despite improved performance, achievements in poverty reduction remain fragile. Poverty is defined by social exclusion and a lack of access to basic services and economic opportunities (the country's Social Exclusion Index is 50.3 per cent). While there is little extreme poverty, 19 to 21 per cent of households suffer from chronic material deprivation and 20 to 30 per cent are at risk of falling into material deprivation.

4. The economy is characterized by a high level of informal employment, a high inactivity rate among working-age people (56 per cent) and high youth unemployment (45 to 50 per cent). The service sector is the largest contributor to employment (49.3 per cent), followed by industry (31.0 per cent) and agriculture with 19.7 per cent (but accounting for less than 10 per cent of GDP).

5. Cultivable land amounts to 1 million hectares (ha), though less than 20 per cent is suited to intensive agriculture. With only 1 per cent of arable land currently benefiting from irrigation, the sector is exposed to climate-change-related risks. Approximately 500,000 mixed smallholder farms dominate the agricultural sector (50 per cent of these farmers own less than 2 ha and 89 per cent own less than 5 ha). Farming is frequently a poverty-coping strategy or part-time source of income for rural households that lost their jobs in the industrial sector during the 1990s. At present, unreliable wholesale linkages for processing, bulking and marketing are preventing farmers from investing in agriculture. Other constraints include the small size of the holdings, low yields, low levels of mechanization and limited

access to affordable credit. However, the fruit, vegetable and non-timber forest product (NTFP) subsectors are growing rapidly for both export and national markets. With adequate technical and organizational support, these subsectors will be particularly appealing to resource-constrained smallholders.

B. Rationale and alignment with government priorities and RB-COSOP

6. In a context of liberalized European and regional markets, Bosnia and Herzegovina is facing the challenge of modernizing its agriculture. While the sector is potentially well positioned with several comparative advantages – in particular for fruit, vegetables and organic produce – the country is not reaping the full benefits of trade liberalization. The Rural Competiveness Development Programme (RCDP) will be one of the main IFAD tools to support entity-level governments in achieving their goal of modernizing food and agricultural systems. RCDP is aligned with the development strategies of Republika Srpska and the Federation of Bosnia and Herzegovina, specifically in their goal to improve food security and incomes through support to non-commercial and commercial farmers, and on- and off-farm enterprises, as formulated in the results-based country strategic opportunities programme (2013).

7. The rationale for RCDP is to respond to the needs of smallholders, specifically poor women and youth and non-commercial farmers by improving their: (a) access to more integrated forms of production and marketing in order to become more competitive and reach a viable commercial scale; (b) participation in organized decision-making processes to become more active stakeholders in local economic development; and (c) access, through their organizations, to sustainable opportunities for economic development.

8. RCDP will initially focus on fruit, vegetables and NTFPs and, no later than one year after project effectiveness, additional sectors with potential for poverty reduction and growth will be considered, e.g. livestock. These subsectors are particularly attractive to smallholders because of: (a) the possibility of maximizing family labour; (b) the possibility of creating rural employment opportunities; (c) the possibility of earning a decent income on small plots of land; (d) their attractiveness for smallholders practising mixed, part-time and even specialized farming; (e) the scope for maximizing the country's agro-ecological potential; (f) the presence of agribusinesses interested in setting up or strengthening supply chains for both processing and fresh markets; (g) favourable market prospects, with produce that can be freely exported to the EU and for which there is growing consumer demand; and (h) the possibility of building on successful initiatives developed by other development partners, including the United States Agency for International Development (USAID), the Swedish International Development Cooperation Agency (SIDA), the Swiss Agency for Development and Cooperation (SDC), the German Agency for International Cooperation (GIZ), Caritas Internationalis, Oxfam International and local economic development agencies.

9. In order to achieve the necessary structural changes for sustainable subsector development, RCDP is designed as a long-term intervention, to be implemented in two five-year cycles. Prior to the end of the first cycle, an inter-cycle review mission will assess progress and prepare the next cycle. As a result of the review mission, if new opportunities arise, additional subsectors could be included.

10. As a variation from conventional approaches based on area development, the strategic vision of RCDP is to use a subsector development and programmatic approach to support structural improvements in areas that are essential for sustainable socio-economic development.

II. Programme description

A. Programme area and target group

11. Geographic scope. RCDP will be implemented at the national level through value chain clusters. Currently 12 clusters have been identified, and these will constitute the programme area for its first cycle. Given the focus on the most vulnerable groups (poor farmers, women and youth) the programme will foster the inclusion of poor municipalities within the clusters. Typically, these municipalities will be close to either the areas in which the selected value chains are active or the municipalities where major “poverty pockets” persist. Clusters will be identified on the basis of common socio-economic and institutional potential.

12. Targeting. Particular emphasis will be placed on the inclusion of poor farmers, women and youth by fostering the sustainable growth of selected subsectors for their poverty reduction potential. Direct beneficiaries will include rural poor people, both women and men, young people and adults, organized in producers' associations and cooperatives active in the selected value chains. The programme will reach out to three target groups: very poor, poor and borderline poor people. It will analyse the challenges they face in accessing the selected value chains, in particular the constraints experienced by women and youth. The targeting strategy will respond to these challenges with specific enabling measures. The programme will target poor, non-commercial farmers that are not yet, or insufficiently, linked to markets by supporting their insertion into profitable supply chains and enabling them to become competitive commercial farmers.

13. Number of beneficiaries. The programme will directly target 16,000 beneficiaries through the implementation of about 160 business proposals. Over the programme lifetime, 3,150 jobs will be created at post-harvest level (minimum 20 per cent of jobs created for women). In addition, an estimated minimum of 5,000 people will indirectly benefit from successful value chains and private agribusiness investments, improved subsector governance and upgraded collective marketing infrastructure.

B. Programme development objective

14. The goal of the programme is to contribute to sustainable rural poverty reduction in Bosnia and Herzegovina. The development objective is to enable smallholders to take advantage of the development of the fruit, vegetable, NTFP and other potential subsectors.

15. The expected impact is the effective incorporation of smallholders into dynamic fruit, vegetable and NTFP subsectors and a durable improvement in economic and social prospects in rural areas. Social targeting and inclusiveness will be emphasized. The strategic vision is to use a subsector development approach to bring about sustainable structural changes and generate the expected economic and social benefits. This will entail tackling the related trade, policy and institutional issues; promoting local economic development; leveraging private-sector investments through bankable business proposals; ensuring social inclusiveness, climate-proofed technologies and adequate supply of specialized services; and promoting subsector governance by private stakeholders and their professional organizations, and subsector performance monitoring and accountability based on active participation by local authorities, beneficiaries and private stakeholders.

C. Components/outcomes

16. Leverage points and guiding principles. RCDP's approach is based on the private-public partnership model, whereby public funds are used to leverage private investments in win-win partnerships. Business proposals will be prepared and implemented by private-sector actors and supported by the public sector at

cluster level while subsector coordination will improve the overall policy and institutional environment at the entity and country level.

Component 1: Enabling environment for inclusive subsector development

17. The outcome of component 1 will be an improved policy and institutional environment that attracts smallholders and investors to the selected subsectors. Five crucial areas will be addressed: (i) subsector governance by all concerned private and public stakeholders through consultations and joint strategic planning of interventions; (ii) adequate supply of specialized services for the selected subsectors; (iii) an enabling policy framework to tackle the related trade, policy and institutional issues and promote local economic development; (iv) subsector performance monitoring and accountability; and (v) strengthening of relevant institutions.

18. The expected results are: (i) stakeholders' platforms at cluster and subsector level improve value chain coordination and subsector governance, influence public policies and investments with a view to achieving long-term subsector competitiveness; and (ii) availability of appropriate technical and business development services at the local and entity level.

19. RCDP will adopt a public-private partnership approach to leverage investments from the private sector in order to expand business opportunities and incorporate increasing numbers of famers into profitable production. As part of the efforts to create an enabling environment, RCDP will help ensure an adequate supply of specialized support services, both public and private.

Component 2: Sustainable inclusion of smallholders in successful value chains

20. The expected outcome of component 2 is the sustainable inclusion of poor smallholders and vulnerable groups into selected subsectors. The following results are foreseen: (i) inclusive business proposals are developed and implemented; and (ii) very poor and poor farmers, women and youth are successfully integrated into competitive and profitable value chains.

21. This component aims to: (i) improve the livelihood of smallholder producers and poor collectors; (ii) consolidate farmers' organizations and strengthen their capacity to identify business opportunities (in terms of marketing channels and new products); and (iii) strengthen the voice of farmers' organizations to enable them to play an active role in multi-stakeholder coordination platforms, both at the cluster and subsector level. RCDP will take advantage of existing value chain dynamics where the private sector (i.e. agro-input dealers, collectors, processors, traders, wholesalers and retailers) is actively engaging with smallholders either through organizations or individually.

22. Business proposals enabling producers and agribusinesses to plan, coordinate and carry out mutually beneficial investments will be the main instrument to develop joint ventures in the selected subsectors and value chains. The proposals will specify needs in terms of capacity development and investments and the part to be financed by public (programme) funds.

III. Programme implementation

A. Approach

23. The programme's vision is to take advantage of existing value chain dynamics in the country. The agribusiness sector is already engaging with individual farmers and/or cooperatives by establishing contractual relationships through in-kind credit for product pre-financing and provision of extension services. Benefiting from these processes, RCDP will boost sustainable subsector development by: (i) increasing the number of small farmers; (ii) maximizing the inclusion and participation of poor smallholders in profitable value chains, including women and youth; (iii) enhancing

smallholders' capacity to develop their business activities and select appropriate organizational structures (e.g. producers' associations and cooperatives) and marketing strategies (including value adding). The ultimate objective is to help improve the livelihoods of small farmers through sustainable and profitable farming and to consolidate their organizations and strengthen their capacity to identify and seize business opportunities (i.e. new markets), develop their businesses and play an active role in the cluster coordination platforms while benefiting in the long run from the sustainable development of the subsector.

24. The programme will operate through inter-municipal value chain clusters. These clusters will be confirmed after the baseline poverty assessment and the municipality scoring exercise. The clusters will be supported by selected business facilitation partners. The programme will be implemented in two phases of five years. In the fourth year, the programme will be assessed against – among other parameters – specific performance triggers (included in the logical framework).

B. Organizational framework

25. The state Ministry of Finance and Treasury will have overall responsibility for the programme and will coordinate activities with the entities' ministries of finance. An entity-level programme steering committee chaired by Ministries responsible for agriculture will provide overall guidance. The steering committee will meet twice yearly. Each committee will: (i) ensure that programme activities comply with government and IFAD strategies, and the programme's goals and objectives; (ii) endorse strategic orientation; (iii) review entity-level annual workplans and budgets; (iv) oversee the selection of service providers and partner institutions; (v) ensure coordination with other development interventions; and (vi) ensure adherence to the highest standards of financial management and auditing. The steering committees will include representatives from agribusiness, producers' associations and cooperatives. A yearly inter-entity meeting will assess the state of play as regards programme performance, subsector development and governance.

C. Planning, monitoring and evaluation, and learning and knowledge management

26. With a view to fostering structural change and sustainable subsector development, a rigorous monitoring and evaluation (M&E) system will be developed. The demand-driven nature of programme activities means that programme stakeholders (producers' associations, cooperatives, agribusiness and municipalities) will be jointly responsible for the performance monitoring process. This will require robust systems that assist stakeholders in generating, collecting, reviewing and analysing performance-related information (specifically at the value chain level). This information will in turn inform the work of subsector platforms and policymakers.

27. Inputs to M&E will be provided at decentralized level by the clusters, whose M&E capacity will be supported by business facilitation partners and service providers. This will ensure that disaggregated information on programme outcomes/impact and targeting effectiveness for different target groups is captured.

28. Monitoring of activities will be a participatory endeavour, directly involving rural organizations, so as to foster programme ownership and shared learning processes.

D. Financial management, procurement and governance

Financial management

29. In accordance with IFAD guidelines, a financial management assessment was undertaken. The inherent risk is assessed as medium. The country's fiscal structure is highly decentralized and its score on the Corruption Perceptions Index improved from 3.2 in 2011 to 4.2 in 2012 and 2013.

30. The proposed programme will take advantage of the established project coordination units (PCUs) in the two entities, Republika Srpska and the Federation of Bosnia and Herzegovina. The financial management arrangements and capacity of the existing PCUs meet IFAD requirements and the initial risk rating is considered as medium-low. Proper implementation of the mitigation actions will further reduce the residual risk to low.

31. IFAD applies a zero-tolerance policy towards fraudulent, corrupt, collusive or coercive actions in the projects that it finances. All programme staff, partners and stakeholders will be made aware of IFAD's and national anticorruption policies and whistle-blowing procedures.

32. Financial management arrangements. The proposed financial management arrangements including budgeting, accounting, internal controls, flow of funds, financial reporting and audit procedures will follow the financial management arrangements already in place at the PCUs, with some adjustments.

33. Accounting. The PCUs will maintain their accounting records in accordance with International Public Sector Accounting Standards for cash-based accounting. The accounting systems will be further fine-tuned during programme start-up as necessary to fully automate the generation of reports required under the programme. The PCUs will also ensure that adequate internal controls are maintained by all implementing entities and partners.

34. Flow of funds. Separate bank accounts will be opened and maintained for each financing source and for each entity. Accordingly, there will be designated accounts for the IFAD loan (in euro) and the IFAD grant (in euro), and four operating accounts in Bosnia and Herzegovina convertible marks (BAM) to receive financing from the respective designated accounts in a commercial bank acceptable to IFAD. IFAD financing will be disbursed against duly certified withdrawal applications in accordance with IFAD's disbursement procedures.

35. Financial reporting. Financial reports will link each transaction to the financier and compare incurred expenditures with planned amounts: actual versus budget for a reporting period. The PCUs will provide IFAD with consolidated financial reports within agreed time frames.

36. External audit. All audits of externally financed projects implemented by the Government in the country are covered by an umbrella agreement with one auditing firm. The PCUs will prepare their respective annual financial statements in a timely manner for auditing by this firm, which has been procured and contracted by the state Ministry of Finance and Treasury, and accepted by IFAD.

Procurement

37. Bosnia and Herzegovina has established modern public financial management systems and a country-wide Law on Public Procurement became operative in January 2005. However, the law is not yet consistently implemented at the state or entity levels and the first public expenditure and financial accountability assessment (2014) identified several areas in the public management system that require further improvements. With regard to procurement, improvement is still needed in the areas of competition, value for money and controls. Programme procurement will therefore be undertaken in accordance with IFAD procurement guidelines.

E. Supervision

38. The programme will be supervised directly by IFAD. Annual supervision missions will be jointly organized by government, implementing partners and beneficiaries. Supervision will allow for reflection on ways to improve value chain inclusiveness. Missions will be an integral part of the knowledge management cycle. A supervision mission will be scheduled to coincide with an annual inter-entity review workshop.

This will be organized in close coordination with the PCUs at the end of the financial year and will be attended by stakeholders at both the state and entity level.

IV. Programme costs, financing, and benefits

A. Programme costs

39. The total programme costs including contingencies are estimated at approximately the equivalent of US$61.45 million (BAM 106.6 million) over a 10-year period. Programme costs by component are summarized below. Component 2, which is the main investment component, represents 86 per cent of total programme costs.

Table 1
Indicative programme costs by component and financier
(Thousands of United States dollars)

Component	IFAD loan 1 FBiH Amount	IFAD loan 1 RS Amount	IFAD loan 2 FBiH* Amount	IFAD loan 2 RS* Amount	IFAD grant Amount	Private sector Amount	Municipalities Amount	Government/ borrower / counterpart Amount	Total Amount
1. Enabling environment for inclusive subsector development									
Federation of Bosnia and Herzegovina	380		470		290			230	1 370
Republika Srpska		270		290	210			160	930
Subtotal for 1	**380**	**270**	**470**	**290**	**500**			**390**	**2 300**
2. Sustainable inclusion of smallholders in successful value chains									
Federation of Bosnia and Herzegovina	5 880		5 630			18 040	950	2 360	32 860
Republika Srpska		4 170		3 260		11 680	610	1 520	21 240
Subtotal for 2	**5 880**	**4 170**	**5 630**	**3 260**		**29 720**	**1 560**	**3 880**	**54 100**
3. Programme management, monitoring and evaluation									
Federation of Bosnia and Herzegovina	830		1 750					210	2 790
Republika Srpska		720		1 350				190	2 260
Subtotal for 3	**830**	**720**	**1 750**	**1 350**				**400**	**5 050**
Total programme costs	**7 090**	**5 160**	**7 850**	**4 900**	**500**	**29 720**	**1 560**	**4 670**	**61 450**

FBiH: Federation of Bosnia and Herzegovina; RS: Republika Srpska
* Subject to country selection, applicable and available additional financing from the 2016-2018 PBAS allocation period.

B. Programme financing

40. An approximate total equivalent to US$25.5 million in IFAD financing is expected to be mobilized over the 10-year period. RCDP will absorb the entire 2013-2015 allocation from the PBAS, of which US$12.25 million will be provided as a loan and US$500,000 as a grant. The loan will be disbursed during the first five years of the programme. Additional financing from the 2016-2018 PBAS cycle will be subject to the programme attaining the performance triggers, country selection, and applicable and available IFAD resources.

41. The grant will support inclusiveness and participatory impact monitoring, as well as the activities to be implemented under component 2, result 2 (as per logical framework).

42. IFAD will finance in full: (a) component 1 and (b) the coordination units. It will cofinance business proposals implemented under component 2. These proposals are expected to be financed as follows: (a) 38 per cent from IFAD loan; (b) 5 per cent from municipalities; (c) 17 per cent from producers' associations; and (d) 39 per cent from agribusiness and/or the financial sector.

43. The Government will finance taxes and duties on imported goods, and value added tax up to a total amount of US$4.67 million. As the bulk of programme funds will be channelled to cofinance business proposals formulated during implementation, it is not yet possible to define the investments to be included in the proposals and subsequent taxes.

Table 2
Indicative programme costs by expenditure category and financier
(Thousands of United States dollars)

	IFAD loan cycle 1 FBiH		*IFAD loan cycle 1 RS*		*IFAD loan cycle 2 FBiH**		*IFAD loan cycle 2 RS**		*IFAD grant*		*Private sector*		*Beneficiaries/ municipalities*		*Borrower/ counterpart*		*Total*
Expenditure category	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*	*%*	*Amount*
1. Vehicles and equipment									-								
a. Federation of Bosnia and Herzegovina	80				60										30		170
b. Republika Srpska			70				50		-						20		140
2. Institutional agreements and service contracts																	
a. Federation of Bosnia and Herzegovina	540				550				290						280		1 660
b. Republika Srpska			400				360		210						200		1 160
3. Business proposals																	
a. Federation of Bosnia and Herzegovina	5 840				5 630				-		18 040		950		2 350		32 810
b. Republika Srpska			4 130				3 260		-		11 680		610		1 520		21 200
4. Salaries and operating costs									-								
a. Federation of Bosnia and Herzegovina	630				1 610										140		2 380
b. Republika Srpska			560				1 230		-						130		1 930
Total	**7 090**	**11.5**	**5 160**	**8.4**	**7 850**	**12.8**	**4 900**	**7.9**	**500**	**0.8**	**29 720**	**48.4**	**1 560**	**2.0**	**4 670**	**7.6**	**61 450**

* Subject to country selection, applicable and available additional financing from the 2016-2018 PBAS allocation period.

C. Summary benefit and economic analysis

44. RCDP is expected to generate substantial net incremental benefits for non-commercial farmers investing in the three selected subsectors. Benefits will directly accrue to poor farmers, women and youth through increased returns from the selected value chains.

45. The main benefits of component 1 will be: (i) increased capacity of specialized institutions and service providers; (ii) empowerment of local actors through structured policy dialogue/engagement at local and national levels. The main benefits of component 2 are: (i) long-lasting business partnerships between value chain actors at cluster level; (ii) increased revenue for 16,000 direct beneficiaries, who will develop or upgrade production of berries and vegetables; (iii) increased acreage devoted to cultivating berries, vegetables and NTFP, and increased production (production of berries should increase by 40 per cent); (iv) institutional strengthening of 120 producers' associations and 100 cooperatives; (v) significant investments in collection and processing facilities at wholesale and cooperative level; (vi) access by rural poor women, men and youth to profitable value chains; (vii) creation of 3,150 full-time and part-time jobs upstream and downstream in the value chains; and (viii) improved resilience to climate change events.

46. Based on these assumptions, the economic rate of return (ERR) of RCDP would be 36.6 per cent and the net present value is estimated at US$53.1 million. The high ERR reflects the ambition and potential leverage of RCDP, whose approach is focused on clear comparative advantages and existing economic dynamics in the country.

D. Sustainability

47. The exit strategy is built around: (i) comprehensive approaches based on local value chain dynamics; (ii) a demand-driven approach linking private-sector stakeholders (agribusinesses, producers' organizations, cooperatives and service providers); (iii) effective alignment with the activities of municipalities and cantons; (iv) commercial services; (v) market integration; and (vi) risk mitigation

through organizational and institutional strengthening of farmers' organizations. RCDP will be implemented over a 10-year period, which will allow for the value chain clusters and subsector platforms to mature and grow stronger.

Climate change adaptation

48. Sustainability will be at the centre of business proposal design. The support provided through RCDP will enhance the climate change resilience of smallholders by: (i) mainstreaming commercially available climate-resilient production technologies; (ii) support to training and knowledge-sharing among smallholder famers leading to replication and scaling up; and (iii) raising awareness of climate change adaptation among government and municipality staff.

E. Risk identification and mitigation

49. Key risks are: (i) capacity of coordination units to facilitate and engage in deeper policy dialogue; (ii) capacity of coordination units to manage a high volume of financial and procurement transactions; (iii) market-related; (iv) the availability of appropriate technical and business advisory services; and (v) natural events/ climate change. Mitigation measures include: high involvement of private-sector stakeholders will increase policy engagement; business proposals elaborated by the business partners; a voucher scheme for services; strengthening of coordination unit capacity; flexible approaches combining private and public technical services and private business development services; organizational strengthening of producers' associations and cooperatives; cluster platforms and smallholder subsector platforms; and appropriate technology to strengthen resilience to climate change.

V. Corporate considerations

A. Compliance with IFAD policies

50. The programme design is aligned with all relevant IFAD strategies and policies, including the: (i) Strategic Framework 2011-2015; (ii) Policy on Targeting; (iii) Policy on Gender Equality and Women's Empowerment; (iv) Rural Finance Policy; (v) Private-Sector Development and Partnership Strategy; (vi) Rural Enterprise Policy; (vii) Environment and Natural Resource Management Policy; and (viii) Environmental and Social Assessment Procedures. Given the nature and extent of the likely environmental effects, the programme is classified as a Category B programme in line with IFAD's environmental assessment procedures. The potential negative environmental effects are assessed to be within controllable limits.

B. Alignment and harmonization

51. RCDP is aligned with four (similar) entity-level priorities: (i) competitive agricultural and food sectors; (ii) institutional development and legal frameworks that stimulate agricultural and rural development; (iii) sustainable use of natural resources; and (iv) improvement of rural livelihoods and diversification.

52. RCDP will furthermore build on the positive results achieved by key development partners such as USAID, SIDA, SDC, Caritas Internationalis, GIZ and OXFAM International. The programme will fully leverage the opportunities for joint action and policy dialogue created by these operations.

C. Innovations and scaling up

53. The programme is innovative, particularly in terms of its subsector development approach, the proposed institutional innovations (value chain cluster platforms, country-level subsector platforms) and implementation mechanisms (business proposals, the voucher system) and its linkage with private-sector initiatives. Building successful and inclusive partnerships will be the primary innovation. In terms of technical innovations, in order to seize opportunities in this high-value niche and meet market requirements, farmers will be provided with the latest

technological innovations in combination with appropriate business and organizational models.

54. Scaling up has been built into programme design (i.e. two phases, with the second phase contingent on concrete results and the achievement of set triggers). It is expected that the programme's organizational and institutional model will be replicated in other value chains and subsectors.

D. Policy engagement

55. Successful policy engagement will depend on RCDP's capacity to generate analytical evidence at outcome and impact levels (e.g. related to the viability of the business proposals). Policy engagement will be rooted in activities and initiatives undertaken by cluster and subsector stakeholders' platforms.

56. The agenda for policy dialogue/engagement will be derived from the needs of the subsector and from performance monitoring. Likely areas of focus are: tackling trade-related issues, market regulations on input and output markets; issues of quality standards, requirements and certification; and other enabling measures to enhance the subsectors' competitiveness in national, EU and non-EU markets.

VI. Legal instruments and authority

57. A programme financing agreement between Bosnia and Herzegovina, and IFAD will constitute the legal instrument for extending the proposed financing to the borrower/recipient. A copy of the negotiated financing agreement is attached as appendix I.

58. Bosnia and Herzegovina is empowered under its laws to receive financing from IFAD.

59. I am satisfied that the proposed financing will comply with the Agreement Establishing IFAD and the Policies and Criteria for IFAD Financing.

VII. Recommendation

60. I recommend that the Executive Board approve the proposed financing in terms of the following resolutions:

> RESOLVED: that the Fund shall provide a loan on ordinary terms to Bosnia and Herzegovina in an amount of eleven million one hundred and twenty thousand euros (EUR 11,120,000), and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.
>
> RESOLVED FURTHER: that the Fund shall provide a grant to Bosnia and Herzegovina in an amount of four hundred and seventy thousand euros (EUR 470,000) and upon such terms and conditions as shall be substantially in accordance with the terms and conditions presented herein.

Kanayo F. Nwanze
President

Negotiated financing agreement: "Rural Competitiveness Development Programme"

(Negotiations concluded on 10 November 2015)

Loan Number: ________________
Grant Number: _______________

Programme Title: Rural Competitiveness Development Programme (“the Programme”)

Bosnia and Herzegovina (the “Borrower/Recipient”)

and

The International Fund for Agricultural Development (the “Fund” or “IFAD”)

(each a “Party” and both of them collectively the “Parties”)

hereby agree as follows:

Section A

1. The following documents collectively form this Agreement: this document, the Programme Description and Implementation Arrangements (Schedule 1) and the Allocation Table (Schedule 2).

2. The Fund’s General Conditions for Agricultural Development Financing dated 29 April 2009, amended as of April 2014, and as may be amended hereafter from time to time (the “General Conditions”) are annexed to this Agreement, and all provisions thereof shall apply to this Agreement. For the purposes of this Agreement the terms defined in the General Conditions shall have the meanings set forth therein.

3. The Fund shall provide a Loan and a Grant to the Borrower/Recipient (the “Financing”), which the Borrower/Recipient shall use to implement the Programme in accordance with the terms and conditions of this Agreement. Part A of the Project shall be carried out by the Federation of Bosnia and Herzegovina (“the Federation”), and Part B of the Project shall be carried out by Republika Srpska (“the RS”) (each of which is referred to as an “Entity”, and collectively the “Entities”) and, for this purpose, the Borrower/Recipient shall make available to the Federation and the RS the respective parts of the proceeds of the Financing upon terms and conditions set forth in this Agreement and in accordance with the provisions of Subsidiary Agreements between the Borrower/Recipient and each of the Federation and the RS.

Section B

1. A. The amount of the Loan is eleven million one hundred twenty thousand Euros (EUR 11 120 000).

B. The amount of the Grant is four hundred seventy thousand Euros (EUR 470 000).

2. The Loan shall be subject to interest on the principal amount outstanding at a rate equal to the IFAD Reference Interest Rate, payable semi-annually in the Loan Service Payment Currency, and shall have a maturity period of eighteen (18) years, including a grace period of three (3) years starting from the date that the Fund has determined that all General Conditions precedent to withdrawal have been fulfilled in accordance with Section 4.02(b).

3. The Loan Service Payment Currency shall be the Euro.

4. The first day of the applicable Fiscal Year shall be 1 January.

5. Payments of principal and interest shall be payable on each 15 February and 15 August.

6. Amounts withdrawn in advance from the Loan and Grant Accounts shall be held in Designated Accounts denominated in Euro, which shall be opened and maintained by the Borrower/Recipient in banks acceptable to the Fund. There shall be separate accounts for each of the two Entities.

7. There shall be four Project Accounts denominated in local currency (separate accounts for Loan and Grant proceeds for each of the two Entities), to be opened by the Borrower/Recipient in banks acceptable to the Fund, which will be operated by the respective Programme Coordination Units.

8. Counterpart financing shall be provided for the Part A of the Programme for up to a total amount of approximately EUR 0.81 million and for the Part B of the Programme for up to a total amount of approximately EUR 0.72 million, for payment of taxes and duties.

Section C

1. The Lead Programme Agencies shall be Ministry of Agriculture, Water Management and Forestry in the Federation and the Ministry of Agriculture, Forestry and Water Management in RS.

2. The Programme Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

Section D

The Financing will be administered and the Project supervised by the Fund.

Section E

1. The following is designated as an additional general condition precedent to withdrawal: for Part A the Subsidiary Agreement between the Borrower/Recipient and the Federation and a Project Agreement between the Fund and the Federation shall have been signed and for Part B the Subsidiary Agreement between the Borrower/Recipient and the RS and a Project Agreement between the Fund and the RS shall have been signed.

2. This Agreement is subject to ratification by the Borrower/Recipient.

3. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower/Recipient:

Vice-Chairman of the Council of Ministers and Minister for Finance and Treasury
of Bosnia and Herzegovina
Trg Bosne i Hercegovine 1
71000 Sarajevo Bosnia and Herzegovina

For the Fund:

President
International Fund for Agricultural Development
Via Paolo di Dono 44
00142 Rome Italy

This Agreement, dated ___________, has been prepared in the English language in two (2) original copies, one (1) for the Fund and one (1) for the Borrower.

BOSNIA AND HERZEGOVINA

____
Authorized Representative

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

____
Kanayo F. Nwanze
President

Schedule 1

Programme Description and Implementation Arrangements

I. Programme Description

1. Target Population. The Programme will reach out to three target groups: the very poor, poor and borderline poor, by analysing their specific constraints and challenges to access selected sub-sectors and in particular the constraints faced by women and youth. The targeting strategy and efforts will respond to these challenges with specific enabling measures. The Programme will target poor, non-commercial farmers that are not yet (or insufficiently) linked to market while support their insertion in rewarding supply chains in order to become competitive commercial farmers. Direct beneficiaries will be rural poor, both women and men, young and adults, organized in Producers' Associations (PAs) and cooperatives active in selected value chains (VCs).

2. The Programme will directly target 16,000 beneficiaries through the implementation of Business Proposals (BPs). Over the Programme lifetime, 3,150 jobs would be created at post-harvest level (minimum 20% of jobs created for women). Indirect beneficiaries will benefit from thriving VCs and private agribusiness investments, improved subsector governance and upgraded collective marketing infrastructure. The estimated number of indirect beneficiaries is minimum 5,000 (about 30% of the total number of beneficiaries).

3. The Programme will initially focus on the fruits, vegetables and Non Timber Forest Products (NTFP) and, no later than one year after project effectiveness, additional sector with potential for poverty reduction and growth will be considered, e.g. livestock. In order to achieve the necessary structural changes for sustainable subsector development, the Programme is designed as a long-term intervention, to be implemented in two cycles of five years each. Prior to the end of the first cycle, an Inter-cycle Review Mission (IRM) will assess progress (against specific performance 'triggers') and prepare the next cycle.

4. The Programme will be implemented at national level through value chain clusters. Initially, twelve clusters have been pre-identified thus constituting the Programme area for its first cycle. No later than one year after project effectiveness, additional livestock clusters from the potential sub-sector will be considered to ensure the coverage Given the focus on supporting the most vulnerable groups (poor farmers, women and youth) the programme will foster the inclusion of poor municipalities in the context of larger municipal clusters. Typically, these municipalities will either be close to the areas currently active in the selected value chains or municipalities where important 'poverty pockets' still subsist. Clusters will be identified on the basis of common characteristics in terms of socio-economic and institutional potential.

5. Goal. The goal of the Programme will be to contribute to sustainable rural poverty reduction in Bosnia and Herzegovina.

6. Objective. The Programme development objective is to enable smallholders to take advantage of fruits, vegetable, non-timber forest products and other potential subsector development for the sustainable improvement of their social and economic conditions and those of other poor rural groups.

7. Components. The Programme shall consist of the following Components:

Component 1: Enabling Environment for Inclusive Subsector Development

The Outcome of Component 1 will be: "The improved policy and institutional environment attracts smallholders and investors to the selected subsectors." Five elements of the subsector development approach of the Programme will be implemented through the component: (i) subsector governance by all concerned private and public stakeholders through consultations and joint strategic planning of interventions; (ii) developing relevant institutions' capacities in the subsectors to ensure adequate supply of specialized services; and (iii) an enabling policy framework in order to tackle the related trade, policy and institutional issues and promote local economic development, (iv) subsector performance monitoring and accountability, and (v) strengthening relevant institutions capacities.

The expected results are the following: (i) stakeholder's platforms at cluster level and subsector level improve value chain coordination and subsector governance, orient public policies and investments in order to warrant long term subsector competitiveness; and (ii) appropriate technical and business development services are made available at local and entity level.

Public funds will be used to leverage investments from the private sector in a win-win partnership allowing agribusinesses to expand their activities and a higher number of small-scale producers to expand their production while improving its profitability. As part of the efforts to create an enabling environment for inclusive and sustainable subsector development, the Programme will help to ensure adequate supply of specialized support services, public and private.

Component 2: Sustainable inclusion of smallholders in the thriving/successful value chains

The Outcome of Component 2 will be the "Sustainable inclusion of poor smallholders and vulnerable groups in selected subsectors" The expected results are the following: (i) inclusive business proposals developed and implemented; and (ii) very poor and poor farmers, women and youth have successfully integrated into competitive and rewarding value chains.

This Component is intended to: (i) help improve the livelihood of small scale producers and poor collectors through sustainable and profitable farming; (ii) consolidate their organisations and their capabilities to identify forthcoming business opportunities (in terms of markets, marketing channels, new products etc.) to expand their business; and (iii) have a voice and play an active role in the multi-stakeholders coordination platforms, both at cluster level and at subsector level. The Programme will take advantage of existing value chain dynamics in selected value chains in which the private sector (i.e. agro input dealers, collectors, processors, traders, wholesalers, retailers) is actively engaging with smallholders, either organised or individually.

Business Proposals (BPs), allowing business partners (producers and agribusiness) to plan, coordinate and carry out mutually benefiting investments, will be one of the main Programme instruments under Component 2. The BP will be the main instrument of the business partners (small-scale producers and collectors and their organisations, agribusiness companies) to foster the sustainable development of their joint businesses in the selected sub-sectors and value chains. BPs will also frame partners' needs in terms of capacity development and the part of the investments to be addressed by public (project) funds.

II. Implementation Arrangements

8. Lead Programme Agencies. The Lead Programme Agencies shall be the Federal Ministry of Agriculture, Water Management and Forestry and the Ministry of Agriculture, Forestry and Water Management of RS. Programme coordination as well as fiduciary management will be entrusted to the existing Agricultural Programme Coordination Unit (APCU) in RS and Programme Coordination Unit (PCU) in the Federation. With the view to promoting structural change and sustainable sub-sector development, a rigorous outcome and impact-monitoring and evaluation (M&E) system will be developed, for which Programme stakeholders will bear shared and joint responsibility; the APCU and PCU will however, besides overall programme coordination, maintain their ultimate responsibility for M&E. Furthermore, the demand-driven nature of the Programme as well as its participatory approach will ensure that beneficiaries take the lead in selecting, following-up and assessing performance of service providers. This requires that Producer Associations (PAs) and cooperatives members become part of the M&E process of the Programme.

9. Programme Steering Committee (“PSC”).

9.1 The Ministry of Finance and Treasury (MOFT) will coordinate with the entity Ministries of Finance to ensure the smooth implementation of the programme.

9.2 A Programme Steering Committee (PSC) chaired by the entity Ministry of Agriculture or its designated representative will be set up in each Entity to provide overall guidance to the Programme at Entity level. The PSC will meet once or twice per annum. Each PSC will: (i) ensure that Programme activities are in compliance with the Government and IFAD strategies and policies Programme goals and objectives defined at Programme design; (ii) endorse strategic orientations taken up by the Programme (iii) review Programme Entity-level Annual Work Plans and Budgets (AWPB); (iv) oversee the transparent selection of service providers and partner institutions; (v) ensure that Programme interventions are coordinated with other development programmes and projects and (vi) ensure adherence to the highest standards of financial management and audit. The PSC shall, to the extent possible, invite representatives from the private, PAs and cooperative sectors to join the Committee.

9.3 A yearly inter-entity workshop will assess the ’state of play’ of the Programme in particular as regards sustainable subsector development, performance and governance with aim to exchange the experience and learn from each other.

10. APCU and PCU.

10.1 The APCU and PCU are already established and are implementing other IFAD-funded projects in the country. Both APCU and PCU are headed by Directors nominated by the respective entity Minister of Agriculture, and appointed by the Entity Government, and their appointment has been acceptable to IFAD. In each Entity, the APCU and PCU will be responsible for Programme coordination and liaison with municipalities, clusters and implementing partners, overall programme management and monitoring, organizing start-up and annual workshops, preparation of AWPBs, and fiduciary management. These units will as well, demonstrate a clear orientation towards and renewed emphasis on targeting and social inclusiveness. In particular, the APCU and PCU Directors will also be tasked with policy dialogue and process facilitation at the Subsector Stakeholder Platform.

10.2 Strengthened coordination function. As the Programme requires substantial field presence with strong capabilities in facilitation, follow-up and impact monitoring, both APCU and PCU will be required to develop new partnerships with state and non-state service providers and facilitators while building up their management capacity in several areas. The APCU and PCU will strengthen their coordination functions, and engage service providers and implementation partners to support delivery of Programme activities and services. The APCU and PCU will recruit, through a competitive process, the following: Business Facilitation Partners (BFPs); technical advisory services; business development services and organizational development services; and establish a roster of service providers which will then be made available to all Business Proposals (BPs) partners through a public Website or equivalent platform. BPs' partners will select and enter into agreements with service providers of their choice.

10.3 Staffing. Salaries of the staff of both Units are partly financed by other IFAD funded project and will be for the next four years; only supplementary staff specifically hired to carry out specialized functions for RCDP will be funded through the Programme. Performance of APCU and PCU staff will be assessed annually against their terms of reference.

11. Programme Implementation Manual (PIM). The Lead Programme Agencies shall each prepare a draft PIM no later than six months after the entry into force of this Agreement. The draft PIMs shall include 3 volumes:

Volume 1: the Operations Manual. The Operations Manual shall include among others: (i) the implementation arrangements and modalities for all programme components; (ii) the terms of reference and implementation responsibilities of all Programme staff; (iii) the target groups selection criteria and targeting mechanisms; (iv) the modalities for selection of service providers and their draft terms of reference; and (v) model agreements for BP financing; the eligibility criteria and operation modalities.

Volume 2: the Financial and Administrative Procedures Manual.

Volume 3: the Monitoring & Evaluation Manual. The Monitoring & Evaluation Manual shall describe, among others: (i) the Programme cycle and logical framework; (ii) the baseline situation and monitoring indicators; (iii) the M&E system and; (iv) guidelines.

The Lead Programme Agencies shall submit the PIM to the Fund for non-objection. The PIMs may be amended or otherwise modified only with the prior consent of the Fund.

Schedule 2

Allocation Table

1. Allocation of Financing Proceeds. (a) The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the Grant and the allocation of the amounts of the Loan and the Grant to each Category and the percentages of expenditures for items to be financed in each Category:

Category	Loan Amount Allocated (expressed in EUR)	Grant Amount Allocated (expressed in EUR)	Percentage of Expenditures to be Financed (all net of tax and Government and beneficiaries' contributions)
A. Part A of the Project in the Federation			
1. Goods, services and inputs	5 035 000		100%
2. Consultancies	465 000	270 000	100%
3. Equipment	70 000		100%
4. Operating costs	545 000		100%
Unallocated	325 000		
B. Part B of the Project in the RS			
1. Goods, services and inputs	3 620 000		100%
2. Consultancies	345 000	200 000	100%
3. Operating costs	480 000		100%
Unallocated	235 000		
Total	11 120 000	470 000	

(b) The terms used in the Table above are defined as follows:

(i) "Goods, services and inputs" includes the financing of Business Proposals.

(ii) "Consultancies" encompasses the institutional agreements and service contracts and workshops.

(iii) "Operating costs" includes salaries for project staff at the coordination units. In case of Part A this includes salaries for calendar year 2020 and beyond.

2. Start-up Costs. Withdrawals in respect of expenditures for start-up costs included in Consultancies Category incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of EUR 25 000 for each part of the Program.

Logical framework

Narrative Summary	Key Performance Indicators[3]	Means of Verification	Assumptions (A) / Risks (R)
Impact. The effective incorporation of smallholders in dynamic fruit, vegetable and non-timber forest products subsectors has durably improved economic and social perspectives of rural areas in BiH.			
Goal: Contribute to rural poverty reduction in selected subsectors of BiH economy	- Direct beneficiary households reporting increase of at least 20% in HH asset ownership within 5 years of project support, as compared to baseline (RIMS)	- Baseline and impact survey - RIMS survey	
Project Development Objective. *To enable smallholders to take advantage of fruits, vegetable and non-timber forest products subsector development for the sustainable improvement of their social and economic conditions and those of other poor rural groups*	- 16,000 additional producers ((corresponding to equivalent number of HHs) receive project services and are sustainably and profitably involved in the selected subsectors. - Additional volume of produce exported :100% increase over current exported volumes - Minimal additional revenues at HH level: USD 3,000 for berries (2 dunum), USD 1500 open field vegetables (1 ha), USD 4000 (600m2 greenhouse) - Minimally 30% participation of women and youth participation in the VCs	- Baseline and impact survey (resp: A/PCU[4]) - Export & production statistics - Monitoring reports of facilitators - M&E reports (Resp: A/PCU) - Survey on inclusiveness of rural poor (Resp: A/PCU)	
Component 1. Enabling Environment for Inclusive Subsector Development			
Outcome 1: The Improved policy and institutional environment attracts smallholders and investors to the selected subsectors	- USD 29 million private investments leveraged in selected subsector pro-poor development Subsector stakeholder platforms generate 3 subsector policy development proposals with their corresponding regulatory framework	- Baseline and impact surveys[5] - Monitoring reports of facilitators	(A) Willingness of National and Entity stakeholders to cooperate and to create an enabling environment for selected subsectors (A) Demand for subsector development
Result 1: Smallholders Platforms at cluster and subsector levels improve VC coordination and subsector governance, inform public policies and orient investments in order to warrant long-term subsector competitiveness	- At least 12 Cluster stakeholder platforms [8 by FY4] [6] established and in operation - Three Subsector Stakeholder Platforms established and in operation at county level	- Monitoring reports of facilitators - M&E reports - Business proposals - Minutes of CSP/SSP meetings	(A) Readiness of local authorities and of private sector actors to play a lead role in efforts to improve inclusiveness and coordination along the value chain
Result 2: Appropriate technical and business development services are made available at local and entity levels	- 60 public extension staff with updated skills and competencies - Quality and outreach of advisory services locally provided responds to requirements of BPs - [A voucher scheme for BDS, organizational and technical advisory services has been set up and in operation by FY3]	- Extension staff competence gap analysis for each subsector and training planning - Reports of PAs and cooperatives on the performance of BDS services - Monitoring reports on the quality of the service providers - M&E reports / MIDCA[7]	(A) willingness of development partners and professional bodies to participate (A) Existence of private and public advisory services that respond to the current needs of the sector (R) Classic procurement and financial management system might create delays.
Component 2: Sustainable inclusion of smallholders in the thriving / successful value chains			

[3] Gender and age disaggregated data.
[4] Setup and management of a robust and effective M&E and reporting system is the responsibility of the (Agriculture) Project Coordination Unit (A/PCU) – yearly analytical reporting on progress towards project targets is expected.
[5] M&E 'baseline' policy, legal and institutional assessment (both at national and cluster level) as related to the selected subsectors (source EU sector studies preparing accession) 'final; policy, legal and institutional assessment (source: EU and WB policy and institutional monitoring
[6] Triggers aimed at assessing programme's progress against set targets – decision points to proceed with the second phase of the project [highlighted]
[7] The Integral model of Diagnosis for Co-operatives and Associations (MIDCA) is a flexible tool that can be used to define, diagnose, and evaluate a cooperative organization or affiliation http://www.progresonetwork.org/media/docs/MIDCA%20Manual.doc.

Narrative Summary	Key Performance Indicators[3]	Means of Verification	Assumptions (A) / Risks (R)
Outcome 2: Sustainable inclusion of poor smallholders and vulnerable groups in selected subsectors	- 16,000 smallholders involved (corresponding to equivalent number of HHs) in VCs [4,000 by FY4], out of which minimum 30% are women and youth - Over the project lifetime, 3,150 jobs created at post-harvest level (minimum 20% of jobs created for women) - Minimum 10% increase of final price/value accruing to smallholders	- Baseline and impact surveys - Participatory monitoring of smallholder participation in selected VCs - M&E reports - Update of financial models	(A) Willingness of VC actors to improve the coordination along the VC (A) Poor farmers' and vulnerable groups' interest and readiness to coordinate within the selected VCs
Result 1: Inclusive business proposals developed and implemented	- 140 Business Proposals (BPs) [60 by FY4] between smallholders and other value chain actors have been facilitated, implemented and remain in operation - Minimum 60 PAs and cooperatives received BDS and specialised extension services - Minimum 60 PAs and cooperatives benefitting from productive/value adding assets supported over the life of the project - Minimum 20% increase in product added value - 5,000 smallholder farmers adopt climate-friendly technologies - [Minimum 20% annual increase in sales (volume and value) during the first 3 years of farmers newly involved (through their BPs) in selected value chains]	- Survey of inclusiveness of rural poor	(A) Willingness of PAs, cooperatives and municipalities to reach out to rural poor people. (A) Necessary BDS clearly defined and focused on increasing VC competitiveness (A) Private and public value chain stakeholders are willing to leverage public funding that will be provided. (R) Classic procurement and financial management system might create delays.
Result 2: Poor farmers, women and youth have successfully integrated into competitive and rewarding fruit, vegetable and NTFP value chains	- At least 30% of new farmers of the core project target group (women, youth, rural poor) are durably generating income from their activities in the selected value chains - 140 BPs adopt pro-poor inclusive measures - Minimum 20% of youth and women in decision making positions in the PAs/Coops trained in management- - Measurable improvement of FO performance (based on MIDCA assessment)	- Reports from sector stakeholders on the relevance and appropriateness of the acquired value added assets - Monitoring reports of facilitators and M&E - Reports of service providers - Reports from vulnerable groups - Monitoring reports of service providers - M&E reports	(A) Smallholder farmers have access to agri-business services and information (A) Sound criteria for targeting are defined (A) Willingness of key actors to adopt an inclusive approach