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Investing in rural people

Bosnia and Herzegovina

Rural Enterprises and Agricultural
Development Project

Negotiated financing agreement

Negotiated financing agreement: "Rural Enterprises and Agricultural Development Project"

(Negotiations concluded on 28 March 2018)

Loan Number: _____

Project Title: Rural Enterprises and Agricultural Development Project (READP) ("the Project")

Bosnia and Herzegovina (the "Borrower")

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 Project 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 to the Borrower (the "Financing"), which the Borrower shall use to implement the Project 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 as the "Entities") and, for this purpose, the Borrower 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 and each of the Federation and the RS.

Section B

1. A. The amount of the Loan is eleven million seven hundred eighty seven thousand Euros (EUR 11 787 000).

2. The Loan is granted on ordinary terms and shall be subject to interest on the principal amount outstanding at the IFAD reference interest rate per annum, and have a maturity period of eighteen (18) years, including a grace period of three (3) years, starting from the date as of which the Fund has determined that all general conditions precedent to withdrawal have been fulfilled.
3. The Loan Service Payment Currency shall be 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 on each 15 February and 15 August.
6. The Borrower shall provide counterpart financing for the Project in the amount of four million two hundred thousand Euros (EUR 4 200 000).
7. Amounts withdrawn in advance from the loan 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 one designated account for each Entity.

Section C

1. The Lead Project Agency shall be the Federal Ministry of Agriculture, Water Management and Forestry for Part A of the Project and the Ministry of Agriculture, Forestry and Water Management of the Republika Srpska for Part B of the Project.
2. The Project Completion Date shall be the fifth anniversary of the date of entry into force of this Agreement.

Section D

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

Section E

1. This Agreement is subject to ratification by the Borrower.
2. The following are the designated representatives and addresses to be used for any communication related to this Agreement:

For the Borrower:

For the Fund:

The 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
(name and title)

INTERNATIONAL FUND FOR
AGRICULTURAL DEVELOPMENT

Gilbert F. Houngbo
President

Schedule 1

Project Description and Implementation Arrangements

I. Project Description

1. **Target group.** The Project target group will comprise (i) rural households with 0.1-0.5 ha (1-5 donums) land available for cultivation either through direct ownership or rented/leased (ii) households with monthly income less than 817 KM comprising mainly non-commercial farmers (iii) unemployed rural youth (below 30 years) and (iv) poor women headed households in rural areas. The outreach of the Project will be 8,650 direct beneficiaries and around 5,000 indirect beneficiaries from the enabling infrastructure investments. The Project area will consist of 90 municipalities grouped into 10 clusters with an average of 9 municipalities per cluster. The Project-supported sub-sectors will comprise berries, fruits and vegetables, forest products, honey, MAPs and to a limited extent dairy.

2. **Goal.** The Project's goal is to contribute to rural economic development and poverty reduction by improving livelihood, generating revenue and enhancing the living standards of target households.

3. **Objectives.** The Project'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 unlock new rural business opportunities by better connecting and integrating farms, farmers' organisation and business leaders to commercial markets. It will create new avenues for self, salaried and wage employments for beneficiary household members including youth.

4. **Outcomes/Components.** The Project has two components: (i) Enhancement of economic opportunities and smallholders integration in value chains and (ii) Project management and coordination.

4.1 **Component 1: Enhancement of economic opportunities and smallholders integration in value chains:** The expected outcomes of this component are (i) production, productivity, marketing of produce and profitability of target group households improved based on 4Ps models (ii) market access and value chain integration of target group households enhanced through strengthened farmers' organisations and improved market infrastructure. The component is supported by three mutually reinforcing sub-components; (i) development and implementation of pro-poor BPs (ii) development of farmers' organisations and (iii) enabling infrastructure development.

4.1.1. **Sub component 1.1. Development and implementation of pro-poor business plans.** This subcomponent will increase the adoption and implementation of 4-Ps based business models by business leaders along the value chains. The Project will assist around 150 business leaders (SMEs and FOs) to develop and implement BPs leading to market linkage between 7,500 target households and business leaders. Additionally, it will provide special financial packages for 350 youth apprentice. The main BP development related activities will be (i) selection of service provider (ii) targeting survey (iii) stakeholder awareness and sensitisation workshops (iv) call for proposals and selection of eligible applicants (v) development of detailed BPs and implementation agreements. The main BP implementation related activities will be: (i) market development assistance (ii) farmers' training, advisory and capacity building services (ii) co-financing starter packages and youth apprentice support (iv) assisting other external linkages e.g. to financial institutions, certification bodies and (v) creating a supportive setting for BP implementation.

4.1.2. **Sub component 1.2. Farmers' Organisations Development.** This subcomponent will strengthen FOs to increase their outreach to target households and to develop into viable inclusive farmers' institution. The main activities will be (i) seed

capital financing to 40 FOs (FO seed capital support) resulting in direct benefits to 800 households and (ii) institutional development training and advisory support.

4.1.3 Subcomponent 1.3. Enabling Infrastructure Support. This subcomponent will improve the profitability of the target households, connect business leaders to the target households and improve the market participation of the beneficiaries. The Project will identify and support the infrastructure requirements for successful implementation of the BPs. Thus, READP will support (i) publically owned and managed infrastructure such as public water supply, which benefits multiple farmers in a defined area, or the establishment and rehabilitation of feeder roads, culverts and small bridges which connect business leaders and target households (ii) publically owned infrastructure, such as irrigation structure, cooling and packing facilities, which is co-managed in partnership between the municipalities, FOs and private sector.

4.2 Component 2: Project coordination. The Project will be implemented by Government and non-government institutions and private sector partners. The State Ministry of Finance and Treasury (MOFT) will have overall responsibility of READP and will coordinate with the Entity Ministries of Finance and Agriculture.

II. Implementation Arrangements

5. Lead Agencies. At entity level, the Ministry of Agriculture, Water Management and Forestry (MAWMF) in the Federation and the Ministry of Agriculture Forestry and Water Resources (MAFWR) in the RS will have the overall responsibility for the implementation as the Lead Agencies.

6. Project Steering Committee (PSC). A Project Steering Committee (PSC) chaired by the entity Ministry of Agriculture or its designated representative would be set up in each Entity to provide overall guidance to the Project at Entity level.

7. Project coordination units. The Federation will entrust the responsibility of coordination and management of project activities to the existing Project Coordination Unit (PCU) in Sarajevo. Likewise, the RS will entrust these functions to the existing Agricultural Project Coordination Unit (APCU) located in Banja Luka. The PCU and the APCU each will be headed by a project director who will also be the secretaries of the PSCs.

8. Field coordination. In the Federation, the PCU will contract 5 field officers as cluster coordinators, one for each cluster, to ensure field presence of the PCU and assist quality implementation process. In the RS the APCU will ensure field presence through extension officers deployed in the seven regional extension offices of the Agency of Extension Services in the 5 project clusters.

9. Partnership with Service Providers (SP). In order to manage and coordinate the implementation of two projects READP and RCDP in parallel, both PCU and APCU will rely on considerable increase in support services from service providers and other implementation partners. In general, SPs will be responsible for supporting the A/PCUs in implementing the targeting surveys, conducting sensitisation and consultation workshops prior to launching the business planning initiative, supporting business proposal selection, assisting business plan development and implementation, ensuring the quality of the final business plans, facilitating negotiations the implementation agreements between different BP implementation partners, providing technical guidance to the business leaders, FOs and target households during BP implementation and assisting the M&E data collection for READP. The selected service provider should possess the required environmental expertise to backstop the Project. The SP will closely liaise with the specific READP Project Manager, business development officer and the M&E Officer in the A/PCUs.

10. Project Implementation Manual (PIM). The PCU and APCU shall each prepare a draft PIM acceptable to the Fund and submit it for approval to their PSC. When so approved, a copy of the PIM shall be provided to the Fund. The PIM may be amended when necessary with the approval of the Fund in order to introduce clarification in procedures, and eliminate constraints for Project implementation.

11. Mid-Term Review. A Mid-Term Review (MTR) shall be conducted to assess the progress, achievements, constraints and emerging impact and likely sustainability of the Project and make recommendations and necessary adjustments for the remaining period of disbursement. The MTR shall be carried out jointly by the Borrower and the Fund.

Schedule 2

Allocation Table

1. Allocation of Loan Proceeds. The Table below sets forth the Categories of Eligible Expenditures to be financed by the Loan and the allocation of the amounts of the Loan to each Category. All amounts are to be financed 100% net of taxes and contributions from Governments and Beneficiaries.

Category	Loan Amount allocated (expressed in EUR)
A. Part A of the Project in the Federation	
1. Civil Works	1 998 400
2. Equipment, Materials & Vehicles	102 400
3. Starter packages, Services, Inputs and Grants	3 070 900
4. Technical Assistance	809 500
5. Trainings & Workshops	149 000
6. Salaries, Allowances and maintenance costs	579 000
Unallocated	353 000
B. Part B of the Project in the RS	
1. Civil Works	1 309 000
2. Equipment, Materials & Vehicles	54 800
3. Starter packages, Services, Inputs and Grants	2 048 000
4. Technical Assistance	451 500
5. Trainings & Workshops	131 000
6. Salaries, Allowances and maintenance costs	494 500
Unallocated	236 000
Total	11 787 000

2. Start-up Costs. Withdrawals in respect of expenditures for start-up costs incurred before the satisfaction of the general conditions precedent to withdrawal shall not exceed an aggregate amount of EUR 100 000 for each Part and shall be limited to categories 4 and 5.