

## **Bosnia and Herzegovina**

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### **Rural Business Development Project**

### **Supervision Report**

### **Main report and appendices**

Mission Dates: 15/10/2018 - 30/10/2018

Document Date: 05/02/2019

Project No. 1100001593

Report No. 4975-BA

Near East, North Africa and Europe Division  
Programme Management Department

## Abbreviations and Acronyms

<b>APCU</b>	Agricultural Project Coordination Unit
<b>AWPB</b>	Annual Work Plan and Budget
<b>BiH</b>	Bosnia and Herzegovina
<b>BP</b>	Business Plan
<b>FBiH</b>	Federation of Bosnia and Herzegovina
<b>FO</b>	Farmer Organisation
<b>IFAD</b>	International Fund for Agricultural Development
<b>MTR</b>	Mid-Term Review
<b>OFID</b>	OPEC Fund for International Development
<b>PDR</b>	Project Design Report
<b>PIM</b>	Programme Implementation Manual
<b>PCU</b>	Project Coordination Unit
<b>RBDP</b>	Rural Business Development Project
<b>RCDP</b>	Rural Competitiveness Development Project
<b>RS</b>	Republika Srpska
<b>WB</b>	World Bank
<b>WP</b>	Working Paper

## A. Project Overview

Region:	Near East, North Africa and Europe Division	Project at Risk Status:	Not at risk
Country:	Bosnia and Herzegovina	Environmental and Social Category:	B
Project Name:	Rural Business Development Project	Climate Risk Classification:	not available yet
Project Id:	1100001593	Executing Institution:	Ministry of Agriculture, Water Management and Forestry
Project Type:	Marketing/Storage/Processing	Implementing Institutions:	Ministry of Agriculture, Water Management and Forestry
CPM:	Mikael Kauttu		
Project Director:	not available yet		
Project Area:	not available yet		

Approval Date	13/12/2011	Last audit receipt	30/06/2018
Signing Date	20/12/2013	Date of Last SIS Mission	28/10/2018
Entry into Force Date	26/03/2014	Number of SIS Missions	6
Available for Disbursement Date	19/02/2016	Number of extensions	0
First Disbursement Date	25/02/2016	Effectiveness lag	27 months
MTR Date	15/10/2017		
Original Completion Date	31/03/2019		
Current Completion Date	31/03/2019		
Financial Closure	not available yet		

## Project total financing

<b>IFAD Financing breakdown</b>	Near East, North Africa and Europe Division	\$784,870
	IFAD	\$12,724,384
<b>Domestic Financing breakdown</b>	Beneficiaries	\$2,722,764
	Domestic Financing Institutions	\$1,846,779
	National Government	\$6,798,524
<b>Co-financing breakdown,</b>	OPEC Fund for International Development	\$5,345,057
<b>Project total financing</b>		<b>\$30,222,378</b>

## Current Mission

Mission Dates:	15/10/2018 - 30/10/2018
Days in the field:	5
Mission composition:	Ms Sigrid Giencke, Team Leader and Value Chain Specialist, Mr Zeljko Vasko, Procurement Specialist, Ms Chiara Romano, Targeting and Gender specialist, Mr Moez Makhoulouf, Financial Management Specialist, Ms Alisia Sansoni, M&E Specialist and Mr Mikael Kauttu, IFAD Country Programme Manager for BiH, NEN Division
Field sites visited:	In FBiH: Kalesija, (Tuzla canton), Muratovici, Kupres (Canton 10), Srbijani, Bosanska Krupa, Cazin, Jezerski, Bosanska Otoka, Bastra (Una Sana Canton), in RS: Sipovo, Dubiza

## B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4

<b>Effectiveness and Developmental Focus</b>	<b>4</b>	<b>Project Management</b>	<b>4</b>
Effectiveness	4	Quality of Project Management	4
Targeting and Outreach	4	Knowledge Management	4
Gender equality & women's participation	5	Value for Money	4
Agricultural Productivity	4	Coherence between AWPB and Implementation	3
Nutrition	4	Performance of M&E System	3
Adaptation to Climate Change	4	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	4

<b>Sustainability and Scaling-up</b>	<b>4</b>	<b>Financial Management and Execution</b>	<b>5</b>
Institutions and Policy Engagement	4	Acceptable Disbursement Rate	4
Partnership-building	4	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	6
Quality of Beneficiary Participation	4	Counterparts Funds	4
Responsiveness of Service Providers	4	Compliance with Loan Covenants	5
Environment and Natural Resource Management	5	Procurement	5
Exit Strategy	4		
Potential for Scaling-up	5		

<b>Relevance</b>	<b>4</b>
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## C. Mission Objectives and Key Conclusions

### Background and Main Objective of the Mission

The Rural Business Development Project (RBDP) is IFAD's sixth operation in Bosnia and Herzegovina (BiH), envisaged to reduce rural poverty by raising the target groups' income, particularly the incomes and employment in rural communities within the project area. The Project was approved by IFAD's Executive Board in December 2011. The Financing Agreement was signed in December 2013, and the project became effective on 26 March 2014. The commencement of project implementation in both entities was significantly delayed due to late signature of the Project Agreements with the two entities and thus, 2016 was the first year of implementation. In October 2017, a Mid-Term Review (MTR) was conducted, followed by an implementation support mission in May 2018. The supervision mission 2018, implemented from 14 to 30 October 2018, will be last supervision for RBDP as the project is scheduled for completion at 31 March 2019. Closing date will be 30 September 2019.

The objective of the supervision mission 2018 was to assess RBDP achievements against the Annual Workplan and Budget (AWPB) targets for 2018 and cumulative achievements since project effectiveness, project management efficiency, compliance with loan covenants. Furthermore, the mission has assessed the implementation of the agreed recommendations of the MTR held in October 2017 and the recommendations provided by the implementation support mission in May 2018. The main recommendations of the MTR were to (i) improve the coordination amongst the project components whereby the project coordination unit (PCU) in Federation of Bosnia and Herzegovina (FBiH) was advised to appoint an assistance coordinator (ii) Change the conditions of grants to farmers' organisations (FOs) to finance 70% of total project costs up to a maximum of BAM 50,000 (iii) restrict RBDP co-financing of starter packages to 40% of total starter package costs and (iv) use partial reallocation from the credit line under component 2 for start packages, grants to farmers organisations and rural infrastructure development - in Republika Srpska (RS) only - to ensure further disbursement of the loan.

At the onset of the mission, the team met with the Ministry of Finance and Treasury in Sarajevo. Furthermore, meetings were held with representatives of partnering financial institutions (PFIs) and service providers in Sarajevo. In RS, the team met with the Minister of Agriculture, Forestry and Waters as well as with the Assistant Minister and representatives of the Ministry of Finance in RS. The mission visited in FBiH selected sites in the Canton Tuzla (municipality of Kalesija), in the Canton 10 (municipalities of Muratovici, Kupres), and in the Una Sana Canton (municipalities of Srbijani, Bosanska Krupa, Cazin, Jezerski, Bosanska Otoka, Bastra). In RS project sites were visited in the municipalities of Sipovo and Dubiza. During field visits the team met with local mayors, farmers and their organisations, representatives of women organisations and business leaders.

The mission's findings were discussed with the Agriculture Project Coordination Unit (APCU) in Banja Luka on 25 October 2018 and with the PCU in Sarajevo on 26 October 2018. The findings were endorsed at a wrap-up meeting at the Ministry of Finance and Treasury in Sarajevo on 29 October 2018.

### Key Mission Agreements and Conclusions

The mission considers the overall RBDP implementation progress to be **moderately satisfactory**, taking into account the respective achievements in the FBiH as the overall progress of RBDP remains uneven between the two entities.

**Implementation progress in FBiH** is rated moderately satisfactory since the PCU after a significant progress made in 2017 continued implementation with the same pace. The last year's MTR mission recommendations have been largely met. The actual payment rate for the IFAD loan and grant reached 77% (79% for loan and 50% for grant). With the commitments as of 30 September 2018, expected expenditure by completion represents 95% of the total project cost; the actual expenditures represent 63% of the total funds allocated for the project. On the basis of the payments as of 30 September 2018, the commitments not yet paid and the planned activities, the total amount of loan and grant allocated for the FBiH will be disbursed.

**The implementation in RS** is rated still moderately unsatisfactory. The project has not gained sufficient momentum although at MTR significant changes and reallocations have been agreed upon to speed up the implementation. At 30 September 2018, the actual payment rate for the IFAD loan reached 29%; only 1% of the grant has been spent. The commitments as of 30 September 2018 represent 52% of the total project cost; the actual expenditures represent 34% of the total funds allocated for the project. It has been agreed with the Ministry of Finance in RS and the Ministry of Agriculture, Forestry and Waters in RS as well as with the APCU to speed up and finalise implementation until the official completion date of the project.

Key mission agreements are related to RBDP completion:

- With regard to RBDP completion only works, goods and services finalized and received before the completion date (31/03/2019) are eligible for IFAD loan and grant financing, except expenditures relating to the winding up of the project. To avoid misinterpretations, it is strongly recommended that any expenditure planned for period after completion be cleared with IFAD well in advance.
- Timely preparation of project completion:
  - Development of TORs for the impact survey to be conducted by mid November and sent to IFAD for approval, followed by timely contracting and implementation of related service provider.
  - Preparation for the project completion report, which is the responsibility of the Borrower.



## D. Overview and Project Progress

The development objective of the project is to help subsistence farmers transform to commercial farming and help in developing the non-farm enterprise sector for rural employment generation. The project target group includes smallholder farms interested in commercial agriculture, agriculture producer associations and cooperatives as well as women and unemployed youth interested in non-farm wage employment or self-employment. The project is expected to directly benefit 20,000 rural households in 47 selected municipalities: 27 municipalities in the Federation (FBiH) and 20 municipalities in Republika Srpska (RS).

The RBDP includes four components (i) Rural Business Support component (including three sub-components: Farm Enterprise Development; Business Development Services, and Non-Farm Enterprise Development; (ii) Rural Business Investments component (iii) Rural Market Infrastructure component and (iv) Project Management. The components are expected to work in close integration and synergy for maximum impact on the targeted households.

The RBDP is a USD 30.2 million project, to be implemented in both the FBiH and RS, and financed through: an IFAD loan of SDR 8.05 million (approx. USD 12.7 million); an IFAD grant of SDR 0.5 million (approx. USD 0.78 million); PFIs contribution of USD 1.8 million; beneficiary contribution of USD 2.7 million; and Government contribution (FBiH and RS) of USD 3.36 million. Rural infrastructure investments are being financed in FBiH by an OFID loan of USD 5.35 million and in RS by the Entity Government contributing of approx. USD 3.43 million.

### PART A. FEDERATION OF BOSNIA AND HERZEGOVINA

#### Component 1. The Rural Business Support.

The overall performance of Component 1 in FBiH is rated **moderately satisfactory** considering the further progress made since last MTR mission fielded in October 2017.

**Sub-Component 1 Farm Enterprise Development** is focussing on capacity building with an Enterprise Development Fund to provide limited financial assistance to farmers' organisations for small infrastructure, equipment, improved inputs and herd improvements. Initially, the fund provided seed funding of up to BAM 15,000 to eligible FOs on a matching basis with at least, equal contributions from both the municipality and the beneficiaries.

To align the two projects currently under implementation (RBDP and RCDP) it has been recommended at MTR to harmonise the matching grants provided by the projects. Therefore, since MTR expenditure for small equipment under the Enterprise Support Fund are based on the same ratio as in RCDP: equipment ratio maximum 70% project contribution and 30% beneficiary; starter packages with a ratio of maximum 40% project, 10% municipalities, 50% beneficiaries. The size of the average starter package was calculated with BAM 3,000. Furthermore, the threshold for investments in equipment for FOs has been increased up to BAM 70,000, co-financed with 70% project contribution (maximum BAM 50,000 from IFAD finance) to allow also supporting FOs in larger investments such as larger cold storages. Increasing the threshold is also harmonising RBDP with RCDP.

Furthermore, at MTR SDR 500,000 (BAM 2 million) were reallocated from Component 2 (credit line) to the Enterprise Support Funds with a final amount of SDR 531,000[1].

**FO Equipment.** Until end of September 2018, in total BAM 706,468 were spent on investments in small equipment with an IFAD contribution of BAM 348,621: 19 FOs have been supported with small equipment with a project contribution of 50%, the municipalities 7% and beneficiaries and buyers together 43%. The ratio contributed by IFAD in 2018 after MTR amounted to 57%, municipality contribution reached 10%. In 2017, a major share of the investments went into livestock/milk production; in 2018 priority was given to fruit and vegetable production.

**Small Infrastructure Investments.** As of to date, 12 so-called small infrastructure projects were implemented and completed with a total value of BAM 924,768. Beneficiaries of these investments (financed under the category of Civil Works with an allocation of SDR 275,000) are FOs in cooperation with their business leaders as well as their local municipalities. Until RBDP completion, further small infrastructure investment projects in the amount of BAM 250,000 BAM are planned for implementation.

**Starter Packages.** With regard to provision of starter packages, the PCU co-financed starter packages for 1,476 smallholders in total, whereof in 2018 all 937 starter packages went into gherkin production. Different to the first year of RBDP implementation in 2016, where raspberries were still demanded, gherkin production has developed as an attractive pro-poor crop. Yields of 4-5 tons per dunum are achievable amounting to a turnover of some BAM 4,000 to 5,000. The cost of inputs per dunum amount to maximum BAM 1,700 for a starter package (depending on the technology expected by the buyer); thus resulting in an achievable household income of BAM 3,000 to 4,000 within a 3-month production period. The project contribution to starter packages in 2018 accounted for 40% and the beneficiaries contribution for 60%, pre-financed through the buyers.

Since the costs of the starter packages are significantly lower than the initially expected BAM 3,000, the disbursement of IFAD funds developed accordingly. The AWPB 2018 estimates calculated 1,000 packages with a value of BAM 2.8 million including an IFAD contribution amounting to BAM 957,265. As of to date, in 2018 BAM 1,105,000 have been spent on 973 starter packages with an IFAD contribution of BAM 442,000. In total since 2016, nearly BAM 2 million were spent on starter packages whereof IFAD contributed BAM 663,229.

The expenditures of the Enterprise Support Funds have reached some 80-90% at the end of September 2018; taking into account already contracted liabilities for FO equipment and small investments (BAM 274,000). Within the project some BAM 930,000 are remaining available for the Enterprise Support Fund until project completion. Due to the expressed demand for support from the target groups in the selected municipalities, PCU is still expecting to disburse all remaining funds. It has been agreed to focus on expenditures benefitting FOs (equipment and small investments) and to invest in starter packages exclusively under the RCDP in 2019.

**Sub-Component 2 Business Development Services** includes training, technical assistance, marketing and certification assistance. In 2018, 115 beneficiaries were trained in NTFP collection and 125 farmers received training on gherkin production. In both sub-components, the project in FBiH trained almost 2,000 farmers and women; 67% of the targeted 3,000 farmers in FBiH. In general, the training were closely connected with the provision of starter packages for raspberries, gherkins and fruit tree production and NTFP collection.

**Sub-Component 3 Non-Farm Employment Generation** is aiming at providing jobs mainly for women and unemployed youth in rural areas with the target of creating up to 300 new jobs in FBiH. The implementation of the sub-component has gained momentum. The PCU supported training courses for 9 women in elderly care in close cooperation with the municipality of Stolac.

A programme for co-financing women and youth employment in rural areas has been developed by SERDA; the implementation is planned to start still in 2018. The PCU is in negotiations with a shoes manufacturing company in Teocak municipality to co-finance the salaries of unemployed youth and women from the project regions with BAM 135 monthly. 65 women and youth have been identified so far; additional 19 persons are considered for support in employment in the shoe factory. Further opportunities have been identified; the PCU has to analyse the best way forward for a timely implementation. Some BAM 500,000 are still available for this sub-component.

## **Component 2. The Rural Business Investment**

The overall performance of Component 2 in FBiH is rated **satisfactory**.

Out of the initially allocated USD 5.85 million of the credit line 80% was contributed by IFAD and 20% PFI contribution for disbursing 832 individual loans and 28 SME loans. The PCU selected two financial institutions: EKI Microcredit Organisation (MCO), a microfinance institution (MFI), and the Bosna Bank International (BBI), a commercial bank. At MTR, SDR 500,000 (BAM 1.2 million) have been reallocated from Component 2 to the Enterprise Support Fund under Component 1. Remaining budget under Component 2 amounts to SDR 2,310,000 (EUR 2.84 million/BAM 5.55 million). Disbursement under Component 2 has reached 103 %.

**Individual loan financing:** As at 30 September 2018, the two PFIs had used the credit line financing to disburse a total of 481 individual loans amounting to BAM 7 million (USD 4.4 million). The PFIs reached so far 468 farmers and 13 SME.

EKI MCO disbursed 412 individual loans amounting to BAM 3,75 million (USD 2.34 million) with average loan size of BAM 9,100 (USD 5,688). EKI internally monitors the outreach of these loans to poor households which shows that 296 loans (72%) were delivered to poor farmers with monthly income below BAM 500 (USD 300). Loans were invested in machinery/equipment, agricultural assets such as land and for purchase of livestock. The demand for financing starter packages through PFI credits remained low due to pre-financing of the producers by the buyers. The credit line provided to EKI MCO of BAM 3,000,000 from IFAD funds was fully disbursed end of August 2018.

BBI disbursed in total 69 individual loans amounting to BAM 3.3 million (USD 2.07 million). Priority was given to SME financing: BBI supported 10 SME (13 loans) with average loan size of BAM 204,965 (USD 128,000) amounting to 80.5% of the total loan amount. In addition, 56 farmers were supported with average loan size of BAM 7,190 (USD 4,493), accounting for 19.5% of the total loan amount. The small loans for farmers were mainly to purchase livestock; others were for land purchase or investments in mechanisation. Out of the contracted IFAD contribution of BAM 3,000,000 BBI has spent so far 89% (as of 25 October 2018). The remaining BAM 329,000 are expected to be disbursed still in 2018; latest until completion date.

The MTR recommendations to develop strong collaboration between the PFIs and the project field coordinators and SERDA for ground level identification of individual clients involved in the project activities did not materialize. Also the recommendation for future SME financing to be strictly directed to buyers engaged in pre-financing of the starter packages was only successful in a few cases.

## **Component 3. The Rural Market Infrastructure.**

The overall performance of Component 3 is rated **moderately satisfactory** in FBiH.

PCU has contracted SERDA as service provider. SERDA collected needs of beneficiaries and municipalities from the project area. Due to the late signature of the OFID loan agreement, the implementation of this component was lagging behind. Since last year, OIFD got involved in direct approval and management of the activities under their financing. In the meantime, the implementation progress has significantly improved. So far, 45 infrastructure projects have been contracted; mainly roads (27 projects), water/sewage (9 projects), irrigation (4 projects) and market infrastructure (5 projects) for a total contracted value of BAM 11.018 million (net of VAT). 91% of the appraisal target has been committed, thus the PCU is expecting to finalise the implementation of Component 3 still until 30 September 2018, parallel to the IFAD project closing.



## PART B. REPUBLIKA SRPSKA

### Component 1. The Rural Business Support.

The overall performance of Component 1 in RS is still rated **moderately unsatisfactory** after a promising start of activities in 2016. However, even after MTR in 2017 most efforts of the APCU in implementation got stuck, for various reasons.

Funds allocated to Component 1 are as follows: USD 1.56 million (BAM 2.24 million) for RS with an IFAD loan of USD 850,000 and IFAD grant of USD 260,000. In addition, SDR 700,000 were reallocated from Component 2 after MTR summing up to additional 1.66 million BAM under this component. However, only BAM 284,000 has been spent until 30.9.2018 since project start. The SDR 160,000 grant funds allocated for technical assistance and workshop has not been utilized so far.

**Sub-Component 1 on Farm Enterprise Development** is focussing on capacity building with an Enterprise Development Fund to provide limited financial assistance to farmers' organisations for small infrastructure, equipment, improved inputs and herd improvements. Under this sub-component the core activities in Component 1 are summarised, in particular it had been agreed to provide starter packages to smallholder farmers as well as equipment to FOs.

**Starter Packages.** The APCU has signed six agreements with business leaders on the cooperation in supplying poor households with starter packages. With four companies the APCU has reached the stage of identification of beneficiaries, definition of input supplies and modalities of co-financing. The agreements with these companies cover input supplies for 194 poor households.

Different to PCU in FBiH, the APCU agreed with the companies on a post-financing modality: the APCU is co-financing 40% of the actual pre-financed input supplies to the farmers; the municipalities contribute another 10%. In most cases, farmers already repaid the full amount of pre-financed inputs (in kind), therefore the APCU has to ensure the refunding of the farmers. It is recommended to ask for the signature of the farmers as well as a copy of the bank transfer from the company to the farmer's bank account.

In the pipeline for starter packages are still contributions to beekeeping, purchase of livestock and greenhouses. It is expected that the APCU will be able to implement this support still until RBDP completion. The planned starter packages for gherkin production in 2019 are not eligible for implementation until completion. It is recommended to implement these packages under RCDP.

**Equipment for FOs.** The first five balers have been provided to FOs summing up to some BAM 210,000. The APCU has prepared an additional list of equipment for FOs for NO from IFAD summing up to another BAM 270,000 to be implemented still in 2018. Further requests for equipment are in the pipeline: the provided list of equipment sums up to BAM 1 million with a project contribution of BAM 700,000. The APCU is optimistic still to achieve significant expenditures under the Enterprise Support Fund before completion in line with IFAD financing rules.

**Sub-Component 2 Business Development Services** includes training, technical assistance, marketing and certification assistance. In the various trainings implemented in 2018 around 992 farmers participated; trainings were mainly implemented by public extension service AESD. In total, nearly 3,000 farmers attended training measures in RBDP.

**Sub-Component 3 Non-Farm Employment Generation** is targeted at providing jobs mainly for women and unemployed youth in rural areas (300 new jobs). APCU has not initiated any concrete activities in this field. Thus, there is no progress in implementation of this sub-component since MTR. It is expected that this Sub-Component will be remain untapped.

### Component 2. The Rural Business Investment

At MTR, the entire budget of Component 2 (SDR 1,626,000/BAM 3.9 million) has been reallocated: SDR 700,000 (BAM 1.68 million) to Component 1 and the Enterprise Support Fund and SDR 926,000 (BAM 2.224 million) from Component 2 went to Component 3.

### Component 3. The Rural Market Infrastructure.

The overall performance of Component 3 is rated **moderately satisfactory** in RS.

The initially planned OFID co-financing part of this component was cancelled, upon Republika Srpska's Ministry of Finance request. This co-financing of USD 3.4 million is being met through a domestic co-financing from Republika Srpska's Government budget. In addition, the rural market infrastructure is financed from IFAD loan of SDR 926,000 reallocated from Component 2 after MTR.

Until now BAM 8,202,838 (incl. VAT) have been contracted for a total of 30 rural infrastructure project. Out of the 30 projects 20 infrastructure projects are finalised and 10 projects are still in process of construction.

A second round of infrastructure projects is in process. Procedures were carried out for 21 new infrastructure projects, with a value of BAM 3.1 million. Implementation of these projects is hampered by a number of insufficient bids (less than 3 bidders have applied), thus some procedures have to be repeated. For 10 contracts out of these 21 projects APCU has requested no objection NO for signing the contracts. It is expected to complete these projects until completion data.

Since the Government of RS is providing significant funds for Component 3, the implementation of Component 3 are not concerned by the financing rules that apply to IFAD financing in relation to the completion date.

## E. Project implementation

### a. Development Effectiveness

Effectiveness and Developmental Focus		
Effectiveness	Rating: 4	Previous rating: 4

#### Justification of rating

The supervision mission in 2018, the last year before project completion, is rating the effectiveness with regard to achieving the Project objectives as moderately satisfactory (as at MTR 2017) since the progress made in FBiH is very promising despite the difficulties the APCU is facing in implementation. Significant progress has been made in Component 1 with rural business support assisting poor households and their FOs to access local and export-oriented value chains allowing a significant increase of income parallel to investments in new technologies. In RS, it is expected that significant progress is still possible in the remaining months for project implementation since the base for investments under Component 1 has been prepared.

#### Log-Frame Analysis & Main Issues of Effectiveness

The log-frame targets are reviewed and updated in Spring 2018 to be consistent with IFAD core indicators. Impact analyses to examine the progress on the project goal and development objectives will be completed as part of the preparations for the Project Completion Review.

The Project goal is defined as 'rural poverty reduction by raising the target group's incomes and strengthening their resilience by building profitable farm and non-farm enterprises in Bosnia and Herzegovina'. The development objective is 'to help subsistence farmers transform to commercial farming and help in developing the non-farm enterprise sector for rural employment generation'. The project is expected to directly benefit 20,000 rural households in Bosnia and Herzegovina (approximately 12,000 households in FBiH and 8,000 in RS).

According to the logframe, at September 30 2018, some 11,000 households have benefitted from project support summing up to 55% of the set target. However, the implementation of the components is delayed in both entities. It is to be expected that at project closing the outreach will be considerably increased reaching up to 100% of the set target.

The measures implemented under Component 1 are key to improve agricultural production and lead to modernization of technologies. According to the logframe, so far 18 FOs have been strengthened; 30% of the set target of 60 marketing groups. It is expected that at completion some 2,000 poor households have received so-called starter packages co-financing inputs for vegetable and fruit production as well as for dairy and honey production. Furthermore, some 40 FOs will have benefitted from co-financing of new technologies facilitating the envisaged commercialisation in agriculture. Although the credit line foreseen for smallholders and SME has only partly been implemented due to reallocation of funds from Component 2 to Component 1 respectively Component 3 in RS, in FBiH 468 smallholder farmers and 13 SME benefitted from the favourable interest rate provided. Thus, from the targeted gross loan portfolio (for individuals) 86% has been achieved but only 49% of the targeted loan portfolio for SME. With regard to Component 3 on Rural Market Infrastructure, the set target of 16,000 households with improved access to roads, domestic water supply, sewage facilities and irrigation facilities has been exceeded significantly to some 39,550 households across 47 communities, benefitting directly from IFAD, OFID and Government of RS financed investments in roads, water supply and irrigation projects.

The main effectiveness issues relate to the lack of progress in RS, especially under Component 1, resulting in a limited outreach so far.

Development Focus		
Targeting and Outreach	Rating: 4	Previous rating: 4

#### Justification of rating

The project so far has reached out a total of 22,820 beneficiaries (direct and indirect including household members) and 10,969 households. According to the different components and based on their needs, women participation has overall achieved the minimum of 30% reaching up to 50% and 100% for activities targeting directly women. As of supervision mission, the number of direct beneficiaries based on the actual number of household members (if only one or both) receiving direct project services (i.e. direct trainings or inputs) remains unclear.

#### Main issues

The project places its geographic focus on underdeveloped municipalities and concentrates the attention where majority of poor and underserved people are. Furthermore, selection of beneficiaries (households) has been conducted according to the poverty categories of very poor, poor and border line poor, in line with monthly incomes: very poor, below 200 KM per household member; poor 201-400 KM per household member; Borderline poor, 401-500 KM per household member and

land tenure/usage as main criteria of selection (as reported in the PDR). Poverty profile of target areas of 27 municipalities for the federation show presence of very poor at 64%; poor 29 and borderline poor at 7%. A similar disaggregation (based on survey analysis conducted at appraisal stage) exists also for RS although during the mission data were not made available in the progress report.

In the Federation the project has cumulatively reached 6,820 beneficiaries (direct and indirect, including all household members). In 2018, the activities have reached 4,193 individuals out of the 6,350 planned in the AWPB (2018) corresponding to about 65% of the outreach at the time of supervision mission (October 2018). Cumulatively households receiving project services are 1,487, surpassing targets set by AWPB 2018 (544). In RS the project has cumulatively reached out 16,000 beneficiaries (direct and indirect including household members) and 8,600 households. In 2018 activities have reached 10,802 beneficiaries and 5,252 households (data not disaggregated).

Supervision Mission during field visits found that trainings/time/location and type of services were relevant for the intended beneficiaries, including women. In both cases (RS and FbIH) disaggregated data on the updated log frame show that so far (cumulatively) women have received different project services. According to the different components and based on their needs, women participation has overall achieved the minimum of 30% reaching up to 50% and 100% for activities targeting directly women. On average the number of targeted households correspond to the number of direct beneficiaries if only one household member, usually the head of the household, is counted as a project service recipient. Nevertheless, there are cases where in the same household, more than one member receives project services (both men and women). As of supervision mission, the number of direct beneficiaries based on how many household members (if only one or both) received direct project services (i.e. direct trainings or inputs) remains unclear. It is recommended to strengthen the system for counting and reporting on direct beneficiaries. The final number of direct beneficiaries should include the number of HH members receiving direct project services and avoid double counting. Specific trainings from M&E officer should focus in this aspect.

## **Gender equality & women's participation**

**Rating: 5**

**Previous rating: 5**

### **Justification of rating**

The activities implemented so far aim at addressing the issues analysed by the gender studies and reflected in the action plans. Field visits confirmed that activities are in good track toward achievement of women's empowerment objectives such as for example: access to inputs and increased production; access to finance; access to technologies and reduction of women's workload, increase employment opportunities. The presence of appointed Gender and Targeting focal persons in APCU and PCU ensure smooth implementation and constant monitoring of gender action plan(s) and reporting on gender and targeting in the annual and semi-annual reports. Satisfactory reporting is in place for activities targeting directly women, especially only women groups/PAs.

### **Main issues**

Weaknesses are found in the gender disaggregation of data for activities involving households' members (men and women) and women in mixed groups, as well as in documentation of success stories and lessons learned as part of the reporting. It is recommended to further strengthen the monitoring and reporting of quantitative data for activities involving mixed groups (men and women) as well as to set up systems to avoid double counting of direct beneficiaries at HH level: men and women from the same household receiving one or multiple project services. Furthermore, the gender and targeting reporting could be further improved by qualitative data gathered to ensure that the quality and effectiveness of project services fulfil the needs/aspirations of intended beneficiaries (men, women, youth). Interviews and focus groups discussions with key guiding questions could be introduced as part of the regular field visits monitoring.

The reporting could include a section on lessons learned and success stories. Particularly of interest, success stories on women's leaders and/ or women's groups to be reported on and (eventually) to be posted in the IFAD gender reporting blog or IFAD gender newsletter. As the project is going towards completion and an impact evaluation is planned, it is recommended to include gender impact analysis. ToRs should reflect the tasks and expected outcomes (i.e. impact study on gender with focus on, for example: access to technologies and reduction of women workload, access to finance and income increased; women entrepreneurial capacities and any other relevant aspect to measure). Furthermore, it is recommended that qualitative data/information on women's empowerment and success stories are reported in the completion report. At least two stories, one about women's leaders (individuals) another on women's group should be documented.

## **Agricultural Productivity**

**Rating: 4**

**Previous rating: 4**

### **Justification of rating**

Although the M&E system did not yet capture the project impact on production and productivity of the selected VCs, there are anecdotal evidences that the activities included under the RBDP are aimed at enhancing agricultural productivity through starter packages, equipment for FOs and access to post harvest and market facilities and business linkages to buyers. Project investments are expected to contribute to increasing agricultural productivity in terms of (i) utilization of agricultural land with reintroduction of idle land, (ii) higher yields through improved technologies (e.g. equipment and improved breeds and seeds) and (iii) shifts from low value field crops to cultivation of high value crops. Buyers and

processors met in the field showed a strong interest in assisting the smallholder producers for a better quality and higher quantity of agricultural produce.

<b>Nutrition</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

Although the M&E data did not provide details on the nutrition related data, the activities aimed at increasing productivity and production of vegetable and fruit crops and dairy products have a positive impact on HH nutrition. The project also intends to promote International food safety and adopt the certification systems help ensure implementation of Good Agricultural Practices including local and EU food safety standards. In addition the expected strong market link with buyers, processors and exporters would increase HH income leading to an overall improvement of child nutrition and the family diet.

<b>Adaptation to Climate Change</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

The mission confirms last year's rating: all VCs promoted by the project are based on climate-change adaptation technologies including irrigation, hail protection, adapted varieties, etc. By enhancing the smallholder capacity for enhancing the productivity of existing resources through SERDA and AESD support, these existing natural resources are to be used more efficiently, enabling the smallholder producers to respond more resiliently to the challenges of climate change.

## **b. Sustainability and Scaling up**

<b>Institutions and Policy Engagement</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

The project's revisions at MTR have had influence on the policy approaches of the government through drawing attention to the innovation introduced through the business plan –approach, thus influencing the design of the subsequent portfolio.

<b>Partnership-building</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

The PCUs have developed a range of partnerships with the institutions at Entity and Municipal level, with financial institutions, the private sector and FOs. At the Entity level, the PCUs are in close partnership with the two Ministries of Finance and Ministries of Agriculture. Municipalities play a key role in identifying and financing part of the costs of physical and market infrastructure in rural areas. With regard to cooperation with international projects, both PCUs had so far good cooperation with GIZ ProLocal project on smallholders' capacity building. The GIZ project is ending end of 2018. Cooperation with USAID FARMA II project is focussed on field coordination as well as access to USAID matching grant allocations.

<b>Human and Social Capital and Empowerment</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### **Justification of rating**

The project continues to apply a pro-poor approach for the empowerment of the poorer sectors of the societies, including women and youth

#### **Main issues**

Pro-poor attention of RBDP is demonstrated by the selection of value chains and the production of commodities suitable for poor and very poor households (i. e. gherkins production). The mission found that specific commodities are particularly attractive for very poor families with low land tenure/low utilisation and low income. The production can be done in very small plots (i.e. from a 0.5 up to a maximum of 1 *dunum*) and average used by RBDP beneficiaries is 0.5 *dunum* contributing to generate an average net income ranging from 3,000 to 4,000 BAM per HHs. The mission found that starter packages for gherkins production helped the targeted families (traditional producers or new entrants) to generate some additional income. Nevertheless, the mission could not fully assess the level of sustainability of this specific intervention to strengthen the household economy of very poor families in line with a long-term poverty reduction strategy. The mission observed that the type of starter package for gherkins production (in the form of seeds and fertilizers) delivered to

households engaged in diversified agriculture activities (mixed farming system) showed more benefits (and impact achieved) than those for poor and very poor households engaged almost exclusively in this mono-production. Based on the above observations, the mission recommends to pay attention on the type of package delivered to very poor families (with weak farming system) and see if any lesson learned could inform on the type of best approach and service provision (i.e. long-term equipment for example) in order to: (i) ensure the sustainability of their farming system and (ii) achieve better results in terms of poverty reduction in the long term. Lessons learned from RBDP could benefit other interventions (i.e. RCDP/READP). As the project is going towards completion, the mission recommends to undertake an impact evaluation on poverty reduction. Given availability of data from baseline studies on percentage of poor households involved and their poverty levels, it is recommended that a study on poverty reduction includes analysis (among others) on: (i) percentage of households graduating out of their initial poverty level as well as (ii) appropriateness and quality of services for long-term poverty reduction strategies with focus on the very poor (best practices/lessons learned).

#### **Quality of Beneficiary Participation**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

At current stage of the project implementation, beneficiary participation is prevalent in particular in Component 1 and 3.

In Component 1, project beneficiaries have been playing an important role in developing and implementing the Investment Action Plans, hence influencing the choice and sequencing of project activities. Mission observations in the field have confirmed that activities are demand driven and tailored to their specific needs. In Component 3 on Rural Market Infrastructure, intensive communication between the technical teams of contracted companies and beneficiaries are ensured. E.g. in terms of water supply or rural markets the teams are present on the site discussing the design with households, farmers and the local authorities.

#### **Responsiveness of Service Providers**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

The responsiveness of service providers is rated moderately satisfactory as in the previous year. In FBiH SERDA has been effective in assisting the PCU in implementation of the Investment Action Plans and provision of technical training and capacity building to the smallholder farmers, rural women and associations. SERDA is supported by PCU field officers. However, SERDA could not ensure a close coordination among the components, in particular with the involved PFIs. In FBiH, the MFI EKI is the main FIs in FBiH targeting at smallholder farmers, besides BBI targeting at SMEs. In RS, the APCU is continuing the cooperation with AESD with additional support by five field officers, a proven approach from previous projects.

#### **Environment and Natural Resource Management**

**Rating: 5**

**Previous rating: 5**

#### **Justification of rating**

Design indicates that the project will not have any significant negative impacts on the environment and has been given a classification of Category B indicating its very low potential to adversely impact the environment. In fact the RBDP is expected to provide positive environmental benefits. International food safety and export standards and certification procedures as well as starter packages with production inputs oriented an strict EU regulations will create awareness and encourage smallholder farmers participating in Project activities. These certification systems help ensure implementation of Good Agricultural Practices including local and EU food safety standards. As already confirmed at MTR mission, the schemes implemented so far meet requirements of the environmental legislation of Bosnia and Herzegovina

#### **Exit Strategy**

**Rating: 4**

**Previous rating: 4**

#### **Justification of rating**

The established linkages between private sector business leaders, FOs and project beneficiaries will continue after project closing, facilitating project exit. The recent years have shown that inclusive business development benefitted both, business leaders and beneficiaries. The increasing demand for specific products and production, e.g. gherkins, fruits, NTFP opens the possibilities for smallholders since the production is 'pro-poor': economically viable already on small plots, labour intensive but ideal for families, limited investments/technologies required. Service providers in the field remain available, e.g. provided by the companies or by local extension service (AESD in RS). Since the approach of RBDP was harmonized and adjusted with the recently started RCDP; which follows a business plan approach, the private sector orientation and inclusive business development will be continued. Therefore, a detailed strategy has not been developed. However, the project management is aware of the required steps for project completion and closing. These are: the implementation of an comprehensive impact survey; the completion of an internal PCR based on IFAD PCR template; the updating of the RIMS data logical framework; and collection of input, output and pricing data to facilitate

<b>Potential for Scaling-up</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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#### Justification of rating

Scaling-up potential is visible in the increasing interest of municipalities and business leaders to cooperate with the project and to continue cooperation with the target groups after project closing. At MTR, the implementation of RBDP under component 1 was harmonized with the approach of RCDP, the recently started IFAD funded project. RCDP is the first IFAD funded project in BiH applying the business plan approach. Since the implementation of RCDP will build on the experiences gained in RBDP, it is expected that RBDP experiences, lessons, practices and approaches in supporting poverty reduction through agribusiness development will be up-scaled in RCDP.

## c. Project Management

<b>Quality of Project Management</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

Staffing in both entities is adequate as per PDR, in terms of numbers and qualifications at PCU and APCU as well as in the field. The management performance of both PCUs regarding financial management and procurement is satisfactory; room for improvement remains with M&E and knowledge management, both tools not sufficiently utilized for strategic management decisions. With regard to project implementation in the field, the pace differs significantly between the two entities: PCU in FBiH is on track; APCU is significantly lagging behind. The management is requested to improve its performance in project implementation, since staffing of the unit and support through AESD is adequate.

#### Main issues

**Quality of RBDP Management.** Under the overall oversight of the APCU director, a project manager is coordinating the RBDP project supported by APCU team. In view of the workload involved, for RCDP an additional project manager has been appointed. For FBiH, the MTR recommended to employ an additional project coordinator to supervise RBDP. However, PCU did not recruit additional staff since MTR.

**Project Steering Committee (PSC).** It is envisaged that conceptual, strategic and policy guidance is being provided by the PSC. In FBiH, the PSC has been formed; the Ministry of Agriculture, Water Management and Forestry has appointed the PSC chairman. The PSC holds meetings on a regular basis. In RS, the PSC is chaired by the Assistant Minister of Agriculture, Forestry and Water Management and comprises representatives from the Ministry of Finance and the Banking Supervisory Agency. Meetings are held on a regular basis.

**Staffing.** The A/PCU teams are consolidated; each position is filled with officers with many years of working experience in the A/PCU. Positions and responsibilities (especially technical responsibilities by component) are defined; the targeting and gender position in A/PCU is also formalized.

<b>Knowledge Management</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

In the Federation of BiH, the rating for Knowledge Management (KM) is satisfactory since numerous knowledge management activities were planned and implemented in 2018 AWPB, such as provision of IEC package material, training manual, case studies and the development of a web page. Most activities have been implemented. The rating of the RS APCU for KM is moderately unsatisfactory as still no adequate KM strategy or plan was elaborated. No concrete KM activities were included in the 2018 AWPB, apart from the purchase of IEC (information, education and communication) materials, therefore only a very small amount of budget was allocated and not yet spent. Project management does not show commitment to KM.

#### Main issues

Throughout the course of 2018 the **PCU** developed many products and activities to support visibility, learning and adaptation during project implementation, and to inform stakeholders on activities implemented:

- Orientation workshop organised at the beginning of 2018 to discuss with project stakeholders on the activities planned for the upcoming year.
- Coordination with professors of Sarajevo's University, Faculty of Agriculture, to write, print and distribute to farmers 2000 books on fundamentals of crop and vegetable production and livestock breeding.
- Realization of five case studies on cucumber, chestnut, cherries and berry production and market opportunities for selling such products in Bosnia Herzegovina and abroad. Brochures to summarize the studies' findings were



- printed and distributed to leaders and farmers.
- Support farmers with the preparation of business plans.
- Realization of a workshop to inform stakeholders on insurance of agricultural products.
- Development of a web page to inform the general public on project activities. The page is currently at an initial stage and information has not been updated since its creation. More information on project activities are provided on the Ministry of Agriculture and Water Management's web page.

The quality of knowledge and information sharing in the APCU is comparably low as different data on the activities completed are not shared among the team members, affecting the quality of reporting and M&E system. No system has been put in place to enable easy access to data, reports and other documentation. After the start-up workshop, no further event or communication material (brochures, reports, case studies etc.) was prepared to inform the stakeholder on the project achievements. The APCU informed that project stakeholders participate in the selection of the activity planned for each year (AWPB). Knowledge sharing relies mainly on the field officers who inform the stakeholders of the activities implemented. Still, the project has not developed its own webpage; there is only a reference in the Ministry of Agriculture, Forestry and Water Management website.

The M&E officer agreed that it would be good to prepare something at the end of the project (March 2019) to show the project results.

The observed gaps in systematically documenting the process and outcome of interventions is preventing the management to make evidence based decision to both prove impacts, and improve interventions' implementation. Therefore, it has been recommended to prepare case studies on project achievements until March 2019. Furthermore, it is recommended to develop a KM strategy under RCDP. This strategy would strengthen further knowledge, learning and sharing processes and improve integrating knowledge management into all aspects of Programme management, ensuring that knowledge generated within the Programme is put to good use and that relevant knowledge available from elsewhere is accessible. The strategy would ensure that knowledge generated within the Programme is put to good use and that relevant knowledge available from elsewhere is accessible.

<b>Value for Money</b>	<b>Rating: 4</b>	<b>Previous rating: 3</b>
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#### **Justification of rating**

The delays reported in last year's MTR have been compensated in FBiH: full disbursement is expected, reallocations to component 1 are benefitting smallholder farmers in their integration in promising value chains. In FBiH, the cost per starter packages is significantly lower than initially expected resulting in a broader outreach to poor households. Therefore, the efficiency of project investments in starter packages and FO equipment is satisfactory in terms of value for money although the Economic Internal Rate of Return of the project has not been estimated yet. In RS, disbursement is still low; until completion, a disbursement rate of 61% is expected. Since the majority of activities under component 1 are not yet implemented, the overall rating is moderately satisfactory.

<b>Coherence between AWPB and Implementation</b>	<b>Rating: 3</b>	<b>Previous rating: 3</b>
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#### **Justification of rating**

The Programme AWPB for 2018 was timely produced and with a high quality. However, in view of the Programme physical and financial implementation performance of the 2008 AWPB to date, the annual disbursement rates vary significantly between the entities and the components.

#### **AWPB Inputs and Outputs Review and Implementation Progress**

The rating for PCU in FBiH is moderately satisfactory. The PCU submitted the AWPB for the FY 2018, for IFAD No Objection on December 18, 2017 and IFAD approved it on 08 January, 2018. The expenditures on AWPB 2018, including the Government and beneficiaries contributions, against 2018 AWPB as of September 30, 2018 amount to BAM 7.875 million which represents 61% of the total planned amount (BAM 12.944 million), disaggregated as follows: (i) Component 1. Rural Business Support: 48%; (ii) Component 2. Rural Business Investments: 97%; (iii) Component 3. Rural Market Infrastructure: 58%; (iv) Component 4. Project Management and Coordination Unit: 46%. According to the PCU, the forecasts of payments for the last quarter 2018 could be BAM 2.500 million. So the total payments on AWPB 2018 would be BAM 10.375 million representing 80% the total planned amount. Preparation of the 2019 AWPB has not started yet.

The rating for the APCU in RS is moderately unsatisfactory due to the uneven expenditures in the different component. The APCU submitted the AWPB for the FY 2018, for IFAD No Objection on January 16, 2018 and IFAD approved it on February 14, 2018. The expenditures on AWPB 2018, including the Government and beneficiaries contributions, against 2018 AWPB as of September 30, 2018 amount to BAM 4.384 million which represents 57% of the total planned amount (BAM 7.673 million), disaggregated as follows: (i) Component 1. Rural Business Support: 9%; (ii) Component 2. Rural Business Investments: reallocated; (iii) Component 3. Rural Market Infrastructure: 72%; (iv) Component 4. Project Management and Coordination Unit: 51%. Preparation of the 2019 AWPB has not started yet.



<b>Performance of M&amp;E System</b>	<b>Rating: 3</b>	<b>Previous rating: 3</b>
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#### Justification of rating

M&E in F BiH is rated moderately unsatisfactory. The M&E system consists of a series of reporting tables created to collect data on the implementation of project activities. Information on project activities is collected quarterly and annually but not sufficiently used for project planning and strategic decision-making.

In RS, the quality of the project M&E system is considered as moderately satisfactory although various bottlenecks hamper the realization of a fully reliable and updated system. Data on project activities are collected from project officers both in Banja Luka and in the field and provided to the M&E officers.

#### M&E System Review

**In the PCU in F BiH**, the reporting tables created by the M&E officer collect data for activities implemented under the three components. Field coordinators, service providers and other PCU officers provide related M&E data. In most cases these data are not disaggregated by gender and/or age. Satisfaction surveys have been organized to measure the effect of project inputs on beneficiaries' lifestyle and increase of work productivity.

During the mission it was noticed that data provided to IFAD on logframe indicators (including RIMS) in March 2018 were not correct as they overestimated or underestimated project achievement. The new M&E requirements introduced by IFAD in July 2017, including a new set of RIMS indicators (also called CI – core indicators) were not duly explained to the PCU, which generated mistakes during the reporting activity. It is advised to further invest in detailed training on M&E fundamentals and IFAD's reporting requirements to ensure the development of a proper M&E system.

The M&E system does not capture the environmental, social and climate related impacts as defined according to SECAP and still does not form a basis for identifying project elements with scaling up potential.

**For APCU in RS**, the M&E plan consists of a series of different reporting tables created by the M&E officer. The tables collect data for a wide range of activities implemented under the different components. Data are collected periodically and most tables present a good level of details and report figures on number of households and people benefitting from the project activities, even though figures on beneficiaries are not always disaggregated by gender and/or age. Throughout the year, the M&E officer receives reports from service providers and field officers on a semi-annual and annual basis, and when requested.

Data are not always reliable as the high variety of data sources and reporting actors does not always guarantee that the figures received by the M&E officer are the most updated. The M&E officer has participated to the CLEAR-PRIME training on M&E fundamentals organized by IFAD resulting in a good understanding of the M&E logic and methodologies for data collection and analysis.

Despite these bottlenecks, the M&E system allows to monitor implementation of project activities and results at outputs and outcomes level. Since most project activities planned in the last two years have been implemented only in 2018, it is still too early to collect realistic data on project's impact on data such as increase of farmers' production volume, assets or income. M&E reports are being used for project reporting

The M&E system does not capture the environmental, social and climate related impacts as defined according to SECAP and still does not form a basis for identifying project elements with scaling up potential. M&E data are not used for knowledge management but there has been a proposal from the M&E officer to use the information collected to prepare a report at project completion, to inform relevant stakeholder on RBDP's achievements. As the project completion is approaching, TORs for studies on project impact should be prepared and sent to IFAD for approval at the earliest.

<b>Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)</b>	<b>Rating: 4</b>	<b>Previous rating: 4</b>
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#### Justification of rating

In the context of Component 1, so-called starter packages are provided to smallholder farmers as well as women and youth. Furthermore, specific measures under sub-component 1.3 will assist women and youth in employment. These income-generating activities are accompanied by capacity building on agronomy, financial literacy, cooperative management, business skills, etc. The programme provides support to production and small-scale processing of dairy, fruit and vegetables as well as by-products (e.g. honey; fresh/dry wild fruits and berries; dry herbs). Furthermore, climate resilience measures such as drip irrigation, greenhouses etc. are introduced and financially and technically supported by the project.

#### SECAP Review

Since SECAP has not been included in the PDR, the M&E systems of A/PCU do not yet capture the environmental, social and climate related impacts.

## d. Financial Management & Execution

### Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Beneficiaries	\$2,722,764		
	Domestic Financing Institutions	\$1,846,779		
	National Government	\$6,798,524		
Co-financing breakdown,	OPEC Fund for International Development	\$5,345,057		

### Acceptable Disbursement Rate

Rating: 4

Previous rating: 2

### Justification of rating

Financial Management and Execution has two part, Federation of Bosnia and Herzegovina and Republika Srpska

### Main issues

#### Federation of Bosnia and Herzegovina

The project is in its last year of implementation (completion date is 31/03/2019) and its disbursement rate, for the IFAD loan and grant, is 97% (100% for loan and 54% for grant). The actual payment rate for the IFAD loan and grant is 77% (79% for loan and 50% for grant). There have not been any extensions. From last supervision mission on October 2017, four WA (n° 4 to 7) have been processed under the IFAD Loan for an amount of USD 4.047 million (SDR 2.844 million), yielding a disbursement rate of 100%. As for the IFAD Grant, there was no WA since August 2017. *The mission recommends submitting one WA for the grant by 15 November 2018, to respect the letter to the borrower, which requires submitting at least one WA every 90 days.*

Reallocation of funds. IFAD approved the request for reallocation of funds by category on 21 February 2018, but the PCU did not adjust the allocation of funds by component to keep coherence between categories and components.

Flow of funds and disbursement arrangements. Disbursements from the project bank accounts are subject to a sufficient level of review and processing to ensure an acceptable level of control. All payments on the loan/grant are made using bank transfers, no cash payments are allowed, except for small expenses related to operating costs.

The commitments as of 30 September, 2018 are BAM 24.798 million, financed by IFAD loan (BAM 10.096 million), IFAD grant (BAM 0.353 million), OFID loan (BAM 5.869 million), Government (BAM 1.333 million) and the beneficiaries/PFIs (BAM 7.147 million) and represents 95% of the total project cost.

The actual expenditures as of 30 September, 2018 are BAM 16.390 million, financed by IFAD loan (BAM 8.974 million), IFAD grant (BAM 0.353 million), OFID loan (BAM 4.127 million), Government (BAM 0.944 million) and the beneficiaries/PFIs (BAM 1.992 million). It represents 63% of the total funds allocated for the project and 66% of the total commitments. The beneficiaries' contribution is not estimated on clear basis. The total payments by the beneficiaries are USD 1.179 million and represents 43% of the allocated amount. *The mission recommends defining clear criteria to estimate the beneficiaries' contribution by 31 December 2018 and to include them in the project financial statements*

From IFAD loan which totals about USD 7.610 million (Euros 5.826 million updated on the basis of the disbursement exchange rates), the actual expenditures are USD 5.311 million (Euros 4.588 million) and represent 79% of the loan amount. The actual expenditures on the grant are USD 0.209 million (Euros 0.181 million) and represent 50% of the grant amount.

Budgeting (AWPB). The PCU submitted the AWPB for the FY 2018, for IFAD No Objection on December 18, 2017 and IFAD approved it on 08January, 2018. The expenditures on AWPB 2018, including the Government and beneficiaries contributions, against 2018 AWPB as of September 30, 2018 amount to BAM 7.875 million which represents 61% of the total planned amount (BAM 12.944 million). According to the PCU, the forecasts of payments for the last quarter 2018 could be BAM 2.500 million. So the total payments on AWPB 2018 would be BAM 10.375 million and represent 80% the total planned amount.

Forecasts of payments. On the basis of the payments as of 30 September, 2018, the commitments not yet paid and the planned activities, the total amount of loan and grant will be disbursed. The mission reminds that only works, goods and services finalized and received before the completion date (31/03/2019) are eligible for IFAD loan and grant financing.

## **Republika Srpska**

The project is in its last year of implementation (completion date is 31/03/2019) and its disbursement rate, for the IFAD loan and grant, is 35% (33% for loan and 60% for grant). The actual payment rate for the IFAD loan and grant is 27% (29% for loan and 1.3% for grant). Six months before the completion date, the payments still too low. There have not been any extensions. From last supervision mission on October 2017, two WA (n° 3 & 4) have been processed under the IFAD Loan for an amount of USD 0.802 million (SDR 0.565 million), yielding a disbursement rate of 33%. APCU has submitted to IFAD WA n° 5, on 25 September 2018, for an amount of Euros 0.788 million. This request is under review by IFAD. Once disbursed, the total disbursement on loan will be SDR 1.738 million (54%). As for the IFAD Grant, there was no WA since February 2016 (advance).

Reallocation of funds. IFAD approved the request for reallocation of funds by category on 21 February 2018, but the APCU did not adjust the allocation of funds by component to keep coherence between categories and components.

Flow of funds and disbursement arrangements. Disbursements from the project bank accounts are subject to a sufficient level of review and processing to ensure an acceptable level of control. All payments on the loan/grant are made using bank transfers, no cash payments from IFAD loan proceeds are allowed.

The commitments as of 30 September, 2018 are BAM 8.965 million, financed by IFAD loan (BAM 3.890 million), IFAD grant (BAM 0.051 million), Government (BAM 3.308 million) and the beneficiaries/PFIs (BAM 1.716 million) and represents 52% of the total project cost.

The actual expenditures as of 30 September, 2018 are BAM 5.968 million, financed by IFAD loan (BAM 2.223 million), IFAD grant (BAM 0.006 million), Government (BAM 2.162 million) and the beneficiaries/PFIs (BAM 1.576 million). It represents 34% of the total funds allocated for the project and 67% of the total commitments.

From IFAD loan which totals about USD 5.110 million (Euros 3.985 million updated on the basis of the disbursement exchange rates), the actual expenditures are USD 1.298 million (Euros 1.137 million) and represent 29% of the loan amount. The actual expenditures on the grant are USD 0.004 million (Euros 0.003 million) and represent 1.3% of the grant amount.

Budgeting (AWPB). The APCU submitted the AWPB for the FY 2018, for IFAD No Objection on January 16, 2018 and IFAD approved it on February 14, 2018. The expenditures on AWPB 2018, including the Government and beneficiaries contributions, against 2018 AWPB as of September 30, 2018 amount to BAM 4.384 million which represents 57% of the total planned amount (BAM 7.673 million).

Forecasts of payments. On the basis of the payments as of 30 September, 2018, the commitments not yet paid and the planned activities, the total disbursement on the loan, at the end of the project, will be about SDR 2 million (61%). The mission reminds that only works, goods and services finalized and received before the completion date (31/03/2019) are eligible for IFAD loan and grant financing.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>For FBiH: Increase of thresholds of initial advance</b>  Description of Action: Considering the low level of fiduciary risk related and the significant increase of programme of works for next 24 months (approx. Euros 2.5 million for 2018), the mission proposes to increase the thresholds of initial advance from loan funds to Euros 1.875 million equivalent to approx. 9 months of activities. (Current threshold is Euros 1.0 million). This revision will be followed by an improvement of accounting systems capacities in terms of reporting and regular quarterly submission of Interim Financial Statements to IFAD.	IFAD	12/2017
<b>Automation of Withdrawal application submission</b>  Description of Action: Roll-out IFAD Client Portal (ICP) for the submission of Withdrawal Applications to IFAD	APCU/PCU/MoF/MoA/IFAD	12/2017
<b>Federation of Bosnia and Herzegovina- Submit a WA for the grant.</b>	PCU	11/2018
<b>Republika Srpska- Adjust the allocation of funds by component to keep coherence between categories and components.</b>	APCU	12/2018
<b>Federation of Bosnia and Herzegovina- Define clear criteria to estimate the beneficiaries' contribution and update the project financial statement.</b>	PCU	12/2018
<b>Federation of Bosnia and Herzegovina- Adjust the allocation of funds by component to keep coherence between categories and components.</b>	PCU	12/2018

## **Fiduciary Aspects**

**Quality of Financial Management**

**Rating: 4**

**Previous rating: 4**

### **Justification of rating**

Financial Management and Execution has two part, Federation of Bosnia and Herzegovina and Republika Srpska

### **Main issues**

#### **Federation of Bosnia and Herzegovina**

**Organization and Staffing.** The finance management team of PCU consists of one financial manager and one procurement specialist. The financial manager had acquired acceptable experience with previous IFAD projects, which should be utilized for this project. He is responsible for the overall financial management of the project.

**Accounting.** The PCU is using FMS accounting software for the financial monitoring. The financial management software is in line with IFAD requirements but needs upgrading in order to enhance performance and accommodate the comparison between budgeted expenditures under the Financing Agreement, the AWPB and actual figures. The statements of commitments by component, sub-components, category and financing source are not automatically produced by the system. The information is generated by the system, and then the tables are prepared on Excel sheet.

Financial Reporting and Monitoring are prepared by the PCU, on Excel sheet, from information extracted from the accounting system. The PCU submits to IFAD annual audit report of the project. However, it doesn't submit detailed financial statements for each fiscal year and summary Interim Financial Report (IFR) every semester as required by the letter to the borrower.

The internal control system in place within the PCU conforms to the Government system and has been deemed satisfactory by the IFAD. Indeed, the PCU guarantees the separation of the functions through several controls mechanisms. The payments from project bank accounts are subject to a high level of controls. Most payments are made using bank transfers, only small payments from IFAD loan, are allowed to be done by cash as advances and which then justified by presenting the supporting documents. The PCU has also a PIM prepared and submitted to IFAD for approval, on December 2015.

*Use of SOE and adequacy of supporting documentation. The mission selected and reviewed 20 payment orders, from WA n° 6 & 7, related to IFAD loan for a total amount Euros 0.789 million, representing 38% of these two WAs, and found the supporting documents are adequate and easily retrievable. The main finding is the absence of acceptance reports related to small civil works, goods and services.*

## **Republika Srpska**

**Organization and Staffing.** The finance management team of APCU consists of one financial manager, one accountant and one procurement specialist. The fiduciary team is working on IFAD and World Bank projects. The financial manager had acquired acceptable experience with previous IFAD and World Bank projects, and she is responsible for the overall financial management of the project.

**Accounting.** The APCU is using accounting software for the financial monitoring, developed by project team on access. The financial management software is in line with IFAD requirements but needs upgrading in order to enhance performance and accommodate the comparison between budgeted expenditures under the Financing Agreement, the AWPB and actual figures. The statements of commitments and payments by component, sub-components, category and financing source are not automatically produced by the system. The information is generated by the system, and then the tables are prepared on Excel sheet.

Financial Reporting and Monitoring are prepared by the APCU, on Excel sheet, from information extracted from the accounting system. The APCU has submitted to IFAD, Interim Financial Report (IFR) for the 1st semester as required by the letter to the borrower.

The internal control system in place within the APCU conforms to the Government system and has been deemed satisfactory by the IFAD. Indeed, the APCU guarantees the separation of the functions through several controls mechanisms. The payments from project bank accounts are subject to a high level of controls. All payments are made using bank transfers, no cash payments from IFAD loan proceeds are allowed. The PCU has also a PIM prepared and submitted to IFAD for approval, on December 2015.

*Use of SOE and adequacy of supporting documentation. The mission selected and reviewed 13 payment orders, from WA n° 3 & 5, related to IFAD loan for a total amount of Euros 0.294 million, representing 31% of these two WAs, and found the supporting documents are adequate and easily retrievable. The main findings are as follows:*

- The absence of acceptance reports related to small civil works, goods and services from the field coordinators.
- The studies are approved only by one member of the APCU and not by a committee of three staff at least.
- The finance/accountant team checks only the approval of the project coordinator before the preparation of the payment orders and it doesn't check for the other supporting documents of the expenses, from the field.

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>Timely submission of financial reports</b>  Description of Action: The project to prepare financial reports for the year as well as for cumulative period since the beginning of the project life by component, sub-component, financing source and by category. Semi-Annual Interim Financial Reports should be submitted to IFAD no later 45 days after the end of half-year	PCU/APCU	09/2017
<b>Alignment of reporting with IFAD templates</b>  Description of Action: Utilize IFAD financial statements template for the follow up of the project actual expenditures and commitments in the future.	PCU/APCU	09/2017
<b>Republika Srpska- Reinforce the control done by the finance/account team before the preparation of the payment orders.</b>	APCU	11/2018
<b>Republika Srpska- Approve the studies by a committee of three staff at least.</b>	APCU	11/2018
<b>Republika Srpska- Materialize the controls carried out by the field coordinators by preparing acceptance reports related to civil works</b>  even small civil works, goods and services.	APCU / field contractors	11/2018
<b>Federation of Bosnia and Herzegovina- Define clear criteria to estimate the beneficiaries' contribution and update the project financial statement.</b>	PCU	
<b>Federation of Bosnia and Herzegovina- Adjust the allocation of funds by component to keep coherence between categories and components.</b>	PCU	
<b>Federation of Bosnia and Herzegovina- Submit a WA for the grant.</b>	PCU	

#### Quality and Timeliness of Audit

**Rating: 6**

**Previous rating: 5**

#### Justification of rating

Audited financial statements timely submitted with a good quality of preparation

#### Main issues

Audited Financial Statements were timely submitted to IFAD. Auditors'work and the preparation fo financial astatements were conducted respectively in accordance to International Standards of AUditing, IFAD related requirements and international accounting standards. The Management letter didn't disclose major weakness related to the quality of internal control systems.

#### Counterparts Funds

**Rating: 4**

**Previous rating: 4**

#### Justification of rating

Financial Management and Execution has two part, Federation of Bosnia and Herzegovina and Republika Srpska

#### Main issues

#### Federation of Bosnia and Herzegovina

The counterpart funds include the contribution of the Government of BiH or recipient institution/organization for the implementation of the development intervention. As of 30 September, 2018, USD 0.559 million represents 29% of the total counterpart allocated amount has been paid on the counterpart budget. This rate is too low compare to the actual

payment rate on loan (79%). The payments on the counterpart funds will not appreciably increase by the end of the project. This is due to an overestimation of the counterpart contribution in the total project cost, because only some activities are submitted to taxes.

## Republika Srpska

The counterpart funds include the contribution of the Government of RS, or recipient institution/organization for the implementation of the development intervention. As of 30 September, 2018, USD 1.262 million represents 26% of the total counterpart allocated amount has been paid on the counterpart budget.

<b>Compliance with Loan Covenants</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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### Justification of rating

The Project's compliance with Loan Covenants is rated as Satisfactory, except for the absence of submission of annual and semi-annual Interim Financial Reports. The details with regards to the status of implementation and compliance with Project Financing Agreement covenants are presented in Appendix.

## Procurement

<b>Procurement</b>	<b>Rating: 5</b>	<b>Previous rating: 4</b>
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### Justification of rating

The overall performance of RBDP procurement in FBiH and RS is rated as satisfactory. Both project units responsible for RBDP implementation (PCU for part A and APCU for part B) apply the IFAD procurement procedures. They are conducting procurement in accordance with project design and conditions stipulated in the RBDP Financial Agreement (FA) and Letter to Borrower (LTB), further elaborated in IFAD Project Procurement Guidelines and IFAD Procurement Handbook. The thresholds defined in the LTB are used for the selection of the procurement method for goods, services and works. Depending on the estimated value of the procurement, the procurement packages were subject to prior review approval or post review. Details on procurement are attached in Appendix 4.

## F. Relevance

**Relevance**

**Rating: 4**

**Previous rating: 5**

### **Justification of rating**

The MTR adjusted the initial design to a streamlined approach for linking farmers with the private sector and giving them improved market access. It aims to connect poor smallholder producers to improved/export markets through business leaders based on business plan approach. This has improved the relevance of the project, and adopted it better to the needs of the target groups as well as and Government policies and national priorities



## G. Lessons Learned

### Start-up packages

*The methodology of linking processors with poor farmers by means of start-up packages has been successfully piloted by RBDP. The methodology links poor rural farmers with export markets, and upgrades their product standards. Because ownership of the private sector actors was built in as a precondition for each value chain, the linkages are expected to be sustainable. The subsequent RCDP will be scaling up the methodology and refine it.*

## H. Agreed Actions

<b>Agreed Action</b>	<b>Responsibility</b>	<b>Agreed Date</b>
<b>Financial Management &amp; Execution</b>		
<b>Timely submission of financial reports</b>  Description of Action: The project to prepare financial reports for the year as well as for cumulative period since the beginning of the project life by component, sub-component, financing source and by category. Semi-Annual Interim Financial Reports should be submitted to IFAD no later 45 days after the end of half-year	PCU/APCU	09/2017
<b>Alignment of reporting with IFAD templates</b>  Description of Action: Utilize IFAD financial statements template for the follow up of the project actual expenditures and commitments in the future.	PCU/APCU	09/2017
<b>For FBiH: Increase of thresholds of initial advance</b>  Description of Action: Considering the low level of fiduciary risk related and the significant increase of programme of works for next 24 months (approx. Euros 2.5 million for 2018), the mission proposes to increase the thresholds of initial advance from loan funds to Euros 1.875 million equivalent to approx. 9 months of activities. (Current threshold is Euros 1.0 million). This revision will be followed by an improvement of accounting systems capacities in terms of reporting and regular quarterly submission of Interim Financial Statements to IFAD.	IFAD	12/2017
<b>Automation of Withdrawal application submission</b>  Description of Action: Roll-out IFAD Client Portal (ICP) for the submission of Withdrawal Applications to IFAD	APCU/PCU/MoF/MoA/IFAD	12/2017
<b>Federation of Bosnia and Herzegovina- Submit a WA for the grant.</b>	PCU	11/2018
<b>Republika Srpska- Reinforce the control done by the finance/account team before the preparation of the payment orders.</b>	APCU	11/2018
<b>Republika Srpska- Approve the studies by a committee of three staff at least.</b>	APCU	11/2018
<b>Republika Srpska- Materialize the controls carried out by the field coordinators by preparing acceptance reports related to civil works</b>  even small civil works, goods and services.	APCU / field contractors	11/2018

<b>Republika Srpska- Adjust the allocation of funds by component to keep coherence between categories and components.</b>	APCU	12/2018
<b>Federation of Bosnia and Herzegovina- Define clear criteria to estimate the beneficiaries' contribution and update the project financial statement.</b>	PCU	12/2018
<b>Federation of Bosnia and Herzegovina- Adjust the allocation of funds by component to keep coherence between categories and components.</b>	PCU	12/2018
<b>Federation of Bosnia and Herzegovina- Define clear criteria to estimate the beneficiaries' contribution and update the project financial statement.</b>	PCU	
<b>Federation of Bosnia and Herzegovina- Adjust the allocation of funds by component to keep coherence between categories and components.</b>	PCU	
<b>Federation of Bosnia and Herzegovina- Submit a WA for the grant.</b>	PCU	

## Rural Business Development Project

### Logical Framework

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Outreach	1.b Estimated corresponding total number of households members										
	Household members			80 000	17 115	33 746	42.2				
	1.a Corresponding number of households reached										
	Households			20 000	5 028	9 270	46.4				
	1 Persons receiving services promoted or supported by the project										
	Males				11 371	23 780					
	Not Young				2 843	6 025					
	Total number of persons receiving services				14 214	29 762					
	Young				4 264	8 928					
	Females				9 950	20 791					
	Communities receiving project services										
	Outreach			47	32	100	212.8				
	Groups receiving project services										
	Groups			60	39	64	106.7				
Goal Enable poor rural people to improve their food security, raise their incomes and strengthen their resilience by building profitable farm and non-farm enterprises in Bosnia-Herzegovina	Households who have renovated their homes and up-graded household assets in targeted municipalities							Living Standard Measurement Surveys (LSMS), Household Budget Surveys (HBS) by the Agency for Statistics of Bosnia Herzegovina			Peace and stability
	Households			5	0	9.2	184				

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
<b>Objective</b> Help subsistence farmers transform to commercial farming and help in developing the non-farm enterprise sector for rural employment generation	Percentage of targeted households reporting increased incomes from agriculture							Panel surveys at baseline, Mid-term and project completion Surveys ; Labour Force Survey 2011. Millennium Development Goals Report for 2015. Records of Participating Municipal Governments.	Baseline, mid-term and completion	APCU, PCU	Peace and stability
	Households	0		75	30	75	100				
	Percentage increase in average household incomes							Panel surveys at baseline, Mid-term and project completion Surveys ; Labour Force Survey 2011. Millennium Development Goals Report for 2015. Records of Participating Municipal Governments.	Baseline, mid-term and completion	APCU, PCU	
	Percentage increase	0		35	0	8	22.9				
	Share of women in wage employment in the non-farm sector in the project municipalities							Panel surveys at baseline, Mid-term and project completion Surveys ; Labour Force Survey 2011. Millennium Development Goals Report for 2015. Records of Participating Municipal Governments.	Baseline, Mid-Term and Completion	APCU, PCU	
	Percentage of women	35		40	0	0	0				

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Increase in the share of youth in non-farm wage employment							Panel surveys at baseline, Mid-term and project completion Surveys ; Labour Force Survey 2011. Millennium Development Goals Report for 2015. Records of Participating Municipal Governments.	Baseline, Mid-Term and Completion	APCU, PCU	
	Percentage increase	0		5	0	0	0				
	Unemployment rate of youth in project municipalities							Panel surveys at baseline, Mid-term and project completion Surveys ; Labour Force Survey 2011. Millennium Development Goals Report for 2015. Records of Participating Municipal Governments.	Baseline, Mid-Term and Completion	APCU, PCU	
	Percentage of youth	48		43	0	0	0				
	2.2.1 New jobs created							Service provider reports	Annually	APCU, PCU	
	Job owner - women				0	10					
	Job owner - not young				0	0					
	Number of new jobs			600	0	18	3				
	Job owner - men				0	0					
	Job owner - young				0	0					

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
<b>Outcome</b> "Outcome n.1 Increase in productivity and enterprise through strengthened business and advisory services "	Increase in the volume and quality of agriculture products marketed							"Panel (baseline, mid-term and completion) surveys, Service provider reports. Internal Project database. Municipality Reports."			"Minimum disruption of the agriculture sector by incidence of disease, extreme weather events and economic or financial crisis."
	Volume of sales			20	0	20	100				
	No of enterprises operating on a sustainable basis										
	Enterprises			8	4	24	300				
<b>Output</b> "Output 1.1 Strengthened Producer Associations and Agriculture Cooperatives"	Marketing groups formed/strengthened							"PA/Ag cooperative reports. Service provider reports. Panel surveys"	Annually	APCU, PCU	"Farmers interest in joining PAs and ACs. Competent service providers"
	number of marketing groups			60	7	29	48.3				
	Marketing groups with women in leadership positions										
	Groups			21	0	15	71.4				
	People in marketing groups formed/strengthened										
	Females			1 470	156	710	48.3				
	Total			4 200	495	820	19.5				
	Males			2 730	339	983	36				
<b>Output</b> "Output 1.2 Farmers and enterprises assisted on technical and business skills."	2.1.2 Persons trained in income-generating activities or business management										"Farmers interest in joining PAs and ACs. Competent service providers"
	Females			2 496	140	269	10.8				
	Males			4 704	20	104	2.2				
	Persons trained in IGAs or BM (total)			7 200	160	373	5.2				
	People accessing facilitated advisory services										
	Females			440	89	152	34.5				

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Total People accessing facilitated advisory services			1 099	486	612	55.7				
	Males			659	397	460	69.8				
	1.1.4 Persons trained in production practices and/or technologies										
	Men trained in crop			2 100	1 158	3 224	153.5				
	Women trained in crop			1 400	298	906	64.7				
	Total persons trained in livestock			1 700	170	340	20				
	Men trained in livestock			1 020	92	222	21.8				
	Women trained in livestock			680	78	118	17.4				
	Total persons trained in crop			3 500	1 456	4 130	118				
	People receiving vocational training										
	Females			15	0	30	200				
	Total			39	0	48	123.1				
	Males			24	0	18	75				
	Outcome "Outcome n.2 Increased access to sustainable financial services"	Operational Self-Sufficiency (All FIs)							"PFIs' interim and annual reports Audit reports of PFIs External databases (MIX market, Planet rating, etc.)"	Annually	
Ratio				120	0	0	0				

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Operating Expenses Ratio (all FIs)							"PFIs' interim and annual reports Audit reports of PFIs External databases (MIX market, Planet rating, etc.)"			
	Ratio			20	0	0	0				
	Active Borrowers/ Personnel (All FIs) with increased access to financial services							"PFIs' interim and annual reports Audit reports of PFIs External databases (MIX market, Planet rating, etc.)"			
	Ratio			100	0	0	0				
	Portfolio at Risk (All FIs)										
	Ratio			5	0	0	0				
Output "Output 2.1 Enterprises and farmers in the target group provided with financial services"	New loans provided							"PFIs' interim and annual reports Audit Reports."	Annually	APCU, PCU	"PFI interest in participation in project activities. Effective lending procedures. Gender sensitive credit appraisal"
	New loans provided - total			2 000	0	0	0				
	New loans provided - women			800	0	0	0				
	1.1.5 Persons in rural areas accessing financial services							"PFIs' interim and annual reports Audit Reports."			
	Total persons accessing financial services - credit			1 387	468	706	50.9				
	Women in rural areas accessing financial services - credit			555	92	141	25.4				
	Men in rural areas accessing financial services - credit			832	376	565	67.9				
	Value of gross loan portfolio										



Results Hierarchy	Indicators							Means of verification			Assumptions			
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility				
	Value of gross loan portfolio for groups - USD 000			2 000	0	0	0							
	Value of gross loan portfolio - not specified - USD 000			3 151	0	0	0							
	Value of gross loan portfolio for enterprises - USD 000			3 287	0	0	0							
	Financial institutions participating in project													
	FIs			8	0	4	50							
	Staff of financial institutions trained													
	Persons			26	0	0	0							
	Active borrowers													
	Enterprises			46	3	13	28.3							
<b>Outcome</b> "Outcome n.3 Increased access to markets and business opportunities"	Decrease in travelling time to social services, markets and business centers							"Panel (baseline, mid-term and completion) surveys. Internal Project database"	Annually	APCU, PCU	"Availability of co-financing. Cost effective project selection. Proper infrastructure maintenance"			
	-				0	3								
	Increase in the volume of products marketed.							"Panel (baseline, mid-term and completion) surveys. Internal Project database"						
	--				0	2								
	Number of functioning infrastructure after three years.							"Panel (baseline, mid-term and completion) surveys. Internal Project database"						
	Infrastructures				25	45								

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	"Households with improved access to roads, domestic water supply, sewage facilities and irrigation facilities"							"Panel (baseline, mid-term and completion) surveys. Internal Project database"			
	Households			16 000	24 214	58 070	362.9				
<b>Output</b> "Output 3.1 Rehabilitated rural roads including structures such as bridges and drainage facilities"	2.1.5 Roads constructed, rehabilitated or upgraded							"Technical design documentation Contractor Reports. Minutes of Scheme Takeover Experts Assessments Supervision Reports"	Annually	APCU, PCU	"Transparent and objective criteria for screening"
	Length of roads			85	102	103 130	121 329.4				
	Other social infrastructure/facilities constructed/rehabilitated							"Technical design documentation Contractor Reports. Minutes of Scheme Takeover Experts Assessments Supervision Reports"	Annually	APCU, PCU	
	Infrastructures			4	0	0	0				
<b>Output</b> "Output 3.2 Water supply and/or sewerage schemes"	Drinking water systems constructed/rehabilitated							"Technical design documentation Contractor Reports. Minutes of Scheme Takeover Experts Assessments Supervision Reports"	Annually	APCU, PCU	"Transparent and objective criteria for screening"
	Drinking Systems			14	12	17	121.4				
	Other productive infrastructure constructed/rehabilitated										

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
	Infrastructures			6	0	0	0				
<b>Output</b> "Output 3.3 Water points in pastures, small-scale irrigation and river bank protective works, etc"	Livestock water points constructed/rehabilitated							"Technical design documentation Contractor Reports. Minutes of Scheme Takeover Experts Assessments Supervision Reports"	Annually	APCU, PCU	"Transparent and objective criteria for screening"
	Water Points			20	0	0	0				
	2.1.6 Market, processing or storage facilities constructed or rehabilitated										
	Storage facilities constructed/rehabilitated			10	2	2	20				
	Processing facilities constructed/rehabilitated			50	1	18	36				

## **Bosnia and Herzegovina**

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### **Rural Business Development Project**

### **Supervision Report**

### **Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category**

Mission Dates: 15/10/2018 - 30/10/2018

Document Date: 05/02/2019

Project No. 1100001593

Report No. 4975-BA

Near East, North Africa and Europe Division  
Programme Management Department

## Annex 1: Financial: Actual financial performance by financier; by component and disbursements by category

### Part A - Federation of BiH

**Table 1A: Financial performance by financier (USD '000, as 30 September 2018)**

Financier	Appraisal (USD '000)	Disbursement (USD '000)	Balance	% disbursement
IFAD Loan	7 610	7 174	436	94%
IFAD Grant	460	226	234	49%
OFID	5 350	2 876	2 474	54%
Government	1 950	559	1 391	29%
Beneficiaries	2 730	1 179	1 551	43%
Total	18 100	12 013	6 087	66%

**Table 1B: Financial performance by financier by component as of 30-09-2018 (USD '000)**

Components	IFAD Loan			IFAD Grant			OFID			Government			Beneficiaries & PFI			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Rural Business Support	880	791	90%	390	209	54%	0	0		290	67	23%	180	1 179		1 740	2 245	129%
2. Rural Business Investments	4 680	3 342	71%	0	0		0	0		0	0		1 170	0	0%	5 850	3 342	57%
3. Rural Market Infrastructure	490	269	55%	0	0		5 350	2 442	46%	1 480	460	31%	1 380	0	0%	8 700	3 171	36%
4. Project Management and Coordination Unit	1 560	910	58%	70	0	0%	0	0		180	31	17%	0	0		1 810	941	52%
Total	7 610	5 311	70%	460	209	45%	5 350	2 442	46%	1 950	559	29%	2 730	1 179	43%	18 100	9 699	54%

**Table 1C-1: IFAD Loan disbursements (SDR, as 30 September 2018)**

Category	Initial Allocation	Revised Allocation (1)	Disbursement (2)	Balance (1) - (2)	% disbursement (2)/(1)
Authorized Allocation Designated Account			1 245	-1 245	100%
1. Enterprise support fund	31	531	40	491	8%
2. Revolving investment fund	2 810	2 310	2 233	77	97%
3. Civil Works	275	275	159	116	58%
4. National TA, training, workshops & studies	585	585	452	133	77%
5. Equipment	91	91	105	-14	116%
6. Incremental operating costs	775	775	571	204	74%
Unallocated	238	238	0	238	0%
Total	4 805	4 805	4 805	0	100%

**Table 1C-2: IFAD Grant disbursements (SDR, as 30 September 2018)**

Category	Initial Allocation (1)	Disbursement (2)	Balance (1) - (2)	% disbursement (2)/(1)
Authorized Allocation Designated Account		119	-119	100%
1. Enterprise support fund	32	30	2	93%
4. National TA, training, workshops & studies	255	9	246	4%
5. Equipment	14	4	10	26%
Total	301	162	139	54%

**Part B - RepublikaSrpska****Table 1A': Financial performance by financier (USD '000, as 30 September 2018)**

Financier	Appraisal (USD '000)	Disbursement (USD '000)	Balance	% disbursement
IFAD Loan	5 110	1 516	3 594	30%
IFAD Grant	310	165	145	53%
Government & Gvt RS	4 850	1 262	3 588	26%
Beneficiaries	1 860	920	940	49%
Total	12 130	3 863	8 267	32%

**Table 1B': Financial performance by financier by component (USD '000, as 30 September 2018)**

Components	IFAD Loan			IFAD Grant			Government & Gvt RS			Beneficiaries & PFI			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Rural Business Support	850	146	17%	260	4	1%	270	16	6%	180	0		1 560	166	11%
2. Rural Business Investments	2 710	0	0%	0	0		0	0		680	0	0%	3 390	0	0%
3. Rural Market Infrastructure	350	714	204%	0	0		4 410	1 214	28%	1 000	920	92%	5 760	2 848	49%
4. Project Management and Coordination Unit	1 200	438	36%	50	0	0%	170	32	19%	0	0		1 420	470	33%
Total	5 110	1 298	25%	310	4	1%	4 850	1 262	26%	1 860	920	49%	12 130	3 484	29%

**Table 1C'-1: IFAD Loan disbursements (SDR, as 30 September 2018)**

Category	Initial Allocation	Revised Allocation (1)	Disbursement (2)	Balance (1) - (2)	% disbursement (2)/(1)
Authorized Allocation Designated Account			813	-813	100%
1. Enterprise support fund	50	750	0	750	0%
2. Revolving investment fund	1 626	0	0	0	
3. Civil Works	190	1 116	0	1 116	0%
4. National TA, training, workshops & studies	560	560	60	500	11%
5. Equipment	50	50	0	50	0%
6. Incremental operating costs	615	615	208	407	34%
Unallocated	154	154	0	154	0%
Total	3 245	3 245	1 081	2 164	33%

**Table 1C'-2: IFAD Grant disbursements (SDR, as 30 September 2018)**

Category	Initial Allocation (1)	Disbursement (2)	Balance (1) - (2)	% disbursement (2)/(1)
Authorized Allocation Designated Account		119	-119	100%
1. Enterprise support fund	32	30	2	93%
4. National TA, training, workshops & studies	255	9	246	4%
5. Equipment	14	4	10	26%
Total	301	162	139	54%



### Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due	Date	Compliance	Status/Date Remarks
Section B.6 Section 7.02	The project shall open 4 designated accounts in Euros in banks acceptable to the Fund			Complied with	
Section B.6 Section 7.02	The project shall open and maintain 4 project accounts in local currency in Banks acceptable to the Fund.			Complied with (only PCU).	The APCU is operating using only the DA in Euros.
Schedule II. 2	The project steering committee shall approve a draft PIM and submit it to IFAD for NO			Complied with	
Schedule II. 3	A Midterm Review (MTR) to be carried out jointly by the Borrower and IFAD.			Complied with	
Section B.7	FBiH and RS to make available counterpart funds needed for their own resources			In line with AWPB Complied with	
Section 7.01 (b)	AWPB to be submitted to the Fund, for its review, comments and approval.	60 days before the beginning of the relevant year.		Complied with	
Section 7.05	Procurement financed by the proceeds of the loan to be carried out in accordance with the provisions of the borrower procurement regulations.			Complied with.	
Section 7.11	The borrower shall appoint all key project personnel			Complied with	

Schedule 9.02	Financial statements to be submitted to IFAD on annual basis.	Complied with	Only APCU submitted the FS for the FY 2017
Section 9.03(b)	Audit Report submitted to IFAD within six month of the end of each Financial Year.	Complied with	PCU and APCU had submitted the audit report 2017 on time

## **Bosnia and Herzegovina**

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### **Rural Business Development Project**

### **Supervision Report**

### **Appendix 2: Physical progress measured against AWP&B**

Mission Dates: 15/10/2018 - 30/10/2018

Document Date: 05/02/2019

Project No. 1100001593

Report No. 4975-BA

Near East, North Africa and Europe Division  
Programme Management Department

## Appendix 2: Physical progress measured against AWP&B

RBDP Part A - FBiH: 2018 AWPB (Y-3: 1 January - 30 October 2018)									
CATEGORY	UNIT	UNIT cost	AWP&B	Actual	%	Cumulative 2018	Appraisal	%	
Component 1. RURAL BUSINESS SUPPORT									
I. INVESTMENT COSTS									
A. FARM ENTERPRISE DEVELOPMENT									
1. SP for Component 1. (Strategy develop.- mobilisation & targeting)	LS/Y-3	72.400	1	1	100%	1	362.000	100%	
2. Training									
a. Training for farmers	pers/day	250	60	115	192%	1991	228	873%	
b. Rural Women Leaders									
Focus Group Discussion	Cluster	3.000	3	0	0%	8	6	133%	
Leadership training	Cluster	5.000	2	2	100%	6	6	100%	
Exchange Visits /a	Cluster	2.000	2	1	50%	3	6	50%	
3. Technical Assistance	LS/Y-3	3.000	5	0	0%	5	10	50%	
4. Assistance for Registration/b	Certificate	2.000	8	0	0%	2	27	7%	
5. PA/Enterprises Support Fund (start-up packages for farmers) /c	SU packages	2.800	1.000	1.008	101%	1,514	1.000	151%	
6. PA/Small Infrastructure investments (grants for PAs equipment)	PA/Coop	60.000	14	13	93%	31	54	57%	
7. Study Tours									
In country study tours/d	pers day	100	4	1	25%	3	4	75%	
Regional study tours/e	tour	5.400	2	0	0%	3	5	60%	
8. Visits to Agricultural Fairs									
In country fairs /f	LS/Y-3	5.400	7	9	129%	14	7	200%	
Regional fairs/g	Fair	10.000	2	0	0%	3	4	75%	
Subtotal A: (Farm Enterprise Development)		171.350							
B. BUSINESS DEVELOPMENT SERVICES									
Training of SMEs/h	seminar	300	30	22	73%	44	60	73%	
Technical Assistance/i	LS/Y-3	6.000	2	0	0%	2	3	67%	
Marketing	Contract	5.000	2	9	450%	11	4	275%	
Certification/j	Certificate	4.000	4	3	75%	4	6	67%	
Subtotal B: (Business Development Services)		15.300							
C. NON FARM ENTERPRISE DEVELOPMENT									
Techn. Assist. (Start up BPs, Promot. Market network)	LS/Y-3	15.000	5	3	60%	6	4	150%	
Training for woman and youth	LS/Y-3	5.000	1	2	200%	5	3	167%	
Youth employment promotion/ k	LS/Y-3	80.000	5	1	20%	1	3	33%	
Subtotal C: (Non Farm Enterprise Development)		100.000							
Total Component 1.		286.650			83%				

a/ exchange visits are for the leaders

b/ registration of PA and/or cooperatives for 27 municipalities

c/ 20 out of 30 PAs/Coops. (15,000 BAM as a minimum contribution per PAs/Coop). IFAD contribution - 40%; municipalities - 40% benefic. 20% of Financial plan;

d/ tours arranged by PCU and/or service provider

e/ 27 municipalities, 2 persons/municipality, 2 days visit, 100 BAM per day

f/ 27 municp; 135 persons (5 pers per mun); 1 day of visit; 50 BAM per day. (Bee keeping fairs in Sarajevo, Plum fair in Gradacac, Bio organic fair in Bihac, Mostar fair for cherry or Livno for cheese)

g/ fair abroad; bus, per night, food and beverage

h/ 5 locations; 12 topics of training; 60 topics\*250 per trainer for one topic (up to 30 person per session)

i/ assistance on product quality improvement, partnership development etc;

j/ Project contribution in intraducing standards

k/ Financial assistance for women and youth employment

<b>Component 2. RURAL BUSINESS INVESTMENT</b>								
<b>I. INVESTMENT COSTS</b>								
<b>A. Business Investment(s) - credit line</b>								
Credits for individual farmers (micro-loans)	loan	4.000	350	230	66%	468	1.387	34%
Credits for SMEs (legal entities)	loan	80.000	12	2	17%	13	46	28%
<b>Total Component 2.</b>		<b>84.000</b>			<b>41%</b>			

<b>Component 3. RURAL MARKET INFRASTRUCTURE</b>								
<b>I. INVESTMENT COSTS</b>								
<b>A. Infrastructure-Civil Works (micro-projects)/a</b>	MP/Y-3	200.000	25	26	104%	45	60	75%
<b>B. TA-Service Provider for Infrastr. management /b</b>	MP/Y-3	9.550	25	26	104%	45	60	75%
<b>Total Component 3.</b>		<b>209.550</b>			<b>104%</b>			

a/ Total investment cost for each MP includes at least 20% cash contribution of Municipalities

b/ Cost for service provider (it includes initial screening, feasibility studies of proposals, review of engineering design, procurement and supervision of works)

c/ Meetings of Platform actors for for evaluation and prioritization of MPs in all 27 Project municipalities

<b>Componet 4. PROJECT MANAGEMENT &amp; COORDINATION</b>								
<b>I. INVESTMENT COSTS</b>								
<b>A. Project Coordination Unit</b>								
<b>1. IT Equipment /a</b>								
Mobile telephones	package/set	2.000	1	1	100%	1	2	50%
Camera/Video Camera	set	2.000	1	0	0%	0	2	0%
<b>2. Office furniture</b>	set	20.000	1	1	100%	1	1	100%
<b>3. Vehicles</b>	vehicle	70.000	3	0	0%	0	3	0%
<b>4. PCU staff courses</b>								
Local Courses /b	course	1.000	3	0	0%	4	8	50%
International Courses /c	course	4.000	2	2	100%	2	3	67%
<b>5. Overseas Studies /d</b>	study	10.000	1	1	100%	2	2	100%
<b>B. M&amp;E and Knowledge Management</b>								
<b>1. Workshops</b>								
Orientation Workshop	WS	3.000	2	5	250%	8	3	267%
Annual Review Workshop	WS	3.000	1	1	100%	2	3	67%
Inter-entity Workshop /f	WS	10.000	1,0	0	0%	2	3	80%
<b>2. Studies and Surveys</b>								
Mid-term Survey /g	Survey	25.000	1	1	100%	1	1	100%
External Audit	audit	10.000	1	1	100%	3	5	60%
<b>3. Knowledge Management</b>								
IEC Materials /h	LS/Y-3	5.000	1	1	100%	2	3	67%
Training Manuals	manual	10.000	1	2	200%	3	2	150%
Case Studies	study	500	12	5	42%	9	19	47%
Web page Development	Contract	5.000	1	1	100%	1	1	100%
<b>Total I - Investment Costs</b>		<b>180.500</b>						

II. RECURRENT COSTS								
<b>A. Salaries /i</b>								
Director	person/year	79.351	1	1	100%	3	4	75%
Financial officer	person/year	68.156	1	1	100%	3	4	75%
M&E officer and credit coordinator	person/year	63.529	1	1	100%	3	4	75%
Business development officer	person/year	54.096	1	1	100%	3	4	75%
Gender and targeting officer	person/year	54.300	1	1	100%	3	4	75%
Procurement officer	person/year	54.341	1	1	100%	3	4	75%
Interpreter/secretary	person/year	55.728	1	1	100%	3	4	75%
Driver/Courier	person/year	32.676	1	1	100%	3	4	75%
Collective insurance from accidents' consequences /j	Contract	1.200	1	0	0%	0	4	0%
Field Coordinators	person/year	19.968	4	3	75%	3	15	20%
<b>B. Allowances</b>								
Travel and Allowances	person/day	25	250	224	90%	671	1200	56%
<b>C. Operation and Maintenance</b>								
Vehicles (maintenance)	LS/Y-3	5.000	3	3	100%	6	9,0	67%
Vehicles (fuel)	LS/Y-3	4.800	3	3	100%	6	9,0	67%
<b>D. Office overhead costs</b>								
Telecommunication	LS/Y-3	6.000	1	1	100%	2	3,0	67%
Stationary and office supply	LS/Y-3	6.000	1	1	100%	2	3,0	67%
Office operating costs: Main office Sarajevo	LS/Y-3	25.200	1	1	100%	2	3,0	67%
<b>E. IT maintenance</b>								
Maintenance of existing IT system	LS/Y-3	2.200	1	1	100%	3	4,0	75%
Maintenance of PIMIS system for financial reporting	LS/Y-3	2.400	1	1	100%	3	4,0	75%

<b>Total II - Recurrent Costs</b>		<b>534.969,6</b>						
<b>TOTAL Component 4. (I + II)</b>		<b>715.469,6</b>			<b>90%</b>			
<b>TOTAL 2018 RBDP AWPB</b>		<b>1.295.669,6</b>						

a/ Upgrading of the existing equipment from REEP and RLDP

b/ Courses on M&E, gender, communication, financial management, PA, engineering, management, feasibility studies (CBA)

c/ M&E, financial management, management

d/ Studies related to the project implementation

e/ Gender workshops for implementing partners

f/ Shared with APCU (1/2 PCU and 1/2 APCU)

g/ Contract with selected Service provider

h/ Information, Education, Communication

i/ Salaries including taxes on salaries (staff of PCU and additionally field coordinators for 5 regions)

j/ Contracting additional insurance of all the employees from accidents' consequences during the work

## Appendix 1:

## Physical progress measured against AWP&amp;B - RS

Component/Outcome	Period: 01-01-2018 to 30-10-2018							
Indicator		Unit	AWP&B	Acutal	%	Cumulative 2018	Appraisal	%
Component 1: Rural Business Support /Outcome								
	Number of established and supported producer associations	Number	20	32	160%	32	32	100%
	Number of PA members	Number	150	1289	859%	1289	1806	71%
	No of associations with signed contracts with buyers	Number	50	1	2%	1	4	25%
	Number of farmers with signed contracts with associations	Number	100	12	12%	12	194	6%
	% of income increase per association member	Percentage	20%	4%	20%	4%	5%	80%
	% of profit increase per association member	Percentage	15%	0	0%	0%	2%	0%
	% of increase of the number of employed women and youth in associations/SMEs	Percentage	10%	8%	80%	8%	10%	80%
	No of farmers attending training	Number	1500	506	34%	1748	2709	65%
	No of association members who adapted the production technology to market requirements	Number	800	1020	128%	1020	1200	85%
	No of producers who increased yields	Number	1000	300	30%	300	500	60%
	No of SMEs who received non-financial services of the project	Number	4	1	25%	1	4	25%
	% of production volume increase/sale per SME	Percentage	20%	0	0%	0%	20%	0%
	No of enterprises that have ISO certificates	Number	4	0	0%	0	0	0%
	No of submitted BPs	Number	54	32	59%	30	0	0%
	No of implemented BPs	Number	40	1	3%	1	6	17%
	No of associations who received packages	Number	54	1	2%	1	8	13%
	Average amount of package per association	KM	3000	1629	54%	1629	2000	81%
	No/average value of equipment supplied as part of the package	Number	500	0	0%	194	194	100%
	% of increase of production volume per association	Percentage	20%	5%	25%	5%	5%	100%
	No of individual packages requested	Number	200	194	97%	194	194	100%
	No of individual packages implemented	Number	150	12	8%	12	70	17%
	% of increase of assets (equipment) per household	Percentage	5%	0	0%	0%	0%	0%
% of increase of arable land per household	Percentage	2%	2%	100%	2%	2%	100%	
% of income increase per household (ESTIMATED)	Percentage	10%	4%	40%	4%	5%	80%	
Component 2: Rural business investments (No activity planned for 2018. During the mid-term review in November 2017, funds were reallocated from Component 2, credit line, to Component 1 and Component 3)								
Component 3: Rural market infrastructure								
Output 3.2 Water supply and/or sewerage schemes	No of household beneficiaries of infrastructure	Number	1200	4719	393%	4719	5000	94%
	No of inhabitants beneficiaries of infrastructure	Number	4500	7020	156%	7020	10000	70%
	No of constructed water supply systems	Number	20	6	30%	7	5	140%
	No of constructed irrigation systems	Number	2	0	0%	0	0	0%
	Area in ha covered by irrigation systems	Number	5	0	0%	0	0	0%
Output 3.1 Rehabilitated rural roads including structures such as bridges and drainage facilities	No of constructed bridges	Number	4	0	0%	0	0	0%
	No of constructed roads	Number	4	4	100%	23	10	230%
	No of farmers who increased production volume	Number	800	0	0%	0	100	0%
	No of farmers who decreased production costs	Number	600	0	0%	0	100	0%
	% of decrease of production costs	Percentage	5%	0	0%	0%	3%	0%

## **Bosnia and Herzegovina**

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### **Rural Business Development Project**

### **Supervision Report**

### **Appendix 3: Compliance with legal covenants: status of implementation**

Mission Dates: 15/10/2018 - 30/10/2018  
Document Date: 05/02/2019  
Project No. 1100001593  
Report No. 4975-BA

Near East, North Africa and Europe Division  
Programme Management Department



### Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due	Date	Compliance	Status/Date Remarks
Section B.6 Section 7.02	The project shall open 4 designated accounts in Euros in banks acceptable to the Fund			Complied with	
Section B.6 Section 7.02	The project shall open and maintain 4 project accounts in local currency in Banks acceptable to the Fund.			Complied with (only PCU).	The APCU is operating using only the DA in Euros.
Schedule II. 2	The project steering committee shall approve a draft PIM and submit it to IFAD for NO			Complied with	
Schedule II. 3	A Midterm Review (MTR) to be carried out jointly by the Borrower and IFAD.			Complied with	
Section B.7	FBiH and RS to make available counterpart funds needed for their own resources			In line with AWPB Complied with	
Section 7.01 (b)	AWPB to be submitted to the Fund, for its review, comments and approval.	60 days before the beginning of the relevant year.		Complied with	
Section 7.05	Procurement financed by the proceeds of the loan to be carried out in accordance with the provisions of the borrower procurement regulations.			Complied with.	
Section 7.11	The borrower shall appoint all key project personnel			Complied with	
Schedule 9.02	Financial statements to be submitted to IFAD on annual basis.			Complied with	Only APCU submitted the FS for the FY 2017

Section	Covenant	Target/Action Due	Date	Compliance	Status/Date Remarks
Section 9.03(b)	Audit Report submitted to IFAD within six month of the end of each Financial Year.			Complied with	PCU and APCU had submitted the audit report 2017 on time

## **Bosnia and Herzegovina**

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### **Rural Business Development Project**

### **Supervision Report**

### **Appendix 4: Technical background analysis**

Mission Dates: 15/10/2018 - 30/10/2018  
Document Date: 05/02/2019  
Project No. 1100001593  
Report No. 4975-BA

Near East, North Africa and Europe Division  
Programme Management Department

## Appendix 4: Technical Background Analysis

### Observations regarding recommendations of implementation support in May 2018

Recommendations from an implementation support mission in May 2018 addressed especially the provision of starter packages, in particular on (i) harmonisation of implementation approach among the components, also MTR recommendation (ii) following the BP approach; (iii) involvement of FOs, (iv) involvement of FIs in the financing of starter packages, (v) the role of business leaders in the selection of beneficiaries, (vi) the selection of crops, (vii) and the role of the project support in the development of smallholder farms.

(i) A harmonized implementation of the three different components has been an issue already in the past projects which were design in separate components, unlike the recently started RCDP. Due to the different pace within the components implementation of RBDP (e.g. OFID financing delayed, reallocation of the credit line in RS) was challenged. The focus of the PCUs went to speed up the implementation of the agreed activities in the last year of the project; too late for a harmonised approach. However, the geographical target of RBDP ensures all project support is benefitting the selected municipalities. Taking into consideration the outreach of rural infrastructure investments, loan provision alongside provision of starter packages, equipment and training to FOs and their members/cooperants a significant outreach of RBDP is expected resulting in the expected impact.

(ii) Still for RBDP, both PCUs were not capable to shift to the business plan (BP) approach integrating the activities envisaged in respective business plans, as recommended. For RCDP, both PCUs have received a number of BPs and selected suitable proposals for further implementation. The PCU in Federation has identified two BP submitted under RCDP to be suitable still for implementation under RBDP because the proposed activities were limited in scope with an exclusive focus on targeted municipalities under RBDP.

(iii) The mission in May emphasised on the need to improve the integration of FOs in the market linkages with buyers. Especially in FBiH, most of the targeted farmers are members or at least cooperants of FOs. However, a particularity of gherkin production is the interest of the buyer in close monitoring of the production by providing the technical assistance required. Therefore, gherkin production does not leave significant room for services provided by FOs. The dairy sector showed, on the other hand, the possibility to take over functions from the buyer such as milk collection, transport. The BP approach under RCDP is expected to facilitate the integration of all actors in the value chain.

(iv and v) The discussions held with farmers and business leaders showed the relevance of close linkages of farmers and buyers in the gherkin value chain. Accepting the pre-financing of the buyer ensures interest of the buyer in the performance of the production. Furthermore, in case of low yields caused by diseases or unfavourable weather, the buyer is accepting a delayed repayment, even after the following season. However, it does not seem to be obligatory to purchase all inputs from the buyers as the example of the company Kuehne shows. Still, the small amount of pre-financing in comparison to the turnover achievable does not provide a lot of room for FI financing. Especially taking into account the reduced cost for inputs after the first year of production when irrigation, polls, nets and wire have been purchased.

Since gherkin cultivation in general does not exceed 1 dunum of production due to the labour intensive harvest, it remains a smallholder crop. The limitation of expanding the production area remains also a challenge for poor households. The mission recommends to re-consider the support to poor households especially with starter packages for gherkins in on-going and future projects (RCDP and RAED). It is recommended to carefully analyse the contribution of a crop to lift a household out of poverty. Gherkin cultivation, as an annual crop requiring replanting every year and crop rotation latest after 2 years, does not provide room for growth and thus, it is mainly seen as an (attractive) additional income to cover household expenditures. The project support, therefore, should (instead of financing seedlings) focus more on sustainable investments allowing the farmer to diversify, prolonging the season or investing in technology.

(vii) A further aspect in future project implementation refers to the growing demand for gherkins, but also for other crops favourable for production in BiH. Different to the past, where IFAD funded projects like RLDP paved the way for poor households to access new (export-oriented) value chains, today buyers seek for farmers joining the value chain. Discussions with farmers and buyers in gherkin production as well as in the dairy sector showed the high demand for produce and even the willingness of buyers to provide incentives to the farmers/FOs. Lack of labour force due to migration to cities or abroad are hampering the production and processing, on-farm as well as off-farm. Therefore, the relevance and the impact of a co-financed starter package on the decision of a poor household to join a value chain has to be carefully assessed in the on-going and upcoming projects not to act as facilitator of the buyer. In addition, the possibility for financial contribution of buyers in business plans requires further considerations.

## Procurement Review

**Value of procurement.** By the end of September 2018, PCU contracted around BAM 10.5 million. Under Component 1 Rural Business Development BAM 4.3 million were contracted, under Component 2 Rural Business Investment up to BAM 6 million, and under Component Project Management BAM 147,000. Additional BAM 11 million were contracted under Component 3 Rural Market Infrastructure from OFID loan.

In APCU, the total value of contracted goods, works and services until the end of September 2018 amounts to BAM 7.56 million (without VAT). Under Component 1 Rural Business Development component BAM 549,000 were contracted, Component 2 Rural Business Investment was eliminated; under Component 3 Rural Market Infrastructure BAM 6.34 million were contracted and under the Project Management component BAM 673,000.

**Organization and staffing.** The procurement and financial management functions in PCU are separated. The procurement manager is the main executor of procurement activities. The procurement manager is experienced, although additional training would be beneficial, especially about procurement in IFAD's procurement procedures.

The procurement function is performed in APCU as a combination of a project and a functional organization. The RBDP procurement manager is in addition to the two IFAD projects in charge for procurement for a World Bank project. In the APCU are further two procurement managers responsible for procurement for several World Bank financed projects. Engaging the IFAD procurement manager for three projects in parallel is demanding and might result in a slowdown in procurement processes. The RBDP procurement manager is experienced (15 years of experience in implementing IFAD and WB projects), but additional training is welcome.

**Procurement planning.** Procurement planning in PCU and APCU is part of annual work planning and budgeting. The procurement plan is prepared timely and is subject to approval from PSC and CPM. The procurement plan has a different degree of detail, depending on the project components and the sub-components.

**Procurement reporting.** In PCU as well as APCU, reports on implemented procurement, i.e. signed contracts, are part of regular annual and semi-annual project progress reports. Annual and semi-annual reports report differently on procurement. It is recommended to standardize the procurement reporting format as attachment in tabular form as annexes to the annual and semi-annual progress reports. The format and details of this table should refer to the required table for supervision purposes. In order to better monitor the overall progress of the project, it is useful to include data on the degree of execution of each contract, which will be determined by the procurement manager in cooperation with other members of the project team and service providers (in case of PCU).

**Bidding documents preparation.** In PCU, simplified forms of bidding documents are used for some procurement methods containing all basic essential elements. Technical specifications are prepared by project team members with the assistance of consultants and based on the needs and demands of end users. The contracted service provider (SERDA), participating in the implementation of Rural Market Infrastructure component, also assist PCU in preparation of the technical specifications for a small market infrastructure and participates in the evaluation of bids, while the procurement procedure was implemented by PCU. Since no requests for additional clarification of the bid documentation are reported, the content of bidding documents could be considered as acceptable for bidders. In the remaining period of project implementation, it is recommended still to pay attention to the quality of technical specifications and to the scope of works through good coordination between procurement managers and project team members with engagement of external consultants if required.

In APCU, for indication of each procurement procedure a special decision has been made and signed by the president of the PSC (it is not an obligation by the IFAD procedures, but it is according to the national Public Procurement Law). APCU mainly use adjusted formats of the World Bank tender documents. Under Component 1, just one unified procurement of equipment for FOs was documented. The model of co-financing starter packages delivered by business leaders is in the final stage of definition, and from the procurement perspective it is certain that it will be direct contracting from single source (leader company) and on the basis of post-financing, which is from a standpoint of procurement a non-standard procedure. The final structure and value of the packages varies from farmer to farmer and therefore, it was impossible to pre-define the specification of the requested goods. In any case, the main role of the procurement will be to prepare a contract for this co-financing.

APCU is directly implementing Component 3 on Rural market infrastructure; sources of funding are IFAD after re-allocation of funds from Component 2 and the Government of RS. Therefore, APCU fully controls the procurement process of civil works. The quality of the bidding documents is comprehensive and satisfactory. A major shortcoming is the type and scope of works under the responsibilities of the municipalities resulting in variations between the executed and contracted works. Therefore, the quality of technical specifications needs to be addressed in the remaining project life, and all the members of the project team must be engaged in their preparation and verification, if required with the engagement of additional consultants.

**Selection of procurement methods.** Applied procurement methods are in line with thresholds set in LTB. In order to facilitate the selection of the appropriate procurement method, based on the final specification of the type and volume of works, goods or services, it is necessary to estimate the value of each procurement and document the data in the file of each contract. For starter packages direct contracting from single source is the most convenient procurement method as acceptable exemption from standard procurement methods due to specific role of leaders in value chain integration, responsibility for the selection and production of seeds and planting material, and their role in advising and pre-financing beneficiaries. Any procurement based on direct contracting shall be subject to prior review and approval by the CPM.

**Pre-qualification, advertising and communication between bidders and procuring agency.** In the PCU, in the period under supervision, there were no cases of pre-qualification and public advertising for bids submission (all procurement methods were direct contracting or national shopping method with the direct invitation of potential bidders).

In APCU were also no cases of using the prequalification procedure. In cases without public advertising, sources of supply are identified from own database of potential suppliers and by market research. Public calls for tenders in case of using NCB method are published in a daily newspaper, the website APCU/Ministry of Agriculture (<http://www.vladars.net/sr-SP-Cyrl/Vlada/Ministarstva/mps/Pages/default.aspx#collapsible1>) and disseminated by four portals that share information about advertised public procurement.

In APCU, clarifications on specific details in the documents were required in several cases; related communication has been done in writing (usually via e-mail), with distribution of the provided information/clarifications to all other bidders. The process of requesting bids is assessed as highly transparent, since more competitive methods are often chosen. Several interested bidders have applied for tender documents (more than 3 bidders). However, in some cases, final bids were submitted by less than 3 bidders, requiring a repetition of the procurement procedures.

**Receipt of bids and bids opening.** In PCU, the deadline for submission of bids is usually 7 days and, in some cases, extended to obtain more quality bids. As recommended by MTR, bids are received in closed envelopes delivered by poste or personally, with recording the receipt in the protocol book. Public opening is not mandatory, in view of the selected procurement method.

In APCU, the bids, as a rule (except small purchases), are received in closed envelopes, through the APCU protocol. For procedures where NCB methods are applied, a public opening of bids was organized. The deadline for submission of bids is from 7 to 30 days, depending on the subject and method of procurement. Public opening of bids is conducted by nominated committees. All bidders who participated in the procurement process receive minutes from the bid opening.

**Bid examination and evaluation.** In PCU, from receipt to completion of the evaluation bids are kept in a safe place. Following MTR mission recommendation, bids are examined and evaluated by the evaluation committees consisting of the PCU procurement manager, PCU team members and representatives of beneficiaries or service providers. All activities during the evaluation of bids are verified in the bid evolution reports.

In APCU, opening, examination and evaluation of bids are conducted by the evaluation committees appointed by the Director of APCU. The committee consists of a procurement manager, members of the RBDP project team and representatives of beneficiaries for whom works, goods or services are purchased. All activities during the evaluation of bids were verified in the bid evaluation reports.

**Contract award and effectiveness.** The key elements for the contract award are assessment of the fulfilment of technical conditions and the lowest price, and in the case of services, combinations of quality and prices of bid. All bidders who participate in procurement processes are informed about the award of contract in written form. In PCU, no complaints on recommended contract awards are recorded. In APCU, one case has been recorded on a bid evaluated as ineligible, which is now subject of court arbitration. In case of civil works contracts, a 14 day period is set between contract signing and effectiveness.

**Procurement prior and post review.** Contracts that were not subject to prior review and approval of the CPM were reviewed during the supervision mission on sample basis. In PCU, subject of post review were 9 of 18 contracts falling under post review (54% of contracted value under post review). During the post review, no misprocurement cases were found.

In APCU, only 6 contracts from Component 4 fell under post review and they were all reviewed during the supervision mission. In addition, 24 prior reviewed contracts were selected for post review on a sample basis: seven prior reviewed contracts from Component 1; six prior reviewed contracts from Component 3 and two prior reviewed contracts from Component 4. During the post review, no misprocurement cases were found.

In cases of prior approval, PCU and APCU should ensure complete documentation of the necessary preconditions for giving NO in prior review process. For the procurement of equipment for FOs a checklist listing the necessary preconditions is attached to this report. Similar checklists should be designed for other types of procurement.

**Contract management and administration.** In both PCUs, contract management and administration has been improved (as recommended at MTR), although there is still room for improvement. This applies primarily to the documented handover of goods or works between PCU and municipalities, respectively PCU and PAs/cooperatives, as the final stage of the contract execution. These records should indicate the final quantities and value of the works or equipment, co-financing relationship, obligations for keeping technical documentation and warranties, temporary or permanent ownership, maintenance obligations, and other details relevant for accounting and registering property and equipment. For procurement of goods of biological origin (seeds and seedlings) PCU should demand and keep the proofs of the origin and related quality certificates (phytosanitary certificates, etc.). In the case of purchasing equipment it is recommended include in the handover procedures a check of the functionality of the equipment and a demonstration of its use, including handover technical instructions and warranties.

**Support and control system.** The procurement managers in PCU and APCU have the ability to ask advice from IFAD CPM and its support team. In PCU there is no formal internal audit system. In APCU, the procurement activities are subject to internal audits within the Ministry of Agriculture. PCU and APCU activities are subject to regular external audits, including auditing procurement procedures. Procurement was also a subject of supervision during the regular supervision missions and MTR as well as subject of support by the implementation support missions. In RS, international projects with domestic co-financing (including RBDP) were also audited by Supreme Audit Office. This degree of multiple controls is considered as definitely sufficient.

**Records keeping.** In PCU, procurement data are stored as a paper version, and partly also in electronic format. Part of the documentation relating to the preparation of procurement and the follow-up to the contract realization is also provided by the service provider (SERDA). Before the end of the project, the handover of that documentation from service provider has to be planned; furthermore a decision on its liquidation or further storage.

In APCU, documentation on completed procurement procedures is kept in the APCU in paper and electronic versions. Data stored electronically get periodically a backup. Older documentation in paper form is stored in an adequately secured archive outside the APCU premises. Before the closing of the project plan of dealing with procurement and other project documents should be prepared, depending on their nature (liquidation or further storage).

#### ANNEX: GRANTS TO FOs - CHECK-LIST ON ELIGIBILITY CRITERIA FOR FOs

Project		Rural Business Development Project			
Component		Rural Business Investments			
Subcomponent		Farm Enterprise Development			
1.	Name of farmer organization				
2.	Address				
3.	Type of support (title of the sub-project):				
	<i>Condition</i>	<i>Yes</i>	<i>Proof of compliance</i>	<i>No</i>	<i>Reason for non-compliance</i>
1	2	3	4	5	6
1.	The PA/AC is registered under the laws of BiH.				
2.	The PA/AC is demand driven and has a sharp focus on an issue of direct and immediate economic/financial relevance to the small holders in the selected value chain.				
3.	The PA/AC has developed an outreach to a wide co-operant base.				
4.	The PA/AC has the simplified, streamlined and practical governance and management structures.				
5.	The PA/AC has committed fee-paying membership and undertakes to follow up on membership fee collection and to sanction those members who do not pay membership fees.				
6.	The PA/AC have satisfactory arrangements for its book and record keeping and undertakes to provide the project with an "Operating Statement" and a "Balance Sheet" in accordance with acceptable accounting standards at the end of each financial				

	year.				
7.	The PA/AC has appropriate O&M arrangement for the granted equipment.				
8.	The PA/AC has calculation of service charges for reimbursement O&M and fix cost.				
<i>Note 1: For each condition, mark with X column 3 (yes) or 5 (no).</i>					
<i>Note 2: For the proofs listed in column 4 provide documentation and file in a paper or electronic format.</i>					
Is the proposed project eligible for grant support?		YES		NO	
Name and surname and the position of the person who checked the fulfilment of the conditions:					
Date:					
1.	Estimated value of total sub-project (including VAT)		KM	100	%
2.	Estimated value of grant support from RBDP (including VAT)		KM		%



## Gender and Targeting Annexes

### Annex 1: Guide to preparing Case Stories in RBDP

#### A. Key steps to consider in preparing successful field stories

1. **Select a Positive Project Impact (the story topic).** This focuses on the generalized impact or success. Rather than being about one individual, it is about an impact that has been experienced by a substantial number of the beneficiaries. It is important not to develop a success story out of an experience that was felt by only one or two beneficiaries. Choose one or two indicators from the M & E Framework with the best positive results. Alternatively, identify one or two ways that beneficiaries are successfully minimizing or responding to risks. Another type of success story to consider is how beneficiaries exceeded or met expectations even when there were constraints. Indirect achievements or those not anticipated by the project should also be considered.
2. **Obtain the Descriptive Details of the Impact.** Who participated in the achievement of the results? Where were they located? Was a group involved such as a Farmers' Association? Assemble a group of participants from which to gather more information relevant to the observed positive impact; if the result was due to individual efforts, assemble a group of concerned individuals
3. **Key Questions for the Group Impacted.** Lead the group to answer the following questions.
  - a) What did they do?
  - b) How did they do it?
  - c) How long did it take?
  - d) What did it cost?
  - e) What were the results?
4. **Draft the Anecdotal Story of One that Represents the Project Impact to Many.** Prepare the case story using the responses to the questions. Choose the experience of one of the beneficiaries/ participants to illustrate what happened. If appropriate fill in details specific to that individual. If the participants in the focus group were speaking confidentially, give the individual in the story an assumed name. Make sure you prioritize direct voice (quotes) and first person perspectives. Think carefully about how you can inspire action with the story. The story should not be more than 2 pages.
5. **Collect Captivating Photos to Represent the Story.** Are there any pictures available to illustrate the success story? Can the field team provide photos from other field visits or can the team conducting the interview for the success story take photos on site that would be useful?
6. **Use of the Completed Case Story.** Well-written success stories can be published as "Exemplary Programs" or "Showcase of Programs" or "Programs of Excellence" in newsletters, local newspapers, Extension publications, Staff Updates, Impact statements, Policy Briefs etc.

#### B. Template for drafting the stories<sup>1</sup>

1. **Provide Background Information.** Identify the individual, the activity, the location, and the project/programme, its duration, size, and funding source.
2. **Describe the activity:** what was done and what methods were used.
3. **Give the details of what happened in the activity:** what happened as a result of the intervention?
4. **Intervention results-** Give the Results achieved as a consequence of the Activity. Highlight major or significant findings with major focus on the effect/impact of intervention on the beneficiaries, their families and communities. Take note of changes taking place- Have people learned any new things and are they using them in their day to day needs? Are people doing anything differently than they used to do before. You may also want to demonstrate the awareness or knowledge level of beneficiaries of a particular intervention and what they need in order to solve a particular problem or issue. Ensure that you use catchy phrases and quotations from beneficiaries or facts and figures to support the arguments and get the attention of the audience/readers. You may also want to use pictures, charts to enhance your illustration of the success of the intervention.
5. **Captivating Photos to Represent the Story:** One of the main components of many successful case stories is compelling and touching photographs that portray both the personal nature of the story, as well as the extent of the impact felt by the individual in the story and all the individuals that were impacted by the project's success. In order to produce and distribute success stories with effective photographs it is important for those who collect and record the stories, those who write up the stories, and especially those that will take the photos, to understand the key issues for taking and submitting success story photographs.

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<sup>1</sup> Ensure that the stories do not go beyond 2 (two) pages.

## Annex 2: inputs for integrating gender and poverty related aspects in the impact evaluation ToRs.

1. **Impact Evaluation:** inputs to be included in the overall impact evaluation study on Gender (women's participation and benefits) and Targeting (especially inclusion of the poorer, poverty targeting and poverty reduction strategies and expected impact). All points below should be considered as inputs and adapted by the APCU/PCU Gender and Targeting focal person as appropriate to the final ToRs for the impact evaluation.
2. **Background:** present the background of RBDP concerning gender and targeting (this study will be part of the overall impact study whereby in the main background information of the programme are expected to be presented). The background shall include main information from the gender study (gender assessment) and the main issues faced by women; key objectives of the gender and targeting strategies, the activities RBDP has implemented to achieve the expected targets and outcomes. Furthermore, the background section should include a paragraph on the targeting strategy, explaining which actions the programme has taken towards selection of beneficiaries and inclusion of poorer farmers (according to the poverty levels based on income and land tenure).
3. **Purpose of the evaluation:** The purpose of the impact evaluation is (for example) to assess changes that the programme has brought to the participating beneficiaries involved in the programme. The impact study will include two specific sections focusing on gender and targeting, with a special focus on poverty targeting and the impact for poverty reduction. Overall the purpose is to demonstrate if the targeted beneficiaries in the target municipalities are better off or worse off now as compared to information reported in their socio-economic situation at the beginning of the project (baseline /diagnostic studies prepared by the project) and to what extent the project has contributed to graduate them out of poverty in line with poverty criteria applied and better strategies.

Specifically, for gender equality and women's empowerment, the impact evaluation exercise should assess the impact of the different interventions implemented by the programme on:

- (a) expand women's economic empowerment through access to and control over fundamental assets;
- (b) strengthen women's decision-making role in community affairs and representation in local institutions; and
- (c) improve the knowledge and well-being of women and ease women's workloads by facilitating women's access to basic rural services and infrastructures.

Specifically, for poverty reduction, the impact evaluation exercise will consider the selected beneficiaries:

- (i) very poor, below 200 KM per household member;
- (ii) poor 201-400 KM per household member;
- (iii) Borderline poor, 401-500 KM per household member.

The study will look at how many of them have graduated out of their poverty level and are progressing towards being borderline poor or out of poverty. Focus will be put on short term and long term poverty reduction strategies for documentation (success stories/lessons learned).

The findings of the impact evaluation (in general and in particular for those aspects and specific target groups) will assist Government of BiH and other key stakeholders to understand the impact (positive, negative, intended and unintended) that the programme has had on intended beneficiaries, with focus on women/poor beneficiaries at all levels by comparing the findings of the impact evaluation and the current situation with the baseline status. The findings will also provide valuable lessons to all stakeholders as to what has worked, what has not worked and reasons for each scenario for consideration in the design and implementation of other similar programmes (i.e. RCDP and READP). Most importantly, the findings will provide valuable information to key stakeholders on the level of sustainability and potential for replication of good practices beyond the support of the programme.

4. **Objectives:** In light of the background presented above, the main purpose of the assignment is '*to conduct evidence based impact evaluation of RBDP programme and document key lessons for future with specific focus on gender and poverty reduction aspects*'. Based on this, the objective of the assignment would be as follows:

**4.1** Based on stakeholder consultation and field assessments (focus group discussions/interviews); evaluate the relevance, efficacy, efficiency and effectiveness of the programme towards the three main objectives covered by the **IFAD gender policy**: (i) economic empowerment to enable both rural women and men to participate in and benefit from profitable economic activities; (ii) both women and men have equal voice and influence in rural institutions and organizations, including decision making processes at household, community or local level; (iii) More equitable balance in workloads and in the sharing of economic and social benefits between women and men; the **IFAD targeting strategy** for (iv) inclusion of poorer segments in the project to support them taking advantage of development opportunities. Furthermore, the field assessment will also evaluate the relevance of strategies adopted for inclusion and poverty reduction looking at results achieved for the different poverty levels.

The study should look at:

- Methods and approaches used to reach and involve farmers;
- Methods and approaches used to reach and involve women farmers;
- Methods and approaches used to reach and involve poorer farmers (very poor and poor);
- Methods and approaches to follow up on women farmer participation and impact;

**4.2:** Evaluate the achievements of programme against the set objectives at the level of project beneficiaries, specifically looking at improvements made on socio-economic indicators and compared to baseline data captured during baseline assessment:

- Share women farmers out of farmers reached;
- Share women farmers in grassroots organisations (leaders);
- Share of increased income earned by women farmers as a result of improved production/productivity introduced by the programme;
- Share of women accessing financial support and benefits;
- Share of workload reduced for women farmers as a result of the programme introduction of technologies/services;
- Share women/men who have benefitted from the programme and evaluate which approaches/methods have been most successful and why for women involvement;
- Which approaches/methods have been most successful and why for involvement of the poor;
- Share of poor farmers from different poverty categories graduating out of poverty;

**4.3:** Analyse the result of evaluation to delineate key lessons learnt (positive and negative) from the project that can feed in the upcoming programmes. Based on the findings, make recommendations on future approach and strategy for scaling-up interventions.

## **5. Example of (general) guiding questions:**

What type of services, products or infrastructures have been provided or supported by the programme to complement community efforts in addressing development issues in the context of agriculture production? What proportion of population in the targeted areas are benefiting from services, products or infrastructure related to the programme? What difference have these services, products or infrastructure brought to the lives of the people in these communities (municipalities) according to their poverty levels, gender, age and the agriculture activities they are engaged? What is the level of satisfaction of targeted beneficiaries regarding services, products and infrastructure provided?

Will these services, products and infrastructure be sustained without the support of the programme? What structures are there to ensure continuity and sustainability of services, products and infrastructure currently being provided?

What interventions have been undertaken by the programme to facilitate timely access to development interventions (trainings, inputs, credits) particularly for women and the poorer households in the targeted areas? How appropriate and effective were the interventions provided? What impact have these interventions brought to the lives of the beneficiaries in general and of specific beneficiaries in particular (for each of RBDP target group)? What is the level of satisfaction of the beneficiaries on the interventions provided? Where possible, number of people supported and disaggregated by gender and also poverty level should be estimated.

What are the outcomes for women farmers? And the outcomes for the poorer? to what extent have the different methods and approaches been relevant and effective in supporting women farmers and in improving their livelihood strategies and wellbeing? The same question applied for the poorer beneficiaries. What have been the better solutions for poverty reduction in the short and in the long terms?

To what extent can the outcome be expected to be lasting and sustainable? What interventional and contextual factors contribute to sustainability? Are the outcomes achieved by poorer farmers HHs sustainable for a long term poverty reduction strategy?

Will the interventions be sustainable without the support of the programme? What mechanisms are there to ensure that they are sustainable once the programme phases out?

## **6. Scope of the work:**

The impact evaluation is expected to cover all municipalities targeted by RBDP.

## **7. Outputs**

Evidence based gender and poverty reduction achievement report. The report will interpret statistics and analyse gender as well as poverty reduction achievements/impact in RBDP. High impact gender/poverty case studies will be included.

## **8. Recruitment**

It is expected that the consultancy will be conducted by a team (for the impact evaluation) with national/international gender expertise and good knowledge of evaluation methodology both quantitative and qualitative. At least one member of the team proposed, should have solid knowledge of and practical experience with gender and poverty issues and gender integration analysis (the team member can be the same person or the service provider can appoint one person for gender study and one for poverty analysis). Specific requirements shall include (among others TBD):

- At least Masters in Gender Studies; Development Studies, Economics, Anthropology, Social Science or any other relevant development field with a strong bias towards gender;
- At least 8 years' relevant experience in issues related to Gender and Development as well as Targeting the poor and poverty reduction strategies in agriculture interventions;
- Strong understanding of gender related issues in BiH in the agriculture sector;
- Excellent knowledge on the link between gender and key socio-economic development issues in the country context, especially in the rural areas;
- Previous experience in designing and managing evaluations is highly desirable;
- Exceptional data analysis skills for both qualitative and quantitative data from the gender perspective;
- Excellent report writing skills;
- Strong communication, documentation and presentation skills.

## **Bosnia and Herzegovina**

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### **Rural Business Development Project**

### **Supervision Report**

### **Appendix 5: Mission preparation and planning, TORs, schedules, people met**

Mission Dates: 15/10/2018 - 30/10/2018  
Document Date: 05/02/2019  
Project No. 1100001593  
Report No. 4975-BA

Near East, North Africa and Europe Division  
Programme Management Department

## Appendix 5: Mission TORs, List of people met

### Terms of Reference for Consultants and other persons hired by IFAD to participate in missions under a non-staff contract

**COUNTRY OF ASSIGNMENT/LOCATION:** Bosnia Herzegovina

**MISSION NAME:** Supervision Mission - RBDP

**MISSION START AND END DATES:** 15 – 30 October 2018

**REPORT TO:** Mikael Kauttu, CPM

#### **MISSION COMPOSITION:**

Ms. Sigrid Giencke, Team Leader and Value chain Specialist  
Ms. Chiara Romano Targeting and Gender Specialist  
Mr. Zeljko Vasko, Procurement specialist  
Mr. Moez Makhoulouf, Finance Specialist  
Ms. Alisia Sansoni, M&E specialist

#### **Background**

The Rural Business Development Project (RBDP) was approved by the EB in December 2011, with an IFAD loan of USD 12.72 million and a grant of USD 0.78 million. With a total cost of USD 30.22 million, OFID will co-finance the project with USD 5.35 million. Whilst the signing of the financing agreement with the BiH took place in December 2013, the signing of the Project Agreements with the two entities was just concluded in October 2015. With the signature of the Project Agreements most of the conditions precedent to withdrawal has been met and 2016 is the first year of implementation of the project.

The goal of the RBDP is rural poverty reduction by raising the target group's incomes and strengthening their resilience by building profitable farm and non-farm enterprises in Bosnia- Herzegovina. The development objective of the project is to help subsistence farmers transform to commercial farming and help in developing the non-farm enterprise sector for rural employment generation. The expected outcomes of the project include increased productivity and enterprise through strengthened business and advisory services; increased access to sustainable financial services and improved access to markets and business opportunities. The project is expected to directly benefit 20,000 rural households.

The project target group includes: smallholder farmers both men and women interested in commercial agriculture, Producer Associations and Agriculture Cooperatives and women and unemployed youth interested in non-farm wage employment or self-employment. The RBDP would include four components: (i) Rural Business Support (ii) Rural Business Investments (iii) Rural Market Infrastructure and (iv) Project Management. The components are expected to work in close integration and synergy for maximum impact on the targeted households.

The mid-term review (MTR) was held in October 2017. The project completion date is 31 March 2019 and closure is on 30 September 2019. The main recommendations of the MTR were to (i) improve the coordination amongst the project components whereby the PCU was advised to appoint an assistance coordinator (ii) Change the conditions of grants to FOs to finance 70% of total project costs up to a maximum of BAM 50,000 (iii) restrict RBDP co-financing of starter packages to 40% of total starter package costs and (iv) use partial reallocation from the credit line under component 2 for start packages, grants to farmers organisations and rural infrastructure development (in RS only) to ensure further disbursement of the loan

#### **The Mission Objectives and Terms of reference**

The supervision mission will travel to Bosnia from around 15 – 30 October, 2018 . The mission will review physical and financial progress, financial management, loan and grant administration, procurement and contracting processes as well as to provide necessary implementation support and guidance. The mission will be led by Mr. Mikael Kattu, the CPM for Bosnia and the team will be composed of Ms. Sigrid Giencke (Value Chain expert and Mission Leader) and will be assisted by Mr. Zeljko Vasko (procurement specialist), Chiara Romano (Gender and Targeting Officer) and Mr. Malek Sahli (finance Officer). More specifically the TORs of the mission members will be as follows:

Ms. Sigrid Giencke (Value Chain expert and team Leader), will:

- Coordinate the overall mission, ensure synergies of the works of the mission team members and provide guidance to them in light of the mission overall objective;
- Assess the implementation of the recommendation of the MTR mission and the following implementation support missions;
- Discuss implementation modalities, constraints and lessons learnt with stakeholders involved;
- With support by the team, assess the role played by the two entities to ensure the sustainability of successful activities;
- Assess the effectiveness of the Programme management structure, work organization and staff distribution, including the role of the Service Providers in FBiH and Technical Assistance Team (consultants) in RS and the linkages with other implementing agencies and departments;
- Review the infrastructure development component in RS and assess how the implemented rural infrastructure projects are selected for investment and how they are linked and strengthened the selected VCs.
- In consultation with the other team members assess the delivery of extension services to the farmers and collection of the produce from farmers and the transportation to storage locations
- Provide recommendations on how to improve implementation and, as needed, adjust activities and/or implementation arrangements for the remaining Programme period; and suggest amendment of the FA and reallocation of the loan proceeds (if needed)
- Lead the write-up of the Aide-mémoire and the Supervision Report .

Mr. Zeljko Vaško, Procurement Specialist will undertake the review of procurement. More precisely, he shall undertake the following tasks:

- Review the overall performance on procurement actions and systems of the Programme and implementing partners;
- Review and assess the procedures and processes applied for the procurement of goods, services and civil works, their adherence to IFAD guidelines and covenants, and performance in terms of efficiency and transparency; Identify the current risks arising from the material deficiencies and propose the practical recommendations for improving financial management and procurement functions needed to mitigate risk;
- Review some of the contract with the Business Leaders and in collaboration with the mission leader and the gender specialist assess how equitable these contracts are e.g. assess the detailed breakdown of costs of each item in the starter package are acceptable to the beneficiaries and were agreed in a transparent manner;
- Conduct procurement post-review;
- Support the Mission leader in the preparation of the project ratings;
- Contribute to the write-up of the Aide Mémoire and Supervision report; and
- Undertake any other relevant task as agreed with the Mission Leader. Note: Mr Zeljko Vasko will participate in two mission without coming back to home base; therefore his in- country days will be 15 Oct. – 15 Nov. but his cumulative contract days are 15 Oct. – 30 Nov (see also RCDP TORs).

Chiara Romano, Targeting and Gender Specialist, will:

- Review the project's overall poverty and gender focus and the effectiveness of the targeting approach; assess the performance of gender mainstreaming, particularly within BLs, FOs, and clusters;
- assess the targeting, gender and youth aspects of the Programme including implementation of the gender

and youth mainstreaming strategy, in particular: i) compliance with quota set in the design and top up design (participation of women and youth); ii) monitoring of the profile of participants to ensure that women and youth are equitably benefiting from the Programme; and iii) training of producer groups and extension staff on gender mainstreaming;

- closely with the Team Leader in reviewing the effectiveness of the M&E system, its impact assessment exercises, and its progress reporting, and review current knowledge management and sharing practices and activities.
- In collaboration with the concerned project staff and implementing partners identify implementation constraints and define a timetable of actions to address them.
- Contribute to the preparation of the supervision AM and prepare the related section on poverty, targeting and gender mainstreaming in the supervision report. Note: Ms Chiara Romano will participate in two mission without coming back to home base; therefore her in- country days will be 15 Oct. – 15 Nov. but her contract days are 14 Oct. – 20 Nov (see also RCDP TORs).

Mr. Moez Makhoul, Finance Specialist, will be responsible for: reviewing the projects' financial management and loan administration. Specific responsibilities will include:

- Review the status of IFAD grant disbursement, the Government's and national banks contributions and beneficiaries' contributions;
- Complete the Fiduciary Risk Assessment template and summary tables in the Project Supervision Fiduciary Risk Assessment – Data Sheet;
- identify risks arising from material deficiencies and propose practical recommendations for minimising fiduciary risk.
- Review the status of compliance with the covenants of the grant agreements;
- Work closely with the team leader, project staff and partners to identify implementation constraints and define a timetable of actions to address them;
- On the basis of the above, prepare contributions to the supervision Aide Memoire and mission report in accordance with the reporting guidelines

Ms Alisia Sansoni, M&E Specialist will:

- Assess the existing IRDP project M&E system; Support the mission members in gathering results data in the field to verify project physical achievements;
- Provide on the job training to the IPMU M&E officer;
- Conduct an assessment of the implementation of recommendations of the previous supervision and implementation support missions with regards to M&E, project planning and reporting;
- Review the project Logframe and in light of the new IFAD guidelines;
- Provide advice on required revisions in the M&E system, and modifications of the component and implementation arrangements;
- Provide inputs to the mission Aide Memoire; and Undertake any other related tasks as required by the CPM and Team leader.

### **Report Writing**

Under the overall coordination by the Team Leader, the mission members will prepare a Supervision Report consisting of main report, annexes and working papers in line with the new ORMS template.

### **MISSION SCHEDULE:**

The details will be communicated later as depending on Entity Government availability; however, the mission will travel to Sarajevo (Federation of Bosnia and Herzegovina), Banja Luka (Republika Srpska) and will carry out some field visits which will be documented in the relevant Supervision Report.



## List of people met

Date and Persons met	Location	Function
<b>Federation</b>		
<b>16<sup>th</sup> October 2018</b>	Sarajevo	
PCU team:		
Halil Omanović		Director PCU
Ana Dropulić		Business Development Officer
Aida Selimić		Targeting Officer
Mersija Selimović		M&E Officer, Rural Finance
Darija Šimunović		Interpreter
Ermina Kulovać		Procurement officer
Faris Hadžihajdić	Sarajevo	Regional Manager of MCO EKI
<b>17<sup>th</sup> October 2018</b>		
Mirosljub Krunic	Sarajevo	Assistant Minister, Ministry of Finance and Treasury
Bejta Ramović		Head of Department for International Projects
Siniša Obradović	Sarajevo	SERDA: Head of Regional Development Department
Rifet Džambegović		SERDA: Rural Infrastructure Officer
<b>18<sup>th</sup> October 2018</b>	Kalesija	
Mr Fahrudin Delibajric		Owner of the Agrona company, co-owner of Vocar promet, the chairman/president of the Agrocentar PA.
PA cooperants met:	Kalesija	
Avdo Dardagan		Farmer
Ismet Muratovic		Farmer
Selvira Muratovic		Farmer
Refija Muratovic		Farmer
Fatima Bukvic		Farmer
Rasema Muratovic		Farmer
Refija Muratovic		Farmer
Ahmed Hublic	Glumin	Director/technologist and co-owner of Vocar promet processing plant
<b>19<sup>th</sup> October 2018</b>		
Green market	Kupres	
Mr Milan Rastegorac		Mayor
Mr Ilija Barisic,		Assistant for urban planning
Mr Goran Dizdar		Assistant for economy
Mr Danko Juric,		Director of the Utility/Communal Services Company
Mr Smail Zilic,	Kupres	Owner of the dairy of Kupres Milch and the chairman/president of the PA of BiH Milch.
<b>Una Sana Canton,</b>		
Mr Nihad Hodzic	Srbijani	PA of Amanita/ (MP of the MAP and mushroom storage facility financed out of the project funds),
Mr Aldin Kuduzovic	Cazin	Director of Cooperative of Agrodar
<b>20<sup>th</sup> October 2018.</b>		
Mr Nermin Ramic	Bosanska Krupa	Udruženje poljoprivrednika/PA,
Mr Sulejman Memic		Chairman/president of Association of citizens for potable water/water users.
Women Association of Vakut	Jezerski	
Ms Suada Harcevic		Chairwoman/president
Green market	Bosanska Otoka	
Mr Elvir Kajtazovic		Chairman/president of PA
Mr Dzemail Causevic		Representative of the local community
Ms Sabaha Besic,	Bosanska Otoka	Agrodar's collection point (calibrator for gherkins)
Ms Esmira Dzebic	Bastra	Cooperant of Agrodar
<b>Republic of Srpska</b>		
<b>October 22, 2018</b>	Banja Luka	

Date and Persons met	Location	Function
Stevo Mirjanić,		Minister of Agriculture, Forestry and Waters
Boris Pašalic		Assistant Minister of Agriculture, Forestry and Waters
Gordana Praštalo		Ministry of Finance, Head of Foreign Debt Depart.
APCU Team:	Banja Luka	
Stefan Mitrović		APCU Director
Zoran Kovačević		RBDP Project manager
Violeta Lemić		Targeting officer
Nataša Kosić		M&E officer
Damir Pupovac		Rural Infrastructure officer
Sasa Stojaković		Procurement officer
<b>October, 23, 2018</b>		
Prole Žarko	Šipovo	Cooperative Agro-centar
Jović Dragan	Šipovo	Cooperative Agro-centar
Savičić Sveto	Šipovo	Cooperative Agro-centar
Milovac Dragana	Šipovo	Cooperative Agro-centar
Vujković Zoran	Šipovo	Cooperative Agro-centar
Džakić Dragana	Šipovo	Cooperative Agro-centar
Knežević Fabiola	Šipovo	Municipality Šipovo
Đukić Milana	Strojice	PA Janjski kajmak
Popović Rada	Strojice	PA Janjski kajmak
Turkić Vesna	Strojice	PA Janjski kajmak
Džakić Rada	Strojice	PA Janjski kajmak
Džakić Ilija	Strojice	LC Strojice
Kovačić Ostoja	Babići	Milk collection point Kovačić
Kovačić Branislav	Babići	PA Janj
<b>October, 24, 2018</b>		
Kuehne Factory	Kozarska Dubica	
Harald Feiling		Director
Milumir Blagojevic	Dubiza	Producer
<b>October, 25, 2018</b>		
Debriefing APCU	Banja Luka	
<b>October, 26, 2018</b>		
Debriefing PCU	Sarajevo	
<b>October, 29, 2018</b>		
Wrap up Meeting	Sarajevo	Ministry of Finance and Treasury