

Bosnia and Herzegovina

Rural Competitiveness Development Programme

Supervision Report

Main report and appendices

Mission Dates: 01/11/2018 - 15/11/2018

Document Date: 31/01/2019

Project No. 1100001728

Report No. 4974-BA

Near East, North Africa and Europe Division
Programme Management Department

Abbreviations and Acronyms

APCU	Agricultural Project Coordination Unit
AWPB	Annual Work Plan and Budget
BAC	Business Plan Assessment Committee
BiH	Bosnia and Herzegovina
BP	Business Plan
FBiH	Federation of Bosnia and Herzegovina
FO	Farmer Organisation
IFAD	International Fund for Agricultural Development
MTR	Mid-Term Review
PDR	Project Design Report
PIM	Programme Implementation Manual
PCU	Project Coordination Unit
RBDP	Rural Business Development Project
RCDP	Rural Competitiveness Development Project
RS	Republika Srpska
WB	World Bank
WP	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 Competitiveness Development Programme	Climate Risk Classification:	3
Project Id:	1100001728	Executing Institution:	Ministry of Agriculture, Water Management and Forestry
Project Type:	Rural Development	Implementing Institutions:	Ministry of Agriculture, Water Management and Forestry
CPM:	Mikael Kauttu		
Project Director:	not available yet		
Project Area:	not available yet		

Approval Date	12/12/2015	Last audit receipt	not available yet
Signing Date	23/03/2016	Date of Last SIS Mission	15/11/2018
Entry into Force Date	16/03/2017	Number of SIS Missions	1
Available for Disbursement Date	31/10/2017	Number of extensions	0
First Disbursement Date	03/11/2017	Effectiveness lag	15 months
MTR Date	not available yet		
Original Completion Date	31/03/2022		
Current Completion Date	31/03/2022		
Financial Closure	not available yet		

Project total financing

IFAD Financing breakdown	IFAD: KfW loan	\$12,250,000
	Near East, North Africa and Europe Division	\$500,000
Domestic Financing breakdown	Beneficiaries	\$1,560,000
	Private sector local	\$29,720,000
	National Government	\$4,670,000
Co-financing breakdown,	To be determined	\$12,750,000
Project total financing		\$61,450,000

Current Mission

Mission Dates:	01/11/2018 - 15/11/2018
Days in the field:	5
Mission composition:	Mr Mikael Kauttu (Country Programme Manager, IFAD and Mission Leader), Mr Swandip Sinha (Rural Development Specialist, Team Leader); Ms Chiara Romano (Gender, Youth and Targeting Specialist); Mr Zeljko Vasko (Procurement and M&E specialist) and Mr Moez Makhoulouf (Financial Management Specialist)
Field sites visited:	Municipalities of Bihac, Cazin, Sanski Most, Zvornik, Osmaci, Gracanica, Stanari

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

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

Sustainability and Scaling-up	4	Financial Management and Execution	4
Institutions and Policy Engagement	N/A	Acceptable Disbursement Rate	3
Partnership-building	4	Quality of Financial Management	4
Human and Social Capital and Empowerment	5	Quality and Timeliness of Audit	
Quality of Beneficiary Participation	4	Counterparts Funds	3
Responsiveness of Service Providers	4	Compliance with Loan Covenants	5
Environment and Natural Resource Management	4	Procurement	4
Exit Strategy	4		
Potential for Scaling-up	4		

Relevance

C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

1. An IFAD mission carried out the first annual supervision of the Rural Competitiveness Development Programme (RCDP) from 01-15 November 2018. The purpose of the mission was to review the implementation progress of the various components and to assess the performance of the implementation partners. The mission also reviewed the performance of the programme on financial management, procurement, monitoring and targeting aspects.
2. RCDP's rationale is to respond to the needs of smallholders, specifically poor, women and youth and 'non-commercial' farmers by improving their (a) access to more integrated forms of production and marketing in order to become more competitive and reach a viable commercial scale; (b) participation in organized decision making processes to become more active stakeholders in local economic development; and (c) inclusion, through their organizations, into sustainable economic development opportunities. RCDP became effective on 16 March 2017. It is a 10 years programme to be implemented in two cycles of five years each and is expected to reach 16,000 beneficiaries over the 10 years. The first cycle of the programme is financed by an IFAD loan of EUR 11.12 million and IFAD grant of EUR 0.47 million. A Project Coordination Unit (PCU) located in Sarajevo manages RCDP in the Federation of Bosnia and Herzegovina (FBiH) and the Agricultural Project Coordination Unit (APCU) in Banja Luka manages the programme in Republika Srpska (RS).
3. The Mission visited seven municipalities (Bihac, Cazin, Sanski Most, Zvornik, Osmaci, Gracanica, Stanari) and held discussions with representatives from eight business leaders comprising private companies, cooperatives and producers' associations. It also met potential beneficiaries in the communities. The mission had discussions with staff members at the PCU and APCU, cluster facilitators, agricultural officers and service providers involved in programme implementation. The mission organised wrap up meetings with the PCU on 13 November 2018 and with the APCU on 9 November 2018. A federal level wrap-up meeting was organised with representatives of the Ministry of Finance in Sarajevo on 14 November 2018.

Key Mission Agreements and Conclusions

1. RCDP has an innovative and ambitious design. It aims to form cluster level platforms for value chain (VC) development. Simultaneously, it aims to connect poor smallholder producers to improved/export markets through business leaders based on business plan (BP) approach. Although the programme concept and implementation approach are new to the project units and the stakeholders, both the project units have grasped the concept and rallied the stakeholders towards the development and implementation of pro-poor BPs.
2. **Development of clusters stakeholder platforms:** The PCU and the APCU have identified and validated 12 geographical clusters, five in FBiH and seven in RS. The project units have also mobilized Cluster Stakeholder Platforms (CSP) in each cluster for supporting VC development in their territories. The stakeholders have developed an interest in participating in the BP approach and are ready to involve poor people as beneficiaries. A positive environment for BP development and implementation has developed. Nevertheless, there is scope for further consultation and involvement of youth lead enterprises and financial institutions in the cluster platforms.
3. **Development of business plans:** Both project units have succeeded in generating strong interest amongst the business leaders in the BP approach. About 23 business plans (FBiH and RS together) are expected in 2018 leading to 3,000-4,000 target households getting access to starter packages. The business leaders are mainly export-oriented private companies and cooperatives involved in exporting gherkins, soft fruits and MAPs to buyers in countries such as Italy, Germany and Croatia. The linkage between these leaders and the poor target households will connect the latter to the export markets. The focus on labour intensive crops such as gherkins and the limitation of starter package support to the cultivation of 1-0.2 Ha land area is expected to promote the self-selection of poor households.

Areas of concern: Since the RCDP concept is new to the stakeholders the preparatory steps for sensitizing and engaging them was time-consuming but did not cost much. As a result, the financial progress of the programme has been very slow. As at 30 September 2018, the total disbursement of the IFAD loan and the grant is 16% in FBiH and 10% in RS. There is an urgent need to accelerate the pace of implementation in 2019. The main points of agreement in this direction are as follows;

D. Overview and Project Progress

Component 1: Enabling environment for inclusive subsector development

PART A: Federation of Bosnia and Herzegovina

1. Preparatory activities have been carried out in line with the AWPB. Five geographic clusters were pre-identified in the design. The PCU, with the help of SERDA (service provider), has validated the selection of these clusters based on economic potential and opportunities for VC development within these areas.
2. Stakeholder information workshops were conducted between February and April 2018 to sensitize and inform all actors about the goals, objectives and opportunities of the programme. Five stakeholder platform workshops were organized in June 2018 which led to the formalisation of the five clusters involving 60 municipalities by signing MoUs between the municipalities in each cluster and the PCU. A total of five CSPs were established (June 2018) through these workshops and clear roles and responsibilities were defined, including chairman and sub-sector leaders. A register of VC actors in each cluster level has been established. Currently, it lists 250 entities mainly private companies, cooperatives and PAs. Key stakeholders met by the mission (PAs, cooperatives and private companies) were aware and interested in the expected opportunities and benefits from participating in the stakeholders' These were expressed as space for discussing trade-related issues, market regulation issues; quality standards issues and issues related to subsidies, market access and financial resources.
3. SERDA currently operates as the secretariat of each platform and is responsible for convening meetings and maintaining cluster related records. The PCU should guide the CSP development activities in a manner that the stakeholders themselves take full responsibility of CSP leadership/operations and facilitates SERDA's exit from operational involvement within two years. The PCU should consider the capacity building of the CSPs in this direction.
4. At present, the CSPs include only the essential stakeholders for operationalising the BPs. However, some relevant actors are currently not actively participating and/or taking any direct role in the clusters' platforms. The PCU should ensure that women's led PAs, youth, including young entrepreneurs in the agribusiness sectors and also financial institutions (Banks and MFIs) are represented in the CSPs. Opportunities for youth employment (on-farm, off-farm and entrepreneurship development) should be discussed at cluster platform meetings leading to the identification of concrete activities for youth inclusion.

PART B: Republika Srpska

1. The APCU has initiated activities to create awareness among stakeholders on the opportunities provided by RCDP. Clusters have been identified and validated. They comprise seven geographic clusters and a total of 54 municipalities. Sensitization workshops were organized in all the clusters and seven stakeholder forums have been set up. These workshops included a specific segment devoted to targeting and criteria for selection (poverty levels) of beneficiaries.
2. The cluster stakeholders' forums have been the first step to create platforms for facilitating discussion between cluster level stakeholders on subsectors issues. It has also led to the development of three subsector forums. The cluster stakeholders' forums include representatives from private companies, cooperatives, PAs municipalities and extension service department. The forums have initially focused on issues about BP preparation. The field visits confirmed the commercial orientation and the BP preparation as the main topic of interest for discussion at this stage. Also, there is interest in exploring win-win opportunities for partnership between municipalities (public), private companies, cooperatives, PAs and farmers (private) through dialogue, discussion, planning in a cluster platform.
3. The APCU should continue using the forum at cluster and sub-sector levels to promote discussions on other topics of interests beyond BP preparation for starter packages. The findings/recommendations emerging from these discussions should be consolidated according to major topics and can be referred to as Common Policy Agendas (CPAs). The CPAs should reflect the challenges, opportunities, recommendations and proposed actions. A strategy for a more formal set up of the platforms is also needed.

Component 2: Sustainable inclusion of smallholders in successful value chains

PART A: Federation of Bosnia and Herzegovina

1. **Development of business plans:** The implementation of this component began with technical assistance from IFAD in December 2017 for the development of the BP manual and training of PCU staff on the manual. The PCU simplified the manual internally to suit the context of the local businesses. The PCU also conducted training workshops on BP development for SERDA and the five cluster coordinators. These were followed by five cluster level BP development workshops (one per cluster) where 117 business leaders were trained on the BP approach and invited to submit BP proposals. The PCU received BP proposals from 37 business leaders of which 21 submitted full BPs. Four of the business leaders hired the services of local development agencies to help with BP development.
2. **Evaluation and selection of BPs:** To select eligible BPs the PCU appointed an evaluation committee comprising 4 persons with experience in value chain development and international donor projects. Out of the 21 BPs assessed by the evaluation committee, 11 were selected, 8 were returned with request for improvement and 2 were rejected.
3. **Details of signed BPs:** The PCU has signed agreements with nine out of the 11 selected business leaders. The characteristics of these nine BPs are summarised below;

Nature of leader	4 private companies and 5 cooperatives
Location	5 in Una Sana canton; 3 in Tuzla canton; 1 in Herzegovina
Crops	7 involved in gherkins production; 2 involved in medicinal plants cultivation

1. In 2019 the nine selected business leaders together are expected to sign contracts for buying the produce from 1,530 target households. More than 90% of these households will be newcomers to the value chain cultivating between 1-0.2 ha. Eligible households can access starter packages valued at KM 2.3 million of which RCDP contribution will be KM 0.92 million. Additionally, the BPs foresee an investment of around KM 0.5 million in machinery and equipment, KM 0.3 million in marketing infrastructure and KM 0.1 million in institutional strengthening. In October 2018 SERDA started the second round of BP workshops attended by 21 new business leaders. The PCU expects to sign agreements with four more leaders in 2018 which will take the total number of supported BPs to 13 by December 2018.

PART B: Republika Srpska

1. **Development of business plans:** The APCU also received the technical assistance from IFAD in December 2017 for the development of the business planning manual. The manual was translated Based on it the APCU conducted training workshops on BP development for ArgoNet (service provider) and representatives of the seven agricultural extension offices in the programme area. These were followed by BP development workshops in the different clusters business leaders were trained on the BP approach and invited to submit BP proposals. The APCU received BP proposals from 39 business leaders who were also invited to submit BPs.
2. **Evaluation and selection of BPs:** To select the eligible BPs the APCU appointed a 4 person evaluation committee headed by the programme manager. The submitted BPs are reviewed by ArgoNet, the agricultural extension offices, and finally by the evaluation committee. The evaluation committee also evaluates BP presentations by the business leaders at the cluster level. The APCU has already signed the contract and delivered 16 starter packages to one business leader for strawberry production. It expects to sign a total of around 10 agreements by the end of 2018. Of these, it has so far received BPs from 3 business leaders (one agreement signed) and 7 more BPs are in preparation.
3. **Details of signed BPs:** The characteristics of the ten BPs expected to be supported by the APCU by December 2018, are as follows;

Nature of leader	7 private companies; 2 cooperatives; 1 PA
Crops	Strawberry - 3; gherkins – 4; organic raspberry -1; herbs – 1; plums – 1;

1. In 2019 the ten business leaders together are expected to sign contracts for buying the produce from at least 1,700 target households. These households can access starter packages valued at KM 3.4 million of which RCDP contribution will be KM 1.2 million. Additionally, the BPs foresee an investment of around KM 1.2 million in machinery and equipment and marketing infrastructure.

Main issues

1. **Starter package:** Since the design stipulates that starter packages should be directed only to first-time producers there is a lack of clarity on whether the same target households can receive starter package support more than once. It was noted that the income of the beneficiaries from starter package assistance in year 1 alone is sometimes not enough to meet all the investment costs for crop production in the future years. Access to starter packages in year 2 and 3 can help them to gradually bridge this gap and meet all investment costs from their own resources after around 3 years. Considering this situation, the modalities of the starter packages should be examined further at MTR based on the lessons learned till then.
2. There were some observations from business leaders stating that the size of the starter packages limits the adoption technologies such as greenhouse production, hail protection nets and fencing that are needed in some business plans. Based on the implementation experiences in 2019 this issue also needs to be explored further at MTR.
3. **Involvement of PAs:** Several PAs have expressed interest in becoming business leaders. Also, some of the leaders with approved BPs have organised farmers into PAs. However, the commercial scope of PAs is limited by law and there is a lack of clarity on how to involve these PAs as business leaders. This is because in the current BP approach the business leaders are required to execute contracts with beneficiaries for buying the produce obtained from the starter packages and then selling the produce in the market for profit. This type of profitable trading activity is beyond the scope of the PAs. However, PAs can provide services and facilitate market linkages of the members.
4. In 2019, the programme will pilot new modalities for promoting PAs involvement in the BP approach. First, it will select strong model PAs with sound business ideas pre-assessed by the BP selection committee. These PAs will be accommodated in the BP approach in two ways; by (i) graduating the PAs to member-based cooperatives

which are allowed to undertake profitable commercial activities; (ii) allowing PA member households assisted by starter packages to market their produce individually or in groups to improved markets (stores, hotels/spas, market stalls, etc.) instead of selling through the PA. To be eligible these BPs must articulate how the PA and the programme will ensure that the beneficiaries have i) linkages to improved markets ii) access to improved crop production inputs, and iii) receipt of extension and advisory services.

5. **Involvement of cooperatives:** The programme has been able to identify some cooperatives as business leaders, e.g. Agrisan in Sanski Most and Gracanica cooperative in Gracanica, where smallholder farmers selling their produce to the cooperative are registered as members and have benefits such as lower input prices, longer credit periods and access to subsidies through the cooperative. The programme should consider developing these partners as model cooperatives that can encourage other cooperatives (e.g. graduating PAs) to establish along similar lines. To facilitate the process of developing model cooperatives the programme can i) facilitate study trips to member-based cooperatives in other countries and also ii) upgrade the current business plan of these cooperatives to reflect areas of support needed by these entities to serve as model cooperatives. Cooperative selected by the programme as partnering business leaders must include all beneficiaries supported by starter packages as members.
6. **Incentives for SMEs:** Some of the private companies have expressed disappointment related to the low level of direct incentive to them from the programme. The programme currently supports these entities with a 20% contribution to training and capacity building costs including extension services, organisational strengthening, market development and certification costs. However, private companies are of the opinion that the risk of dealing with first-time commercial farmers producing crops in small plots of land is very high and can be difficult to sustain without additional incentives. They also argue that expanding their outreach to the farmers will require additional investment to upgrade their machinery and equipment capacities. The companies are of the opinion that forcing them to access machinery and equipment support through a partnership with PAs and cooperatives can lead to artificial and unsustainable linkages.
7. The commitment of the private companies to develop immediate linkages to the beneficiaries irrespective of the benefits from the programme indicates their faith and commitment to the business plan approach. The MTR can consider direct support to such companies to increase their physical capacities based on achievement of performance targets set in the business plans differentiated for different categories of companies, small, medium and large.
8. **Climate change resilient investments:** The design aims to facilitate the target groups' access to technologies that can support the adaptation to climate-change at the farm level. Both the project units have well recognised this issue. An examination of the BPs showed that these have seriously considered the consequences of climate change and have planned relevant investments in technologies such as micro-irrigation anti-hail nets, greenhouses, production of medical herbs on plantations etc. The RCDP design allows 20% top up to enable the adoption of these technologies. The project units can use the list of potential climate mitigation technologies presented in Annex 2 as a guide to select the investments which qualify for the 20% top-up. Based on this list, Smrcak, which is one of the selected business leaders in RS for organic berry production, is eligible for the top up.

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Component 1: Enabling environment for inclusive subsector development Develop the capacity of the clusters to take full responsibility of the CSP leadership/operations and facilitate SERDAs direct operational involvement within two years.	PCU in coordination with service provider	12/2018
Component 2: Successful inclusion of smallholders in value chains <ul style="list-style-type: none"> • Allow access to starter packages by the same household for more than one year subject to the conditions (refer text). • Encourage cooperatives selected as business leaders to include as members all beneficiaries supported by starter packages. • Facilitate study trips and adjust the BPs of cooperatives with member-owners to help them to emerge as model cooperatives. 	PCU and APCU	12/2018
Component 2: Successful inclusion of smallholders in value chains Consider the BP of the company Smrcak, for organic berry production, as eligible for the 20% top-up for investment in climate resilient technologies.	APCU	12/2018
Component 1: Enabling environment for inclusive subsector development <ul style="list-style-type: none"> • Identify concrete activities for youth inclusion/employment through the representation of young agribusiness entrepreneurs in the CSPs. • Include representation from financial institutions in the CSPs and promote the participation of financial institutions in the implementation of the BPs where relevant. • Consolidate the recommendations emerging from the discussions in each platform according to major topics/agendas. 	PCU and APCU with service provider	03/2019

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness

Rating: 4

Justification of rating

RCDP is an ambitious programme which aims to develop strong stakeholder platforms and simultaneously develop VC linkages between exporters and poor farmers. The concept is new to the project units and the stakeholders. The project units spent time grasping the concept before involving and developing the understanding of the programme amongst the different stakeholders. Although the process took time it has put the implementation of the project on the right track. All the stakeholders support the starter package intervention, understand their roles in its implementation and are committed to linking poor farmers to the business leaders. The development of pro-poor BPs have started focusing on pro-poor crops. Promising results are expected in the first half of the next year.

Log-Frame Analysis & Main Issues of Effectiveness

1. The project became effective 18 months ago, a start-up workshop was held 13 months ago. However, the physical and financial progress has not matched plans in the AWPB. The PCU has so far spent 16% of its total budget and the APCU has spent 10% of its total budget. This is because RCDP has an innovative design based on the development of platforms, clusters and implementation of individual business plans, while targeting vulnerable group of beneficiaries. This is a new approach for the project teams and the stakeholders. The project units had to spend a long time to grasp the concept and develop the interest of the stakeholders in a uniform manner. The quality of the implementation has been good and has developed support for the business plan approach and the inclusion of poor households in the VCs.
2. Both project units contracted the service provider who held a series of informative meetings and workshops for the preparation of business plans (5 in FBIH and 6 in RS). The manual and a template for business plans were adopted. A total of 76 concept notes were received from business leaders indicating their strong interest in the project. A total of 23 business plans are expected to qualify for project support by the end of 2018 which will deliver promising results in the first half of the 2019.
3. Since most of the activities were concentrated on mobilising the stakeholders and developing an unified vision for the implementation of the BP approach, the actual outreach to beneficiaries has been limited in terms of linkages between poor households and business leaders. Most of the outreach to the poor households has been in the form of their participation in promotion workshops and training. However, this is expected to improve as the 23 business plans signed by the end of this year will support the linkage of 3000-4000 poor households to the business leaders in 2019. Therefore, the contribution of the programme to rural poverty reduction will be more visible in 2019. The provision for additional revenue and new job created has been made in the business plans and are expected to be realised next year. The business plan have also factored to delivery of agronomic services to the poor households through the agronomic staff of the business leaders.
4. During the current year one of the constraints for faster implementation is the fact that (mostly) the same project team, including the field coordinators, simultaneously coordinate implementation of two IFAD projects (RBDP and RCDP). However, the RBDP is scheduled for closure in March 2019 which will allow the staff to devote more time to RCDP and will result in improved results.

Development Focus

Targeting and Outreach

Rating: 5

Justification of rating

Geographic targeting has been defined according to the number of clusters and municipalities involved. These are 5 clusters and 60 municipalities for FBIH and 7 clusters and 54 municipalities for RS. Criteria for geographic selection has considered characteristics in terms of socio-economic (including poverty) and institutional potential. The activities so far have reached out to beneficiaries through awareness creation and mobilisation to inform about the goals, objectives and opportunities provided by RCDP. Use of multiple means, including public calls and local media have ensured a wide spread of information concerning the project, while the direct work of extension service personnel, PAs, COOPs have enabled a more direct outreach of eligible farmers.

Main issues

Targeting and selection of beneficiaries: The targeting strategy has been elaborated, including drawing lessons from previous IFAD funded interventions (RBDP and RLDP). The income thresholds for eligibility of beneficiaries have been set as the monthly income per household member on the basis of which categorization was made into three groups: very poor (below 200 KM per household member) poor (201-400 KM per household member) and borderline poor (401-500 KM

per household member). Categorization per income per household member is valid for all selected subsectors and has been used to assess the eligibility of beneficiaries for inclusion in the submitted business plans (BP). According to the strategy, eligibility of the beneficiaries will be assessed by checking their economic and social status using a short questionnaire.

As of supervision mission the questionnaire was prepared and distributed. The mission noticed that criteria based on poverty levels are coupled with further criteria applicable to land size for selected plant production as following: very poor: Berries/gherkins up to 0.2 ha; Greenhouse up to 300 m²; open field up to 0.5 ha; tree fruit up to 0.5 ha; poor: Berries/gherkins 0.2 - 0.5 ha; Greenhouse 300 m² - 800 m²; Open field 0.5 ha - 1 ha; Tree fruit 0.5 ha - 1 ha; borderline poor: Berries/gherkins 0.5 – 1 ha; Greenhouse 800 m² – 1500 m²; Open field 1 ha – 3 ha; Tree fruit 1 ha – 3 ha.

1. The process for beneficiaries' selection, have been explained to involved stakeholders (both in RS and FBIH) during the initial phase. sessions on target groups identification and selection of poor beneficiaries have taken place during cluster stakeholder platforms workshops and forums. Implementing partners (municipalities/service providers) are in the process of identification of eligible beneficiaries for direct targeted support (starter package) as part of the business plans (BP). It is expected that about 23 business plans (FBIH and RS) are mobilised in 2018 and 3,000-4,000 target households will access starter packages.
2. The mission observed that the key elements and principles of the targeting strategy, showing a clear poverty focus, have been elaborated by both APCU and PCU so to provide the necessary guidelines to implementing partners at this preparatory stage. Youth as target group requires specific attention. There has not been any specific action directed to active participation of youth. Young entrepreneurs in the agriculture sector are present in the geographical clusters and they can play an active role in the cluster stakeholders platforms/forums, including as youth "champions". Those young entrepreneurs could be leaders (solution oriented leaders/models) in the platforms to engaged in key discussions for what concern youth opportunities in agriculture and provide support for the identification of solutions and actions to enable participation of youth in different nodes of the value chains: on farm, off farm and also agribusiness.
3. These young entrepreneurs should be included in the cluster platforms and assigned specific topics of discussion leading for youth inclusion. The project units should prepare a youth action plan. An indicative matrix for integration of youth into component 1 is presented as annex.

Gender equality & women's participation

Rating: 4

Justification of rating

In September 2018 the Institute of Economics in Sarajevo (IES) carried out a Gender and Youth diagnostic study in FBIH. The study should set the basis for defining the gender and youth strategy and action plan. As of supervision mission only the poverty criteria for the identification of beneficiaries were defined and presented to the stakeholder platform workshops. The study confirms that RBDP selected value chains and proposed activities are in line with potential opportunities for women. It is now of paramount importance that a gender strategy is prepared by APCU and PCU based on the findings of the study (in the case of PCU) and taking into account clear objectives for gender equality and women empowerment

Main issues

It is noted that presence of women in the production of the selected commodities is high (up to 60%) and they are likely to benefit from the proposed activities for starter packages and other services (machineries and technologies useful for reducing their workload as well as technical trainings). This is also sustained by the incentive measured adopted by the project that provide an extra support to women (top-up of 10%). Nevertheless, the mission could not assess presence of women (representatives from women's led PAS, for example) in the Clusters Stakeholder Platforms' as representatives at this stage. It is recommended that the project takes direct action to identify women's leaders, especially from interested PAs (including women's leaders trained under RBDP) and assess their willingness and readiness to be actively part of forum/stakeholders platforms. The project units should take extra effort to identify constraints that could limit their presence/leadership and adopt appropriate measures to ensure that they are enabled to fulfil this leading role. The proposed actions should lead to strengthening women's decision-making role in community affairs and representation in local institutions.

The programme is expected to actively support Cooperatives/PAs willing to pro-actively engage in cluster platform level. As part of the specific activities planned to ensure the organizational strengthening of producers' associations and cooperatives, it is recommended that direct support is provided to ensure inclusiveness and empowerment of women and their active participation in PAs and cooperatives' decision-making process. This should be reflected by their (increased) presence as members as well as leaders not only in Cooperatives and PAs but also as representatives in the Cluster Stakeholders' Platforms/forums.

The project units should prepare a gender strategy and action plan including clear objectives and activities for gender equality and women empowerment. These will assist to: (a) expand women's economic empowerment; (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. The gender related activities are not supposed to be a set of stand alone activities but integrated into the components. A matrix for integration of gender into component 1 is presented as an annex to this report.

Agricultural Productivity

Rating: 4

Justification of rating

RCDP supports poor households to produce export quality agricultural output and connect to the export market through business leaders. Investments will increase agricultural productivity by (i) utilising idle land, (ii) generating higher yields through improved technologies (equipment, improved breeds and seeds) and (iii) shifts from low value field crops to high value crops. Exporters will ensure that the inputs (planting material, fertiliser, etc) in the starter package and agronomic advice provided to the farmers help to achieve export quality production. The production of export quality gherkins can generate revenue of 3,000 to 4,000 BAM from 1 donum which earlier was either fallow or used for vegetable production for home consumption.

Nutrition

Rating: N/A

Adaptation to Climate Change

Rating: 4

Justification of rating

Climate change has been adequately addressed in the project design. The business plans prepared by the business leaders have recognised the climate risks and have considered the importance of climate resilient investments. Implementation of the envisaged measures will follow with the implementation of the business plans.

Main issues

In BiH, climate change is manifested in frequent droughts, floods and the appearance of the hail and late frosts. In the last ten years there have been several years with extreme drought (2012; 2013; 2015; 2017). Extreme rainfall, floods (2010; 2014), hail and frost are appearing more frequently. Therefore, agricultural production is increasingly exposed to the effects of climate change, and adaptation measures to new climatic conditions and mitigation of negative consequences have become inevitable.

In the original project design, it is foreseen that the project will facilitate access to technologies and strengthening of capacities to adapt to climate-change at small-farm level, for example, promoting technologies for efficient irrigation and efficient use of energy sources, promoting equipment and technologies to reduce weather-related vulnerabilities at small farms level, introduce eco-labels to market local products and promote organic production.

An examination of the BPs showed that these have seriously considered the consequences of climate change and have planned relevant investments in technologies such as micro-irrigation anti-hail nets, greenhouses, production of medical herbs on plantations etc. The RCDP design allows 20% top up to enable the adoption of these technologies. The project units can use the list of potential climate mitigation technologies presented in Annex 2 as a guide to select the investments which qualify for the 20% top-up.

Also, the project design envisages trainings through which technological and other solutions for mitigating the consequences of climate change and these will be delivered during the implementation of the business plans.

b. Sustainability and Scaling up

Institutions and Policy Engagement

Rating: N/A

Partnership-building

Rating: 4

Justification of rating

The project units have generated a strong interest amongst business leaders (companies, coops and PAs) to partners with RCDP. More than 75 concept notes were received and 23 BPs will be signed in the current year. Partnerships with member-based cooperatives are very promising. Similarly, the project units have successfully developed the interest of the municipalities to participate as co-finance partners for the implementation of the business plans. The stakeholder platforms have strengthened participation and promoted dialogue between the project partners. However, partnerships with financial institutions is lacking. Also, PAs are not sufficiently represented as business leaders in the current set of approved business plans.

Main issues

Several PAs have expressed interest in becoming business leaders. Also, some of the leaders with approved BPs have organised farmers into PAs. However, the commercial scope of PAs is limited by law and there is a lack of clarity on how to involve these PAs as business leaders. This is because in the current BP approach the business leaders are required to execute contracts with beneficiaries for buying the produce obtained from the starter packages and then selling the produce in the market for profit. This type of profitable trading activity is beyond the scope of the PAs. However, PAs can provide services and facilitate market linkages of the members.

In 2019, the programme will pilot new modalities for promoting PAs involvement in the BP approach. First, it will select strong model PAs with sound business ideas pre-assessed by the BP selection committee. These PAs will be accommodated in the BP approach in two ways; by (i) graduating the PAs to member-based cooperatives which are allowed to undertake profitable commercial activities; (ii) allowing PA member households assisted by starter packages to market their produce individually or in groups to improved markets (stores, hotels/spas, market stalls, etc.) instead of selling through the PA. In order to be eligible these BPs must articulate how the PA and the programme will ensure that the beneficiaries have i) linkages to improved markets ii) access to improved crop production inputs, and iii) receipt of extension and advisory services.

Previous experiences of IFAD projects have shown that cooperatives in the country are often owned by a small group of individuals and owners. Smallholder farmers termed as 'cooperants' often sell their produce to these cooperatives. But, these smallholders are not members and do not have member benefits. Against this backdrop the programme has been able to identify some cooperatives as business leaders, e.g. Agrisan in Sanski Most and Gracanica cooperative in Gracanica, where smallholder farmers selling their produce to the cooperative are registered as members and have benefits such as cheaper input prices, longer credit periods and access to subsidies through the cooperative. The programme should consider developing these partners as model cooperatives that can encourage other cooperatives (e.g. graduating PAs) to establish along similar lines. To facilitate the process of developing model cooperatives the programme can i) facilitate study trips to member-based cooperatives in other countries and also ii) upgrade the current business plan of these cooperatives to reflect areas of support needed by these entities to serve as model cooperatives. Cooperative selected by the programme as partnering business leaders must include all beneficiaries supported by starter packages as members.

Human and Social Capital and Empowerment

Rating: 5

Justification of rating

The development of Business Plans has been conducted taking into account a poverty focus and social inclusiveness principles. The local communities have been involved in developing awareness about the project, its modalities and its benefits. The Project teams and implementing partners have provided active coaching and clear guidance to stakeholder involved. Beneficiaries and their representing entities (Cooperatives/PAs) through implementation of Business Plans, will be able to acquire technical knowledge and build their capacity through trainings.

Quality of Beneficiary Participation

Rating: 4

Justification of rating

Overall beneficiaries' participation is found in the cluster forum/platforms as expected. Beneficiaries are aware of the opportunities provided by RCDP and clear on the modalities of collaboration (i.e. Business Plans). Implementing Partners have properly conducted information campaigns and awareness creation to ensure beneficiaries participation. Farmers are represented by Cooperatives/PAs leaders and the vertical flow of information and representation is in place. Beneficiaries are informed and willing to participate in the intervention: it is expected that about 23 business plans (FBIH and RS together) will be implemented in 2018 ensuring direct participation of 3,000-4,000 target poor households (starter packages).

Main issues

The mission identified concern for participation of women and youth at this stage of the project preparation. Recommendations have been formulated and are reported under the targeting and gender sections of this Supervision Report.

Responsiveness of Service Providers

Rating: 4

Justification of rating

In the FBIH, SERDA (service provider) has played a key role in the development of the stakeholder platforms, developing the interest of the stakeholder in the BP approach and the formulation of the BPs. In the RS, ArgoNet (service provider) has supported the APCU in the same way. These service providers are expected to deliver training and capacity building support to the value chain partners during upcoming business plan implementation. In the RS, the APCU maintains a strong partnership with the Agricultural Extension Services Department (AESD) which actively supported the preparatory

activities and the development of the BPs. The PCU has hired field coordinators to support project implementation at the cluster level but the variability in their performance can improve.

Environment and Natural Resource Management

Rating: 4

Justification of rating

Environmental issues are considered in the preparation of the individual business plans and investment in relevant technologies has been included e.g. micro irrigation, greenhouse, organic inputs. Thus, the implementation of the BPs will meet requirements of the environmental legislation of Bosnia and Herzegovina. The programme is expected to generate positive environmental benefits. International food safety and export standards and certification procedures as well as starter packages with production inputs oriented to strict EU regulations will create awareness and encourage smallholder farmers participating in Project activities.

Main issues

Based on the relatively minor negative impacts of the targeted economic activities on the environment, the RCDP has been classified for the purposes of environmental scrutiny as project in category B. To ensure environmental and social safeguards compliance, in PDR it was anticipated that environmental and Social Management Plans (ESMPs) will be developed and monitored for the main marketing facilities, and for each of the value chain. Generally, the intention is to give particular attention to support climate change resilience, and favouring environmentally friendly technologies such as good agricultural practice.

Environmental issues are systematically and comprehensively addressed in the Business Plan Preparation Manual which is available to all potential applicants. The environmental analysis is part of the situation analysis, the environmental conservations strategy is part of strategic plan and the environmental protection safeguards is the part of operations plan. The business plan preparation methodology was presented to interested stakeholders at the workshops held by the service providers (SERDA in the FBiH and ArgoNet in the RS). Thus, environmental protection issues are adequately addressed in the BPs from methodological point.

One of the criteria for assessing a business plan in FBiH is the environmental impact and climate change vulnerability. Business plans must pass the assessment to be selected. Although the approved BPs contain an assessment of the impact of proposed projects on the environment this assessment is sometimes not very comprehensive. This is understandable, as environmental protection issues still do not have high priority in BiH and are not strongly emphasized in other programs. Technical assistance is recommended (a competent national or international consultant) to draft a guide for evaluating the environmental impact of the project (implemented through business plans), with a focus on value chains.

Exit Strategy

Rating: 4

Justification of rating

The forecasted growth in the export demand of pro-poor crops such as gherkins, MAPs and fruits will continue to provide the opportunity for linkage between smallholder farmers and business leaders even after the project. It will stimulate the continuation of the linkages between the project beneficiaries and the business leaders (companies and FOs). The development and maturity of the stakeholder platforms will also directly support the linkage between the farmers and the business leaders in the future. However, the participation of financial institutions is required in order to ensure availability of financing for the different value chain actors after RCDP exit.

Potential for Scaling-up

Rating: 4

Justification of rating

There is growing interest amongst business leaders to participate in the business plan approach. This is evidenced by the strong response to the second cycle of BP workshops initiated by SERDA in FBiH. Additionally, the upcoming IFAD project READP, also follows the value chain approach and will further support the scaling up of the achievements of the RCDP phase 1.

c. Project Management

Quality of Project Management

Rating: 4

Justification of rating

In both FBiH and RS the PSCs are active and have met several times in the last year. The PCU and the APCU are fully established with all the staff. The AESD assists the APCU in the field implementation of RCDP at the cluster level. The PCU has hired 5 field coordinators but there is scope for improvement of the variability in their performance. In the FBiH, SERDA serves as the service provider to the PCU and in RS ArgoNet assists the APCU in the same capacity. The service providers have performed according to expectation. The staff members in both the project units are involved in simultaneous implementation of two IFAD projects, RBDP and RCDP which constraints the time they can devote to RCDP. However, this challenge will be addressed after the completion of RBDP in early 2019.

Main issues

The Project Coordination Unit (PCU) in Sarajevo is responsible for implementing RCDP. One of the PCU staff members who is experienced in VC development has been appointed as the coordinator for RCDP under the guidance and oversight of the PCU Director. The PCU has appointed five field coordinators, one per cluster. The field coordinators are based in the clusters. They are involved in mobilising the BP stakeholders and advising the business leaders on BP development. The PCU has also selected SERDA as the service provider. SERDA has designated five staff members as cluster coordinators, one per cluster. These cluster coordinators are based in Sarajevo. SERDA is a consultancy firm based in Sarajevo and has good knowledge of IFAD projects by virtue of their involvement in IFAD supported projects in the past. The field coordinators and SERDA are fully sensitised and trained on the BP approach and poverty focus of the programme. They have been involved in a series of informative meetings and workshops for BP preparation.

The PCU is also involved in the implementation of another IFAD project, RBDP, which is about to be completed in 2019. The PCU Director and the other PCU staff members divide their time between RCDP and RBDP which is a constraint to faster implementation. Similarly, some of the field coordinators are also involved in the implementation of RBDP. After the completion of RBDP in early March 2019, all staff members will be devoted to RCDP which will accelerate the pace of implementation.

The PSC in FBiH provides oversight to both the IFAD supported projects, RCDP and the RBDP, that are currently implemented by the PCU. It consists of five members and it has so far met 13 times to discuss RCDP related issues.

Republika Srpska: The Agricultural Project Coordination Unit (APCU) in Banja Luka is responsible for implementing RCDP. One of the APCU staff members who is experienced in VC development has been appointed as the RCDP manager. The APCU has selected ArgoNet as the service provider. ArgoNet has involved five staff members, based in Banja Luka, in RCDP implementation. The field level implementation of RCDP is supported by extension staff from seven agricultural extension offices already existing in the seven clusters. ArgoNet and the extension officers involved in RCDP implementation have been fully sensitised and trained on the BP approach and poverty focus of the programme. They have been involved in a series of informative meetings and workshops for BP preparation. In APCU too, the RCDP staff members are also involved in RBDP implementation. After the completion of RBDP, they will be devoted to RCDP which will accelerate the pace of implementation.

At present, the involvement of the extension staff is not supported by the IFAD budget in the programme. The extension offices have supported RCDP implementation from their existing staff resources. This has been a constraint as these staff members have other duties as well. The IFAD budget in the programme can be used to support the inclusion of an additional seven extension staff, one in each agricultural extension office. At the end of the programme, they can be absorbed as permanent staff members of the extension offices as has been the case during past IFAD supported projects.

The PSC in the RS has three members and is chaired by the Assistant Minister of Agriculture. The PSC has so far met three times.

Knowledge Management

Rating: 4

Justification of rating

RCDP has taken into account lessons learned from other IFAD funded interventions such as RLDP and RBDP. This is particularly relevant for the application of targeting criteria to ensure poverty focus. Flow of communication between PCU/APCU and other partners involved, including implementers, such as Service Providers and Municipalities is in place and does not present major issues. Nevertheless, the mission found room for further strengthening the exchange of information/lessons/ideas at APCU/PCU level, especially considering that sometimes the same business leaders are selected by both the PCU and the APCU for implementing BPs separately in the two entities.

Main issues

An increase in the number of meetings between APCU and PCU is desirable (i.e. at least every 2 or 3 months) to strengthen the dialogue and exchange of positive and negative experiences related to project implementation. The meetings for experience sharing on project implementation should touch all aspects of the projects: components, cross cutting issues. M&E and project management.

Value for Money

Rating: 4

Justification of rating

RCDP has recently started implementation and it is too early to draw firm conclusions related to this indicator. Although a new concept, the project units have succeeded to develop shared vision, understanding and interest amongst the different stakeholders and have prepared them for BP implementation. This effort on stakeholder mobilisation will also benefit the upcoming READP which is designed on the same concept. The RCDP staff are involved in implementing another IFAD project RBDP leading to cost efficiencies. The cost of starter packages is lower than the estimations at design and can lead to higher outreach. The disbursement of the 16% and 10% is FBIH and RS is a matter of concern but the scenario is expected to improve with the commencement of the BP implementation in 2019.

Coherence between AWPB and Implementation

Rating: 4

Justification of rating

The AWPBs are coherent with the programme design. Some parts of the AWPBs are not coherent between themselves (e.g. the target sizes in the description of the components, in the financial plan and the procurement plan are different). Better coordination between separate functions in the annual planning process is required. The PCU and APCU should adopt a standard AWPB format that meets the needs of different (internal and external) stakeholders.

AWPB Inputs and Outputs Review and Implementation Progress

Both project units have prepared AWPBs for 2018, which are timely sent and approved by the CPM. Previously, these same plans were approved by the A/PCU PSC. In financial terms, the goal of the PCU was to support 7 business plans in 2018, to spend 3.8 million KM, and to contract BAM 0.45 million. In financial terms, the goal of APCU was to spend 1.8 million BAM in 2018, to contract BAM 0.8 million, and as the physical goal it was planned direct inclusion of 300 smallholders in value chains.

The low disbursement on the AWPB targets is a result of two main factors. First, the programme design based on cluster and platforms formations and BP development while targeting vulnerable group of beneficiaries is innovative and new for the project teams and also for the environment. A lot of time had to be spent on awareness development and sensitisation of the programme stakeholders to develop their understanding and interest to participate in the programme. Second, the disbursement depended on finalising BPs and signing co-financing between different stakeholders which involved several rounds of discussions and took time. Both the units have successfully addressed the above requirements and by the end of 2018 around 25 BPs are expected to be signed. This will allow the implementation of at least 3,000-4,000 starter packages from the early part of 2019. Both the units should put additional focus to maximise the development of new BPs in 2019.

Standard formats should be adopted for future AWPBs, that meet the needs of different (internal and external) stakeholders. The progress report should clearly refer to the plan (planned/achieved, level of achievement). Annual plans should cover all segments of project activities (implementation by components, project management, budget, procurement). The narrative part of the report should give basic information, and details should be provided in the form of tables and other annexes. The reports should link the relationship between implementation in the previous, current and future periods (most business plans have many years of service and focus for only one year does not provide a clear insight into their contribution to project goals). Each report should contain a chapter with lessons learned as an instrument of knowledge management. And in the case of annual reports should adopt a standard format to cover all areas and allow cumulatively monitoring the progress of the project. All stakeholders must be consulted for developing the standard format.

Annual plans and progress reports need to be more coherent in the sense that the plan elaborates in more detail the indicative targets for the year. Each plan should give a clear picture of its contribution to the achievement of the final project goals. Reports should show achievements against targets.

Performance of M&E System

Rating: 4

Justification of rating

Both project units have a dedicated M&E officer with many years of experience of previous IFAD projects. Both project units have adopted the PIM that contains the M&E manual. However, the current M&E systems is not integrated and consist of separate fragments of information that M&E officers consolidate in the project progress reports. M&E mainly serves the purpose of (semi)annual reporting and is not used for tracking results and impact analysis.

M&E System Review

The project design envisages the M&E system to be incorporated into the MIS. However, this is not the case. Functionally tailored M&E system is a precondition for the evidence-based decision-making process, which should be one of the key principles in managing project. The M&E system should also be used for proper targeting. Additional capacity building of M&E staff through training and technical assistance is recommended.

The baseline survey was completed in the FBiH, and in the RS it is in the process of contracting. Since the project is in the initial phase it is too early to assess the quality and timeliness of data collection.

Cooperation of M&E officers with other members of the project team is necessary in performing their tasks. More than in previous projects, due to the specific design of the RCDP, data collection for monitoring project activities, must be delegated to a larger number of participants outside the PCU/APCU team (decentralization and participatory approach). In order to avoid misunderstandings about the scope and dynamics of these activities, they should be included in contracts/agreements as an obligation, in order to ensure consistency, accuracy and timeliness of reporting. Therefore, it is necessary at the very beginning to define the scope and type of data to be collected, i.e. to design a comprehensive M&E system. For these needs, PCUs will need external technical assistance (from IFAD technical assistance unit or outsourced). To enter and process data, centralized computerized database should be created as a foundation for efficient M&E and management information system within 6 months.

Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)

Rating: 4

Justification of rating

Environmental and climate change concerns have been articulated in each of the business plans. The business plans have also budgeted for measures to address environmental issues. These includes technologies such as micro irrigation systems and hail nets. There is high level of awareness about the environmental issues amongst the stakeholders including the business leaders, municipalities and service providers. Both the project units have started planning for the 20% to-up for investments related to climate and environment amelioration related investments.

d. Financial Management & Execution

Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Beneficiaries	\$1,560,000		
	Private sector local	\$29,720,000		
	National Government	\$4,670,000		
Co-financing breakdown,	To be determined	\$12,750,000		

Acceptable Disbursement Rate

Rating: 3

Justification of rating

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

Main issues

Republika Srpska

The project is in its second year of implementation (effectiveness date is 16/03/2017) and its disbursement rate, for the IFAD loan and grant, is 10% (7% for loan and 75% for grant). The actual payment rate for the IFAD loan is too low, only 1%. However, there is not yet any payment on the grant. There have not been any extensions. From the effectiveness date, only one WA, related to the advance for the designated account, have been processed under the IFAD Loan, on 07 February 2018, for an amount of Euros 0.330 million. As for the IFAD Grant, only one WA, related to the advance for the designated account, have been processed under the IFAD Grant, on 23 July 2018, for an amount of Euros 0.150 million. *The mission recommends submitting one WA for the loan and for the grant to respect the letter to the borrower, which requires submitting at least one WA every 90 days.*

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 too low. They amount to BAM 462 thousand, financed by IFAD loan (BAM 391 thousand), Government (BAM 45 thousand) and the beneficiaries and represents 2.1% of the total project cost.

From IFAD loan which totals about USD 5.160 million (Euros 4.680 million), the actual expenditures are USD 54 thousand (Euros 47 thousand) and represent 1.1% of the loan amount. As of 30 September 2018, there is no payment on the grant.

Budgeting (AWPB). The APCU submitted the AWPB for the FY 2018, for IFAD No Objection on January 19, 2018 and IFAD approved it on January 19, 2018. The expenditures on AWPB 2018, including the Government and beneficiaries contributions, against 2018 AWPB as of September 30, 2018 amount to BAM 132 thousand represents 7% of the total planned amount (BAM 1.881 million). According to the APCU, the forecasts of payments for the last quarter 2018 will be too low. The payments will increase starting the fiscal year 2019, when RBDP will be closed.

Federation of Bosnia and Herzegovina

The project is in its second year of implementation (effectiveness date is 16/03/2017) and its disbursement rate, for the IFAD loan and grant, is 16% (14% for loan and 56% for grant). The actual payment rate for the IFAD loan and grant is too low, 0.9% (0.8% for loan and 3.4% for grant). There have not been any extensions. From the effectiveness date, only one WA, related to the advance for the designated account, have been processed under the IFAD Loan, on 03 November 2017, for an amount of Euros 0.900 million. As for the IFAD Grant, only one WA, related to the advance for the designated account, have been processed under the IFAD Grant, on 22 February 2018, for an amount of Euros 0.150 million. *The mission recommends submitting one WA for the loan and for the grant to respect the letter to the borrower, which requires submitting at least one WA every 90 days.*

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 too low. They amount to BAM 195 thousand, financed by IFAD loan (BAM 150 thousand), IFAD grant (BAM 17 thousand), and Government (BAM 29 thousand) and represents 0.6% of the total project cost.

The actual expenditures as of 30 September, 2018 are BAM 130 thousand, financed by IFAD loan (BAM 100 thousand), IFAD grant (BAM 17 thousand), and Government (BAM 13 thousand). It represents 0.4% of the total funds allocated for the project and 6% of the total commitments. The payments on the beneficiaries' contribution did not start yet. However, *the mission recommends defining clear criteria to estimate the beneficiaries' contribution* and to include them in the project financial statements.

From IFAD loan which totals about USD 7.100 million (Euros 6.440 million), the actual expenditures are USD 60 thousand (Euros 51 thousand) and represent 0.8% of the loan amount. The actual expenditures on the grant are USD 10 thousand (Euros 9 thousand) and represent 3.4% of the grant amount.

Budgeting (AWPB). The PCU submitted the AWPB for the FY 2018, for IFAD No Objection on January 31, 2018 and IFAD approved it on 07 February, 2018. The expenditures on AWPB 2018, including the Government contributions, against 2018 AWPB as of September 30, 2018 amount to BAM 130 thousand which represents 3.4% of the total planned amount (BAM 3.816 million). According to the PCU, the forecasts of payments for the last quarter 2018 will be too low. The payments will increase starting the fiscal year 2019, when RBDP will be closed.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Federation of Bosnia and Herzegovina- Prepare and submit the AWPB for the fiscal year 2019, for IFAD No Objection, on time.	PCU	11/2018
Republika Srpska- Prepare and submit the AWPB for the fiscal year 2019, for IFAD No Objection, on time.	APCU	11/2018
Federation of Bosnia and Herzegovina- Define clear criteria to estimate the beneficiaries' contribution and include them to the project financial statements.	PCU	12/2018
Federation of Bosnia and Herzegovina- Submit a WA for the loan and the grant.	PCU	12/2018
Republika Srpska- Submit a WA for the loan and the grant.	APCU	12/2018

Fiduciary Aspects

Quality of Financial Management

Rating: 4

Justification of rating

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

Main issues

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 now managing another IFAD project (RBDP). 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 mission reminds that, according to the financing agreement and the letter to the borrower, the PCU shall deliver to IFAD detailed financial statements for each fiscal year, prepared in accordance of standards and procedures acceptable to IFAD, within four months of the end of each fiscal year. In addition, semi-annual summary Interim Financial Report (IFR) must be submitted to IFAD, within 45 days of the end of each semester.

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 APCU has also a PIM prepared and submitted to IFAD for approval, on February 2018.

Use of SOE and adequacy of supporting documentation. The mission selected and reviewed 3 payment orders, related to IFAD loan for a total amount Euros 18 thousand, representing 38% of the actual payments. The mission found the

supporting documents are adequate and easily retrievable. The main findings are as follows:

- 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.
- Payment of VAT, for an amount of Euros 8 thousand, on the loan.

Federation of Bosnia and Herzegovina

The project is in its second year of implementation (effectiveness date is 16/03/2017) and its disbursement rate, for the IFAD loan and grant, is 16% (14% for loan and 56% for grant). The actual payment rate for the IFAD loan and grant is too low, 0.9% (0.8% for loan and 3.4% for grant). There have not been any extensions. From the effectiveness date, only one WA, related to the advance for the designated account, have been processed under the IFAD Loan, on 03 November 2017, for an amount of Euros 0.900 million. As for the IFAD Grant, only one WA, related to the advance for the designated account, have been processed under the IFAD Grant, on 22 February 2018, for an amount of Euros 0.150 million. *The mission recommends submitting one WA for the loan and for the grant to respect the letter to the borrower, which requires submitting at least one WA every 90 days.*

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 too low. They amount to BAM 195 thousand, financed by IFAD loan (BAM 150 thousand), IFAD grant (BAM 17 thousand), and Government (BAM 29 thousand) and represents 0.6% of the total project cost.

The actual expenditures as of 30 September, 2018 are BAM 130 thousand, financed by IFAD loan (BAM 100 thousand), IFAD grant (BAM 17 thousand), and Government (BAM 13 thousand). It represents 0.4% of the total funds allocated for the project and 6% of the total commitments. The payments on the beneficiaries' contribution did not start yet. However, *the mission recommends defining clear criteria to estimate the beneficiaries' contribution* and to include them in the project financial statements.

From IFAD loan which totals about USD 7.100 million (Euros 6.440 million), the actual expenditures are USD 60 thousand (Euros 51 thousand) and represent 0.8% of the loan amount. The actual expenditures on the grant are USD 10 thousand (Euros 9 thousand) and represent 3.4% of the grant amount.

Budgeting (AWPB). The PCU submitted the AWPB for the FY 2018, for IFAD No Objection on January 31, 2018 and IFAD approved it on 07 February, 2018. The expenditures on AWPB 2018, including the Government contributions, against 2018 AWPB as of September 30, 2018 amount to BAM 130 thousand which represents 3.4% of the total planned amount (BAM 3.816 million). According to the PCU, the forecasts of payments for the last quarter 2018 will be too low. The payments will increase starting the fiscal year 2019, when RBDP will be closed.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Launch a procurement procedure for RCDP independently of the results of other projects.	PCU	11/2018
Ask for an exceptional retroactive IFAD no objection for all contracts subject to IFAD prior review. In the future, the PCU should ask for IFAD prior NO for all single-source selection.	PCU	11/2018
Submit a summary Interim Financial Report (IFR) every semester to IFAD, including 6 monthly cash forecasts.	PCU	11/2018
Republika Srpska- Refund the ineligible expenses (VAT) paid on the loan.	APCU	11/2018
Republika Srpska- Reinforce the control done by the finance/account team before the preparation of the payment orders.	APCU	11/2018
Republika Srpska- Approve the studies by a committee of three staff at least.	APCU	11/2018
Republika Srpska- Submit a summary Interim Financial Report (IFR) every semester to IFAD, including 6 monthly cash forecasts.	PCU	11/2018
Submit detailed financial statements for each fiscal year.	PCU	04/2019
Republika Srpska- Submit detailed financial statements for each fiscal year.	PCU	04/2019

Quality and Timeliness of Audit

Rating:

Counterparts Funds

Rating: 3

Justification of rating

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

Main issues

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, the payments on the counterpart funds are too low; they amount to USD 9 thousand and represent 0.9% of the total counterpart allocated amount. The Government did not release the credits on time and therefore the VAT, for an amount of Euros 8 thousand, was paid on the loan.

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, the payments on the counterpart funds are too low; they amount to USD 8 thousand and represent 0.6% of the total counterpart allocated amount.

Compliance with Loan Covenants

Rating: 5

Justification of rating

Federation of Bosnia and Herzegovina

The Project's compliance with Loan Covenants is rated as Satisfactory, except for the absence of submission of 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.

Republika Srpska

The Project's compliance with Loan Covenants is rated as Satisfactory. The details with regards to the status of implementation and compliance with Project Financing Agreement covenants are presented in the Appendix.

Procurement

Procurement

Rating: 4

Justification of rating

The number of procedures carried out is relatively small and the real challenges of procurement are yet to come. Given that the project is at the initial stage of implementation, the contracted value is still small (less than 1 million BAM in total). So far the PCU contracted a total value of BAM 162,964 under three contracts and APCU contracted BAM 433,747 under 17 contracts. In general, procurement procedures have been carried out using the suitable methods according to the thresholds defined in LTB. In some cases, less competitive methods have been chosen due to unclear estimates of the value of the procurement.

Procurement Review

The evaluation of the execution of procurement tasks and the application of the procurement procedures was done on the basis of reviewing the procurement and other documentation (on the basis of the sample), interviews with the procurement staff, their communications with the IFAD CPM and participants in procurement processes, interviews with contracted service providers and observations during field visits.

PCU in the FBiH and APCU in the RS are responsible for the procurement under the project in accordance with IFAD procurement procedure. The procurement function is separated from the financial and management functions. Both procurement managers (in PCU and APCU) have adequate previous experience. Although, additional specialized training in procurement will be useful.

Most of the contracts were subject to prior review, and the rest are reviewed in the post-review process during this supervision. So far, 9 business plans are approved after evaluation by BAC in the FBiH and 3 in the RS, and soon will be followed by intensive processes of procurement. It is recommended to get the business plans approved by the CPM before starting their implementation.

The procurement plans were an integral part of AWPBs. They follow a slightly different format than was adopted in PIM and not for 18, then for 12 months. The first semi-annual progress reports have been prepared for the first 6 months of 2018, in which the data on realized procurement are described narratively, without attaching the register of contracts in the format foreseen by PIM (PCU) or not attached at all (APCU). It is recommended to use the standardized and harmonized forms for procurement planning and reporting. All concluded contracts are listed in the register of contracts in APCU and only some in the case of PCU.

Procurement procedures are carried out using the suitable methods according to the thresholds defined in LTB. In some cases, less competitive methods have been chosen due to unclear estimates of the value of the procurement and the length of the period for which it is undertaken. In order to avoid repetition of such cases, it is recommended to use a uniform check list which will enable the selection the appropriate procurement method and determination of the obligation of prior review. Taking into account that the leader companies are exclusive suppliers, financiers, advisors and buyers of small farmers, the direct contracting of the starter package is a rational solution that must be previously adequately explained and approved. In this case, transparency of procurement by the leader should be ensured and the objectivity of the offered prices should be checked. Procurement of equipment and infrastructure should be done by applying adequate competitive methods.

All bidding documents for the procurement of goods, works and services are prepared by the PCU/APCU, using adjusted standardized forms of bidding documents. Technical specifications for goods and services are prepared in cooperation with other members of the project team, and the participation of end users in this process should be mandatory.

During the pre-bidding period, clarifications of the conditions from the ToRs were made, and pre-bidding conferences were held for some procedures. Evaluation of bids is done by three-member committees appointed by the PCU/APCU director. In the cases of procurement for beneficiaries outside the PCU, representatives of end users were included in evaluation process. All bidders are timely informed about the results of bid evaluation and award of contract in written form.

Execution of the contracts are monitored by members of the project teams. In the future, serious attention should be paid to controlling and documenting the physical handover of goods (especially starters packages) and services. Particular attention should be paid to documenting the handover of goods and origin and the quality of goods of biological origin.

F. Agreed Actions

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Component 1: Enabling environment for inclusive subsector development Develop the capacity of the clusters to take full responsibility of the CSP leadership/operations and facilitate SERDAs direct operational involvement within two years.	PCU in coordination with service provider	12/2018
Component 2: Successful inclusion of smallholders in value chains <ul style="list-style-type: none"> • Allow access to starter packages by the same household for more than one year subject to the conditions (refer text). • Encourage cooperatives selected as business leaders to include as members all beneficiaries supported by starter packages. • Facilitate study trips and adjust the BPs of cooperatives with member-owners to help them to emerge as model cooperatives. 	PCU and APCU	12/2018
Component 2: Successful inclusion of smallholders in value chains Consider the BP of the company Smrcak, for organic berry production, as eligible for the 20% top-up for investment in climate resilient technologies.	APCU	12/2018
Component 1: Enabling environment for inclusive subsector development <ul style="list-style-type: none"> • Identify concrete activities for youth inclusion/employment through the representation of young agribusiness entrepreneurs in the CSPs. • Include representation from financial institutions in the CSPs and promote the participation of financial institutions in the implementation of the BPs where relevant. • Consolidate the recommendations emerging from the discussions in each platform according to major topics/agendas. 	PCU and APCU with service provider	03/2019
Financial Management & Execution		
Federation of Bosnia and Herzegovina- Prepare and submit the AWPB for the fiscal year 2019, for IFAD No Objection, on time.	PCU	11/2018
Republika Srpska- Prepare and submit the AWPB for the fiscal year 2019, for IFAD No Objection, on time.	APCU	11/2018
Launch a procurement procedure for RCDP independently of the results of other projects.	PCU	11/2018
Ask for an exceptional retroactive IFAD no objection for all contracts subject to IFAD prior review. In the future, the PCU should ask for IFAD prior NO for all single-source selection.	PCU	11/2018
Submit a summary Interim Financial Report (IFR) every semester to IFAD, including 6 monthly cash forecasts.	PCU	11/2018
Republika Srpska- Refund the ineligible expenses (VAT) paid on the loan.	APCU	11/2018

Republika Srpska- Reinforce the control done by the finance/account team before the preparation of the payment orders.	APCU	11/2018
Republika Srpska- Approve the studies by a committee of three staff at least.	APCU	11/2018
Republika Srpska- Submit a summary Interim Financial Report (IFR) every semester to IFAD, including 6 monthly cash forecasts.	PCU	11/2018
Federation of Bosnia and Herzegovina- Define clear criteria to estimate the beneficiaries' contribution and include them to the project financial statements.	PCU	12/2018
Federation of Bosnia and Herzegovina- Submit a WA for the loan and the grant.	PCU	12/2018
Republika Srpska- Submit a WA for the loan and the grant.	APCU	12/2018
Submit detailed financial statements for each fiscal year.	PCU	04/2019
Republika Srpska- Submit detailed financial statements for each fiscal year.	PCU	04/2019

Rural Competitiveness Development Programme

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 Persons receiving services promoted or supported by the project							"M&E reports (Resp: A/PCU) Survey on inclusiveness of rural poor (Resp: A/PCU)"	Annually	APCU, PCU	
	Males	0		11 200	357	357	3.2				
	Total number of persons receiving services	0		16 000	418	418	2.6				
	Young	0		800	10	10	1.3				
	Females	0		4 800	61	61	1.3				
	1a. Corresponding number of households reached							"M&E reports (Resp: A/PCU) Survey on inclusiveness of rural poor (Resp: A/PCU)"	Annually	APCU, PCU	
	Households	0		16 000	418	418	2.6				
	1.b Estimated corresponding total number of households members										
	Household members			56 000	1 463	1 463	2.6				
	Goal Contribute to rural poverty reduction in selected sub-sectors of BiH economy	Percentage increase in Households with improvement in assets ownership index							Baseline and impact survey	Annually	
Percentage increase		0		20	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	
Objective To enable smallholders to take advantage of fruits, vegetable and non-timber forest products subsector development for the sustainable improvement of their social and economic conditions and those of other poor rural groups	Percentage increase in volume of produce exported							"Baseline and impact survey (resp: A/PCU) Export & production statistics Monitoring reports of facilitators M&E reports (Resp: A/PCU) Survey on inclusiveness of rural poor (Resp: A/PCU) "	Annually	APCU, PCU	Poor farmers' and vulnerable groups' interest and readiness to coordinate within the selected VCs
	Volume	0	30	100	0	0	0				
	Value of additional revenues at HH level							"Baseline and impact survey (resp: A/PCU) Export & production statistics Monitoring reports of facilitators M&E reports (Resp: A/PCU) Survey on inclusiveness of rural poor (Resp: A/PCU) "	Annually	APCU, PCU	
	greenhouses (600 m2)	0		4 000	0	0	0				
	Open field vegetables (1 ha)	0		1 500	0	0	0				
	Berries (2 dunum)	0		3 000	0	0	0				
	Minimally 30% participation of women and youth participation in the VCs							"Baseline and impact survey (resp: A/PCU) Export & production statistics Monitoring reports of facilitators M&E reports (Resp: A/PCU) Survey on inclusiveness of rural poor (Resp: A/PCU) "	Annually	APCU, PCU	
	Vulnerable groups	0	10	30	19	19	63.3				

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	
	2.2.1 New jobs created							"Baseline and impact survey (resp: A/PCU) Export & production statistics Monitoring reports of facilitators M&E reports (Resp: A/PCU) Survey on inclusiveness of rural poor (Resp: A/PCU) "	Annually	APCU, PCU	
	Job owner - women	0	200	630	0	0	0				
	Number of new jobs	0	1 000	3 150	0	0	0				
	Job owner - men	0	800	2 520	0	0	0				
Outcome Outcome 1: The Improved policy and institutional environment attracts smallholders and investors to the selected sub-sectors	Value of private investments leveraged in selected sub-sectors pro-poor development							Baseline and impact survey, monitoring reports of facilitators	Annually	APCU, PCU	Willingness of National and entity stakeholders to cooperate and to create an enabling environment for selected sub-sectors. Continued demand for sub-sector development.
	Co-financing	0	4	29	0	0	0				
	Policy 3 Existing/new laws, regulations, policies or strategies proposed to policy makers for approval, ratification or amendment							Baseline and impact survey, monitoring reports of facilitators	Annually	APCU, PCU	
	Number	0	1	3	0	0	0				
Output Output 1.1 Smallholders Platforms at cluster and sub-sector levels improve VC coordination and sub-sector governance, inform public policies and orient investments in order to warrant long-term sub-sector competitiveness	Functioning multi-stakeholder platforms (clusters) supported and in operation (8 by FY4) (new RIMS)							"Monitoring reports of SSP/CSP facilitators M&E reports Business proposals Minutes of CSP/SSP meetings "	Annually	APCU, PCU	Readiness of local authorities and of private sector actors to play a lead role in efforts to improve inclusiveness and coordination along the value chain
	Platforms	0	6	12	12	12	100				
	Sub-sector stakeholder platforms established and in operation at country level							"Monitoring reports of SSP/CSP facilitators M&E reports Business proposals Minutes of CSP/SSP meetings "	Annually	APCU, PCU	
	Platforms	0	1	3	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	
Output Output 1.2 Appropriate technical and business development services are made available at local and entity levels	Public extension staff with updated skills and competencies							"Extension staff competence gap analysis for each subsector and training planning Reports of PAs and cooperatives on the performance of BDS services Monitoring reports on the quality of the service providers M&E reports "	Annually	APCU, PCU	Existence of private and public advisory services that can respond to the current needs of the sector. (R) Classic procurement and financial management system might create delays.
	Females	0	10	20	4	4	20				
	Total	0	30	60	15	15	25				
	Males	0	20	40	6	6	15				
	2.1.1 Rural enterprises accessing business development services							"Extension staff competence gap analysis for each subsector and training planning Reports of PAs and cooperatives on the performance of BDS services Monitoring reports on the quality of the service providers M&E reports "	Annually	APCU, PCU	
	Rural enterprises	0	7	15	11	11	73.3				
	Number of persons trained in production practices and/or technologies (RIMS 1.2.2/1.2.3/1.2.4)							"Extension staff competence gap analysis for each subsector and training planning Reports of PAs and cooperatives on the performance of BDS services Monitoring reports on the quality of the service providers M&E reports "	Annually	APCU, PCU	
	Total	0	5 000	16 000	105	105	0.7				

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	
	A voucher scheme for BDS, organizational and technical advisory services has been set up and in operation by FY3							"Extension staff competence gap analysis for each subsector and training planning Reports of PAs and cooperatives on the performance of BDS services Monitoring reports on the quality of the service providers M&E reports "	Annually	APCU, PCU	
	Scheme	0	1	1	0	0	0				
	Private extension staff with updated skills and competencies							"Extension staff competence gap analysis for each subsector and training planning Reports of PAs and cooperatives on the performance of BDS services Monitoring reports on the quality of the service providers M&E reports "	Annually	APCU, PCU	
	Females	0	0	0	0	0	NaN				
	Males	0	0	0	0	0	NaN				
	Total	0	30	60	0	0	0				
Outcome Outcome 2: Sustainable inclusion of poor smallholders and vulnerable groups in selected sub-sectors	Increase in the final price/value accruing to smallholders							"Baseline and impact surveys Participatory monitoring of smallholder participation in selected VCs M&E reports Update of financial models "	Annually	APCU, PCU	Willingness of VC actors to improve the coordination along the VC
	Price/ Value	0	5	10	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 product added value							"Baseline and impact surveys Participatory monitoring of smallholder participation in selected VCs M&E reports Update of financial models "	Annually	APCU, PCU	
	Products	0	5	20	0	0	0				
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices							"Baseline and impact surveys Participatory monitoring of smallholder participation in selected VCs M&E reports Update of financial models "	Annually	APCU, PCU	
	Males			4 000	0	0	0				
	Females			1 000	0	0	0				
	Total number of household members	0	1 500	5 000	0	0	0				
Output Output 2.1 Inclusive business proposals developed and implemented	Business proposals facilitated between smallholders and value chain actors							Survey of inclusiveness of rural poor	Annually	APCU, PCU	Willingness of PAs, cooperatives and municipalities to reach out to rural poor people. Necessary BDS clearly defined and focused on increasing VC competitiveness. Private and public value chain stakeholders are willing to leverage public funding that will be provided. (R) Classic procurement and financial management system might create delays.
	Business proposals	0	60	140	19	19	13.6				
	2.1.3 Rural producers' organizations supported							Survey of inclusiveness of rural poor	Annually	APCU, PCU	
	Rural POs supported	0	20	60	1	1	1.7				
	Number of PAs and cooperatives improving their productive or marketing assets							Survey of inclusiveness of rural poor	Annually	APCU, PCU	
	Organizations	0	10	60	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	
Output Output 2.2 Poor farmers, women and youth have successfully integrated into competitive and rewarding fruit, vegetable and NTFP value chains	Percentage of vulnerable groups in decision making positions in the PAs/Coops							Reports from vulnerable groups	Annually	APCU, PCU	Smallholder farmers have access to agri-business services and information. Sound criteria for targeting are defined. Willingness of key actors to adopt an inclusive approach.
	Females	5	10	20	0	0	0				
	Young			20	0	0	0				
	Measurable improvement of FO performance (based on MIDCA assessment)							MIDCA report	Annually	APCU, PCU	
	Index	0	10	25	0	0	0				

Bosnia and Herzegovina

Rural Competitiveness Development Programme

Supervision Report

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

Mission Dates: 01/11/2018 - 15/11/2018

Document Date: 31/01/2019

Project No. 1100001728

Report No. 4974-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	7 100	1 049	6 051	14,8%
IFAD Grant	290	184	106	63,4%
Government	1 400	8	1 392	0,6%
Beneficiaries	9 495	0	9 495	0,0%
Total	18 285	1 241	17 044	6,8%

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

Components	IFAD Loan			IFAD Grant			Government			Beneficiaries & other			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Enabling envirnment for inclusive subsector	380	14	3,8%	290	10	3,5%	115	4	3,6%	0	0		785	29	3,6%
2. Sustainable inclusion of smallholders	5 880	5	0,1%	0	0		1 180	1		9 495	0	0,0%	16 555	7	0,0%
3. Project management, M&E	840	40	4,8%	0	0		105	2	2,3%	0	0		945	42	4,5%
Total	7 100	60	0,8%	290	10	3,5%	1 400	8	0,6%	9 495	0	0,0%	18 285	77	0,4%

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

Category	Initial Allocation	Disbursement (2)	Balance (1) - (2)	% disbursement (2)/(1)
Authorized Allocation Designated Account		900	-900	100%
1. Goods, services and inputs	5 035	0	5 035	0%
2. Consultancies	465	0	465	0%
3. Equipment	70	0	70	0%
4. Operating costs	545	0	545	0%
Unallocated	325	0	325	0%
Total	6 440	900	5 540	14%

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		150	-150	100%
2. Consultancies	270	0	270	0%
Total	270	150	120	56%

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	5 160	407	4 753	7,9%
IFAD Grant	210	176	34	83,7%
Government	935	9	926	0,9%
Beneficiaries	6 145	16	6 129	0,3%
Total	12 450	607	11 843	4,9%

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

Components	IFAD Loan			IFAD Grant			Government			Beneficiaries & other			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. Enabling envirnment for inclusive subsector	270	8	2,9%	210	0	0%	80	1	1,1%	0	0		560	9	1,6%
2. Sustainable inclusion of smallholders	4 170	22	0,5%	0	0		760	6		6 145	16	0%	11 075	44	0,4%
3. Project management, M&E	720	25	3,5%	0	0		95	2	1,7%	0	0		815	26	3,2%
Total	5 160	54	1,1%	210	0	0%	935	9	0,9%	6 145	16	0%	12 450	79	0,6%

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

Category	Initial Allocation	Disbursement (2)	Balance (1) - (2)	% disbursement (2)/(1)
Authorized Allocation Designated Account		330	-330	100,0%
1. Goods, services and inputs	3 620	0	3 620	0,0%
2. Consultancies	345	0	345	0,0%
4. Operating costs	480	0	480	0,0%
Unallocated	235	0	235	0,0%
Total	4 680	330	4 350	7,1%

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		150	-150	100,0%
2. Consultancies	200	0	200	0,0%
Total	200	150	50	75,0%

Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenant	Target/Action Due	Date	Compliance	Status/Date Remarks
Section 4.01 Section 7.02	The project shall open 4 designated accounts in Euros in banks acceptable to the Fund			Complied with	
Schedule II. 11	The PCU & APCU shall prepare and submit a PIM to IFAD for NO no later than 6 months after the effectiveness			Complied with	
Section 8.03	A Midterm Review (MTR) to be carried out jointly by the Borrower and IFAD.			N/A	
Section 7.03	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.			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 7.08	The borrower shall insure all goods and buildings used in the project against such risks and in such in such amounts as shall be consistent with sound commercial practice.			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 and semi annual basis.	N/A for FY 2017
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Section 9.03(b)	Audit Report submitted to IFAD within six month of the end of each Financial Year.	N/A for FY 2017
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Bosnia and Herzegovina

Rural Competitiveness Development Programme

Supervision Report

Appendix 2: Physical progress measured against AWP&B

Mission Dates: 01/11/2018 - 15/11/2018

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Project No. 1100001728

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Near East, North Africa and Europe Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

RCDP Part A - FBiH: 2018 AWPB (Y-1: 01st January - 31st December 2018)

Component	Quantity				Value (BAM)			Quantity		Value (BAM)	
Component 1. Enabling Environment for Inclusive Sub-sector Development	Unit	Target 2018	Achieved XI/2018	%	Target 2018	Achieved XI/2018	%	Appraisal	%	Appraisal	%
I. INVESTMENT COSTS											
A. Establishment of CSP/SSP											
1. Baseline Poverty Study (update)	study	1	1	100.00%	20,000	0.0	0.00%	1	100.00%	20,000	0.00%
2. Contracting BFPs for CSP development and support/ a	Contract	1	1	100.00%	75,000	0.0	0.00%	3	33.33%	225,000	0.00%
3. Programme Promotion and Awareness Raising Campaign	WS	5	5	100.00%	25,000	22,850.9	91.40%	5	100.00%	25,000	91.40%
4. CSP Allocation Fund/ b	LS Y-1	5	5	100.00%	100,000	0.0	0.00%	5	100.00%	100,000	0.00%
5. SSP Allocation Fund /c	LS Y-1	1	5	500.00%	30,000	0.0	0.00%	3	166.67%	30,000	0.00%
B. Technical and business develop. services for CSP and SSP											
1. Specific studies /d	study	3	1	33.33%	45,000	0.0	0.00%	10	10.00%	150,000	0.00%
2. Technical Assistance support /e	LS Y-1	1	1	100.00%	15,000	0.0	0.00%	5	20.00%	75,000	0.00%
3. Technical Advisory services /f	Contract	5	0	0.00%	25,000	0.0	0.00%	15	0.00%	75,000	0.00%
4. Business Development services (field coordinators) /g	Contract	5	5	100.00%	25,000	47,752.1	191.01%	10	50.00%	180,000	26.53%
5. Organizational Development services											
a/ Training of trainers/lead farmers/group of farmers/ h	Contract	5	0	0.00%	25,000	0.0	0.00%	15	0.00%	75,000	0.00%
Total Component 1					385,000	70,603	18.34%			955,000	7.39%
Component	Quantity				Value (BAM)			Quantity		Value (BAM)	
Component 2.Sustainable inclusion of smallholders in the successful value chains	Unit	Target 2018	Achieved XI/2018	%	Target 2018	Achieved XI/2018	%	Appraisal	%	Appraisal	%
I. INVESTMENT COSTS											
A. Consultancy Services for VC baseline information update	Contract	1	0	0.00%	20,000	0	0.00%	1	0.00%	20,000	0.00%
B. Induction workshop for BFP	WS	5	5	100.00%	25,000	312	1.25%	5	100.00%	25,000	1.25%
C. Business Plan preparation (support fund)											
C.1. Business Assessment Committee financing/ a	LS Y-1	1	1	100.00%	5,000	19,291	385.81%	3	33.33%	15,000	128.60%
C.2. Business plan financing as follows:											
1. training & capacity building/ b	Contract	5	0	0.00%	25,000	0	0.00%	5	0.00%	25,000	0.00%

2. starter packages (new farmers)/ c	Package	320	0	0.00%	960,000	0	0.00%	2000	0.00%	6,000,000	0.00%
3. investments (equipment, facilities...)/ d	Contract	7	0	0.00%	350,000	0	0.00%	20	0.00%	1,000,000	0.00%
4. climate investments (additional grant) / e	Contract	2	0	0.00%	40,000	0	0.00%	10	0.00%	200,000	0.00%
5. technical advisory services and training/ f	Training	4	0	0.00%	40,000	0	0.00%	20	0.00%	200,000	0.00%
6. obtaining and renewing certification labels/ g	Certificate	4	0	0.00%	40,000	0	0.00%	10	0.00%	100,000	0.00%
7. investment in collective productive infrast. and equipment/ h	Contract	7	0	0.00%	1,400,000	0	0.00%	20	0.00%	4,000,000	0.00%
8. Marketing activities (Fairs, trips, etc.)/ i	Fair/trip	5	0	0.00%	50,000	0	0.00%	15	0.00%	150,000	0.00%
C.3. Business plan monitoring	Contract	5	0	0.00%	20,000	0	0.00%	15	0.00%	60,000	0.00%
D. Specific gender and targeting activities/ j											
1. Gender and youth diagnostic study and action plan	Study	1	1	100.00%	20,000	26,000	130.00%	1	100.00%	20,000	130.00%
2. Gender and youth capacity building for implem. partners	Contract	1	0	0.00%	5,000	0	0.00%	1	0.00%	5,000	0.00%
3. Training on inclusive VC development and targeting	Training	2	0	0.00%	8,000	0	0.00%	5	0.00%	20,000	0.00%
4. Technical Assistance for women and youth FOs	Contract	3	0	0.00%	150,000	0	0.00%	5	0.00%	250,000	0.00%
Total Component 2.					3,158,000	45,603	1.44%			12,090,000	0.38%

Component	Quantity				Value (BAM)			Quantity		Value (BAM)	
Component 3. Project Management and Coordination(PCU)	Unit	Target 2018	Achieved XI/2018	%	Target 2018	Achieved XI/2018	%	Appraisal	%	Appraisal	%
I. INVESTMENT COSTS											
PCU staff courses											
Local Courses /a	course	3	0	0.00%	3,000.0	0.0	0.00%	8	0.00%	8,000.0	0.00%
International Courses /b	course	2	1	50.00%	10,000.0	1,040.0	10.40%	6	16.67%	30,000.0	3.47%
Workshops											
Annual Review Workshop	WS	1	0	0.00%	3,000.0	0.0	0.00%	4	0.00%	12,000.0	0.00%
Inter-entity Workshop	WS	0.5	0	0.00%	4,000.0	0.0	0.00%	4	0.00%	32,000.0	0.00%
Studies and Surveys											
Baseline study	Study	1	1	100.00%	20,000.0	26,963.8	134.82%	1	100.00%	20,000.0	134.82%
Participatory Case Studies	Study	2	0	0.00%	10,000.0	0.0	0.00%	5	0.00%	25,000.0	0.00%
Mid-term Survey	Survey	0	0	0.00%	0.0	0.0	#DIV/0!	1	0.00%	20,000.0	0.00%
External Audit	audit	1	0	0.00%	7,000.0	0.0	0.00%	4	0.00%	28,000.0	0.00%
Knowledge Management											
Information & Communication Materials	LS/Y-1	1	0	0.00%	5,000.0	0.0	0.00%	4	0.00%	20,000.0	0.00%
Software for M&E system	Contract	1	0	0.00%	15,000.0	0.0	0.00%	1	0.00%	15,000.0	0.00%
Training Manuals	manual	2	0	0.00%	20,000.0	0.0	0.00%	5	0.00%	50,000.0	0.00%

Total I - Investment Costs					97,000.0	28,003.8				260,000.0	
II. RECURRENT COSTS											
Salaries											
Inclusive Business Development Officer	person/year	1	1	100.00%	60,558.7	36,437.7	60.17%	4	25.00%	242,234.8	15.04%
Accountant at PCU/ c	person/year	1	0	0.00%	56,250.2	0.0	0.00%	4	0.00%	225,000.8	0.00%
Collective insurance from accidents' consequences /d	Contract	1	0	0.00%	500.0	0.0	0.00%	4	0.00%	2,000.0	0.00%
Allowances											
Travel and Allowances	person/day	200	36.5	18.25%	5,000.0	912.5	18.25%	600	6.08%	15,000.0	6.08%
Operation and Maintenance											
Vehicles (maintenance)	LS/Y-1	0.5	0	0.00%	5,000.0	0.0	0.00%	4	0.00%	40,000.0	0.00%
Vehicles (fuel)	LS/Y-1	0.5	0	0.00%	3,000.0	0.0	0.00%	4	0.00%	24,000.0	0.00%
Office overhead costs											
Telecommunication	LS/Y-1	0.5	0	0.00%	4,000.0	0.0	0.00%	4	0.00%	32,000.0	0.00%
Stationary and office supply	LS/Y-1	0.5	0.5	100.00%	3,000.0	10,543.1	351.44%	4	12.50%	24,000.0	43.93%
Office operating costs: Main office Sarajevo	LS/Y-1	0.5	0	0.00%	36,000.0	0.0	0.00%	4	0.00%	288,000.0	0.00%
IT maintenance											
Maintenance of the existing IT system	LS/Y-1	0.5	0	0.00%	1,250.0	0.0	0.00%	4	0.00%	10,000.0	0.00%
Maintenance of PIMIS system for financial reporting	LS/Y-1	0.5	0	0.00%	1,500.0	0.0	0.00%	4	0.00%	12,000.0	0.00%
Total II - Recurrent Costs					176,059	47,893.3				914,235.6	
TOTAL Component 3 (I + II)					273,059.0	75,897.1	27.80%			1,174,236	6.46%
TOTAL 2018 RCDP AWPB					3,816,059.0	192,103.0	5.03%			14,219,235.6	1.35%

RCDP Part B - RS: 2018 AWPB (Y-1: 01st January - 31st December 2018)

[illegible]

		1. Case Studies & Learning and Policy Notes										
		G. Gender and Inclusiveness /e										
		Gender diagnostic study and action plan	1	0	0.0%	28.21	0.00	0.0%	1	0.0%	28.21	0.0%
		Gender Capacity Building for implementing partners	1	0	0.0%	12.27	0.00	0.0%	2	0.0%	37.37	0.0%
		Capacity Building and Monitoring Inclusiveness of Component 2	1	0	0.0%	68.51	0.00	0.0%	5	0.0%	352.98	0.0%
		Subtotal Gender and Inclusiveness				108.99	0.00	0.0%			418.56	0.0%
		Total COMP 1				211.3	15.60	7.4%			998.30	1.6%

COMP_2_RS

CATEGORY/ACTIVITIES			Quantity				Value (BAM)			Quantity				Value (BAM)	
			Unit	Target 2018	Achieved 2018	%	TARGET 2018	Achieved 2018	%	Appraisal	%	Appraisal	%		
		I. Investment Costs													
		A. Inclusive BPs Developed and Implemented, Cycle 1													
		1. Update Market Information		1	1	100%	23.65	106.40	450%	1	100.0%	23.7	449.9%		
		2. Induction Training for BFPs		1	1	100%	7.88	62.60	794%	1	100.0%	7.9	794.4%		
		3. Public Technical Advisory Services /a		1	1	100%	25.19	13.40	53%	3	33.3%	76.7	17.5%		
		4. BPs Preparation		4	4	100%	39.13	5.40	14%	7	57.1%	281.9	1.9%		
		5. BPs Technical Review		4	0	0%	16.55	0.00	0%	8	0.0%	132.4	0.0%		
		6. BPs Monitoring		0	0		0.00	0.00		8	0.0%	117.1	0.0%		
		7. BPs Investment Funds													
		a. BPs Investment Funds_IFAD		3	1	33%	571.35	43.80	7.7%	42	2.4%	8,018.3	0.5%		
		b. BPs Investment Funds Beneficiaries		3	1	33%	851.44	43.80	5.1%	42	2.4%	12,411.5	0.4%		
		Subtotal BPs Investment Funds		6	2	33%	1,422.79	87.6	6.2%			20,429.8	0.4%		
		8. Knowledge Products /b		1	0	0%	56.85	0.00	0.0%	1	0.0%	56.9	0.0%		
		Subtotal Inclusive BPs Developed and					1,592.04	275.4	17.3%			21,126.	1.3%		

	C. M&E and Knowledge Management, Cycle 1											
	1. Participatory Evaluation											
	Field Project Presentation		4	4	100%	13.99	0.00	0.0%	1	400.0%	13.99	0.0%
	Participatory Case Studies /d		1	1	100%	1.75	0.00	0.0%	1000	0.1%	10.87	0.0%
	Annual review workshop		1	0	0%	5.11	0.00	0.0%	4	0.0%	20.92	0.0%
	Inter-Entity Workshop /e		0.5	0.5	100%	5.04	0.00	0.0%	5	10.0%	25.95	0.0%
	Final Evaluation First Cycle		0	0		0.00	0.00		1	0.0%	16.04	0.0%
	Subtotal Participatory Evaluation					25.89	0	0.0%	1011	0.0%	87.77	0.0%
	2. Studies and Surveys											
	Baseline study /f		1	0	0%	20.15	0.00	0.0%	1	0.0%	20.15	0.0%
	RIMS Study /g		0	0		0.00	0.00		1	0.0%	10.81	0.0%
	Subtotal Studies and Surveys					20.15	0	0.0%	2	0.0%	30.96	0.0%
	3. Knowledge Management											
	Information and Communication Materials		1	0	0%	5.11	0.00	0.0%	4	0.0%	20.92	0.0%
	Training Manuals /h		1	1	100%	10.23	0.00	0.0%	2	50.0%	20.60	0.0%
	Subtotal Knowledge Management					15.34	0	0.0%	6	0.0%	41.52	0.0%
	Subtotal M&E and Knowledge Management, Cycle 1					61.38	0	0.0%			160.25	0.0%
	D. M&E and Knowledge Management, Cycle 2											
	Total Investment Costs											
	II. Recurrent Costs											
	A. Salaries /i											
	Director		0	0		0	0.00		1	0.0%	62.50	0.0%
	Project Manager/Business Development Officer		1	1	100%	45.00	27.10	60.2%	1	100.0%	255.36	10.6%
	Business Development Officer		0	0		0	0		1	0.0%	255.36	0.0%
	M&E/Targeting Gender Officer		0	0		0	0		1	0.0%	255.36	0.0%
	Procurement Manager		0	0		0	0		1	0.0%	51.07	0.0%
	Financial Manager		0	0		0	0		1	0.0%	51.07	0.0%
	Accountant		0	0		0	0		1	0.0%	21.90	0.0%
	Interpreter		0	0		0	0		1	0.0%	21.90	0.0%

	Secretary		0	0		0	0		1	0.0%	21.90	0.0%
	Driver/Courier		0	1		0	6.22		1	100.0%	19.99	31.1%
	Subtotal Salaries					45.00	33.32	74.0%	10	0.0%	1016.40	3.3%
	B. Allowances											
	Travel and Allowances		0	0		0.00	0.99		250	0.0%	19.25	5.1%
	C. Office Operating Costs /j		0	0		0.00	9.70		10	0.0%	50.00	19.4%
	D. Recurrent costs, cycle 2											
	Total Recurrent Costs					0	10.69		260	0.0%	69.25	15.4%
	Total COMP 4					123.59	10.69	8.6%	14	0.0%	1414.63	0.8%
	TOTAL 2018 RCDP AWPB (comp 1 + comp 2 + comp 3)					1,927.0	301.7	15.7%	14.0	0.0	23,539.2	1.3%

Bosnia and Herzegovina

Rural Competitiveness Development Programme

Supervision Report

Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 01/11/2018 - 15/11/2018
Document Date: 31/01/2019
Project No. 1100001728
Report No. 4974-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 4.01	The project shall open 4 designated accounts in Euros in banks acceptable to the Fund			Complied with	
Section 7.02					
Schedule II. 11	The PCU & APCU shall prepare and submit a PIM to IFAD for NO no later than 6 months after the effectiveness			Complied with	
Section 8.03	A Midterm Review (MTR) to be carried out jointly by the Borrower and IFAD.			N/A	
Section 7.03	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.			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 7.08	The borrower shall insure all goods and buildings used in the project against such risks and in such in such amounts as shall be consistent with sound commercial practice.			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 and semi-annual basis.			N/A for FY 2017	
Section 9.03(b)	Audit Report submitted to IFAD within six months of the end of each Financial Year.			N/A for FY 2017	

Bosnia and Herzegovina

Rural Competitiveness Development Programme

Supervision Report

Appendix 4: Technical background analysis

Mission Dates: 01/11/2018 - 15/11/2018

Document Date: 31/01/2019

Project No. 1100001728

Report No. 4974-BA

Near East, North Africa and Europe Division
Programme Management Department

Appendix 4: Technical Background Analysis

Targeting and outreach

1. **Geographic targeting:** Geographic coverage of the intervention has been defined according to the number of clusters and municipalities involved. These are 5 clusters and 60 municipalities for FBiH and 7 clusters and 54 municipalities for RS. Criteria for geographic selection have considered, among others, characteristics in terms of socio-economic and institutional potential of the clusters. Presence of poor households taken into account. Presence of poor households has been taken into account during pre-selection at design stage, therefore final selection reconfirmed that the selected municipalities show high presence of poor households.
2. **Outreach:** The project activities so far have reached out beneficiaries through awareness creation and mobilisation campaigns to inform about the goals, objectives and opportunities provided by RCDP. Use of multiple means, including public calls and local media have ensured a wide spread of information concerning the project, while the direct work of extension service personnel, Pas, COOPs have enabled a more direct outreach of potentially eligible farmers.
3. **Targeting and selection of beneficiaries:** Targeting strategy has been elaborated. In the RS the income thresholds for eligibility of beneficiaries have been set as the monthly income per household member on the basis of which categorization was made into three groups: **very poor** (below 200 KM per household member) **poor** (201-400 KM per household member) and **borderline poor** (401-500 KM per household member). Categorization per income per household member is valid for all selected subsectors and has been used to assess the eligibility of beneficiaries for inclusion in the submitted business plans. According to the strategy, eligibility of the beneficiaries will be assessed by checking their economic and social status using a short questionnaire (prepared and distributed). The criteria based on poverty levels are coupled with further criteria applicable to land size for selected plant production: **very poor:** Berries/gherkins up to 0.2 ha; Greenhouse up to 300 m²; open field up to 0.5 ha; tree fruit up to 0.5 ha; **poor:** Berries/gherkins 0.2 - 0.5 ha; Greenhouse 300 m² - 800 m²; Open field 0.5 ha - 1 ha; Tree fruit 0.5 ha - 1 ha; **borderline poor:** Berries/gherkins 0.5 - 1 ha; Greenhouse 800 m² - 1500 m²; Open field 1 ha - 3 ha; Tree fruit 1 ha - 3 ha.
4. The process for beneficiaries' selection, have been explained to involved stakeholders (both in RS and FBiH) during the initial phase: sessions on target groups identification and selection of poor beneficiaries have taken place during cluster stakeholder platforms workshops and forums. Implementing partners (municipalities/service providers) are in the process of identification of beneficiaries eligible of direct targeted support (starter package) as part of the Business Plans. The mission noticed that the key elements and principles of the targeting strategy, showing a clear poverty focus, have been elaborated by both APCU and PCU so to provide the necessary guidelines to implementing partners at this preparatory stage. The mission also noticed that the poverty criteria applied are the same in use for another IFAD funded programme, RBDP and RLDP.
5. **Poverty focus:** Definition of poverty criteria and methodology for poverty assessment of expected beneficiaries have been informed by previous experience of the PCU/APCU and the service providers, other implementing partners in similar exercises. This refers to RBDP specifically as the project helped to draw some lessons to be reflected in the RCDP concerning this aspect.
6. Given the clarity on the poverty criteria as explained above, (i.e. poverty levels based on agreed criteria on income per capita at HHs level and land use) tools in place (questionnaires and matrix to capture data for database) and previous experience of involved implementing partners (SERDA and Municipalities through extension officers) in beneficiaries' selection using similar methodologies (i.e. RBDP) the mission believes that the process is likely to be undertaken as expected. This is further supported by the presence of experienced targeting and gender specialists in the PCU and APCU respectively, providing guidance to the overall process and follow up as needed during verification of beneficiaries' selection process to ensure that categories: very poor, poor and border poor are selected.

7. **Youth as target group:** Youth as target group requires specific attention. As of mission supervision, the mission could not find any specific direct action taken to ensure active participation of youth. Nevertheless, the mission found that at the level of geographic cluster is registered (with different degrees) presence of young entrepreneurs in the agriculture sector. The mission believes that they could play an active role in the forums and stakeholders' platforms, including as representatives. Those young entrepreneurs could be leaders in the platforms to engaged in key discussions for what concern youth challenges and opportunities in agriculture and provide support for the identification of key actions to enable participation of youth in different nodes of the value chains: on farm, off farm and also agribusiness. The view of the youth should be captured at cluster platform/forums levels, incorporated into concrete plans of action and subsequent activities. It is therefore recommended to identify young leaders, mobilise their participation in the platforms/forums, have specific topics of discussion leading to concrete actions and activities for youth inclusion. The mission recommends that a youth action plan is prepared and take the above into account. Youth activities are not supposed to be a set of stand-alone activities but integrated into the components, in line with indications from the design for component 1 and component 2. The mission provides an indicative matrix for integration of youth into component 1 (attached to SR) and recommend further elaboration and fine tuning from APCU and RPCU in order to identify such activities, budget it and reflect into the next AWPB. At this stage the indicative matrix refers only to Component 1 as outcomes and results from this action are expected to provide further guidance on how to determine specific activities for Component 2

Gender

8. **Gender equality and women participation:** A Gender and Youth diagnostic study was realized for FBiH by the Institute of Economics in Sarajevo (IES) and delivered in September 2018. The study is supposed to set the basis for defining the gender and targeting strategy and action plan (issues, opportunities, actions and target). As of supervision mission (October 2018) only the poverty criteria for the identification of RCDP beneficiaries were defined and presented to the stakeholder platform workshops. The study confirms that RBDP selected value chains and proposed activities are in line with potential opportunities for women. It is now of paramount importance that a gender strategy is prepared by APCU and PCU based on the findings of the study (in the case of FBiH) and taking into account clear objectives for gender equality and women empowerment such as: (a) expand women's economic empowerment; (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.

9. Based on supervision mission observations, it emerged that presence of women in the production of the selected commodities is high (up to 60%) and they are likely to benefits from the proposed activities for starter packages and other services (machineries and technologies useful for reducing their workload). This is also sustained by the incentive measured adopted by the project to provide an extra support to women and youth (top up to 10%). Nevertheless, the mission could not assess presence of women (representatives from women's led PAS, for example) in the cluster stakeholders' platforms as representatives. It is recommended that the project take a direct action to identify women's leaders, especially from interested PAs, and assess their willingness and readiness to be actively part of forum/stakeholders' platforms. It is recommended that the project take an extra effort to identify constraints that could limit their presence/leadership and adopt appropriate measures to ensure that they are enabled to fulfil the role. These actions should set the stepping stone for activities leading to achievements of the following objectives: strengthen women's decision-making role in community affairs and representation in local institutions.

10. RBDP is expected to provide organizational strengthening of PAs and cooperatives. The programme is expected to actively support cooperatives/PAs willing to pro-actively engage in cluster platform level. As part of the specific activities planned to ensure the organizational strengthening of producers' associations and cooperatives, it is recommended that direct support is provided to ensure inclusiveness and empowerment of women and youth and their active participation in PAs and

cooperatives' decision-making process. This should be reflected by their (increased) presence as members as well as leaders not only in Cooperatives and PAs but also as representatives in the Cluster Stakeholders' Platforms/forums.

11. The mission recommends that a gender action plan is prepared and takes the above into account. The gender related activities are not supposed to be a set of stand alone activities but integrated into the components as following indications from the design. The mission provides a matrix for integration of youth into component 1 (attached to SR) and recommend further elaboration and fine tuning by APCU and RPCU in order to identify such activities, budget it and reflect into the next AWPB.

Component 1	Framework for Youth Inclusion RCDP						
Enabling Environment for Inclusive Subsector Development	Expected outcomes	Activities	Deadline	Responsibilities	Monitoring (indicators/targets/tools for verification)	Costs	Source of funds
	Youth (including young entrepreneurs) are represented in cluster stakeholders platforms (CSP) and forums, at least one representative by Cluster/Forum	What: Identification of youth, especially young leaders engaged in the agribusiness sector. How: The Extension Officers (RS) or the Field Coordinators (FBIH) identify those potential young leaders, engage with them, explaining RCDP focus on youth and support them to identify a leader for the CSP/Forum as spokesperson	February 2019	Service Provider and Field Coordinators (FBIH); Extension Officers (RS) to do the work in the field; PCU/APCU to provide overall guidance if needed.	Number of youth are identified and they have selected their representative/leaders. It is expected to have one young leader per cluster (minimum), possibly from the agribusiness sectors and providing strong leadership.	Lumpsum:	Overall RCDP design made provisions (500,000 USD) for this type of activities, budget should be available.
	Youth challenges and opportunities are identified and workshops organized, by clusters	What: Prepare the preliminary agenda for discussion of youth specific issues in the agribusiness sector, including having the diagnostic study as a basis (in the case of FBIH). How: Implementing partners, with young leaders (those identified) set the key point for discussions on the CSP/Forum.	March 2019	Service Provider and Field Coordinators (FBIH); Extension Officers (RS) to do the work in the field; PCU/APCU to provide overall guidance if needed	Number of meetings set to support youth groups to identify the leaders. Name of the leaders should appear as part of the CSP members.	Budget should include if additional TA is required to undertake this activity and how much is needed to hire an extra person to support the activity, if needed.	

		<p>What: Organise cluster development workshops to capture perspective of Youth:</p> <p>How: PCU/APCU and SP support organisation of workshops (youth specific topics). At least one workshop per cluster. ToRs for workshop (and expected results) shall be defined in due course and communicate to all stakeholder involved to ensure wide participation. The outcome of the workshops are key recommendations on how to deal with youth at cluster level in a more defined and practical way.</p>	April/May 2019	APCU/PCU and service providers	Number of workshops (one per cluster) and agendas with key topics relevant for youth at cluster level are organized.	Lumpsum, by Cluster.	
	Recommendations and conclusions from the workshops support identification of key issues and solutions for youth inclusion in the VC and cluster development.	<p>What: Report on the workshops, finding, conclusion, recommendations and concrete way forward.</p> <p>How: SP with support from PCU/APCU write up the minutes into a consolidated document the main findings from the workshop and conduct a brief analysis of what is needed and how to realise it. The consolidated report on youth in the agribusiness shall be subsequently distributed to</p>	June/July 2019	Service providers to consolidate the document and additional analytical work shall be conducted by targeting specialist at APCU/PCU level. The documents should help a more detailed planning for the youth action plan for the	One consolidated document by Cluster with reported findings/recommendations, other key steps.	Should be part of the lump sum above.	

		all actors involved in cluster.		subsequent AWPB Planning (2020-2021).			
						Total Cost:	

Bosnia and Herzegovina

Rural Competitiveness Development Programme

Supervision Report

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

Mission Dates: 01/11/2018 - 15/11/2018
Document Date: 31/01/2019
Project No. 1100001728
Report No. 4974-BA

Near East, North Africa and Europe Division
Programme Management Department

Appendix 5: Mission Preparation and Planning, TORs, Schedules, People met.

A. Terms of Reference

MISSION COMPOSITION:

- Swandip Sinha, Rural finance expert and Mission Leader,
- Zeljko Vaško, Procurement Specialist
- Chiara Romano, Targeting and Gender,
- Malek Sahli, Senior Finance Officer, FMD,
- Alisia Sansoni, Programme Officer, M&E

Background:

1. The Rural Competitiveness Development Programme (RCDP) was approved by the EB in December 2015, with an IFAD loan of USD 12.250 million and a grant of USD 0.5 million. The signing of the Financing agreement with the BiH took place in March 2016 and the signing of the Financing Agreements with the two entities was concluded in November and December 2016. The last step is the publication on the National Gazette, which is expected in mid-March 2017. After that, all the conditions for effectiveness will be met and the project will be entering into force.
2. In a context of liberalized European and regional markets BiH is facing the challenge to modernize its agriculture. While the sector is potentially well positioned with several comparative advantages, in particular for fruits & vegetables and organic produce the country is not reaping the full benefits of trade liberalization. The Rural Competitiveness Development Programme (RCDP) will be one of the main IFAD tools to support entity-level Governments to achieve their goal of modernizing food and agricultural systems; RCDP is aligned with FBiH and RS development strategies, in their goal to improve food security and incomes through support to non-commercial and commercial farmers, and to on- and off-farm enterprises as formulated in the Results-Based Country Strategic Opportunities Programme (2013).
3. The rationale for RCDP is to respond to the needs of smallholders, specifically poor, women and youth and 'non-commercial' farmers by improving their: (a) access to more integrated forms of production and marketing in order become more competitive and reach a viable commercial scale; (b) participation in organized decision making processes to become more active stakeholders in local economic development; and (c) inclusion, through their organizations, into sustainable opportunities of economic development.
4. RCDP will focus on the fruits, vegetables and Non Timber Forest Products (NTFP) for their poverty reduction and growth potential. These subsectors are particularly attractive to smallholders because of: (a) the possibility to maximize family labour (b) possibilities to create rural employment opportunities; (c) the possibility to earn a decent incomes on small plots of land; (d) their attractiveness for mixed, part-time and even specialized farming; (e) the possibility to maximize BiH's agro-ecological potential; (f) the presence of agribusinesses interested in setting up or strengthening supply chains for both processing and fresh markets; (g) favourable market prospects, with produce that can be freely exported to the EU and characterized by a growing consumer demand; and (h) the possibility to build up on successful initiatives developed by other development partners, including USAID, SIDA, SDC, GIZ, CARITAS, OXFAM, etc. and local economic development (LED) agencies.

Mission Objectives And Outputs:

5. In accordance with the financing agreement, the PIU, jointly with IFAD, will carry out a Supervision mission to follow-up on the project activities. The main purpose of the mission will be to review the implementation progress of the various components and to assess the performance of implementation partners, as well as the financial management, procurement, monitoring, evaluation and knowledge management systems. This assignment intends to provide the needed support to the PCU in FBiH and APCU in RS of the Rural Competitiveness Development Programme. Within this context, the mission members will be asked to undertake the specific tasks as listed below.

6. Terms of reference

7. The supervision mission will travel to Bosnia from around 1 – 15 November 2018 . The mission will be led by Mr. Mikael Kattu, the CPM for Bosnia and the team will be composed of Ms. Swandip Sinha (Rural finance expert and Mission Leader) and will be assisted by Mr. Zeljko Vasko (procurement specialist), Ms. Stefano Gnoato (gender and targeting officer) and Mr. Malek Sahli (finance Officer). More specifically the TORs of the mission members will be as follows:

8. Mr. Swandip Sinha (Rural finance 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 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) and the linkages with other implementing agencies and departments;
- 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)
- Assess the experience of the 305 starter packages under RLDP and RBDP as requested by the QA for READP and adjusted according the related paragraphs in the PDR.
- Lead the write-up of the aide-mémoire and the Supervision Report

9. 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.

10. Chiara Romano, Gender and Targeting 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.

11. Mr Moez Makhoul, Finance Management 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

12. Paola Di Stefano, Programme Assistant, NEN, will support the work of the Supervision mission members and her specific responsibilities will be:

- In close collaboration with the M&E Specialist, you will:
- Discuss the updates of the LogFrame, M&E plans and impact assessment strategies (as well as updates of COSOP results frameworks) to ensure alignment with amended project LogFrames;
- Explain to project staff of both entity the expected improvements in M&E reporting in line with IFAD corporate changes; and
- Keep implementing the migration of RIMS into the new system - Operational Results Management System (ORMS) – with the project staff, supporting them to verify the selected Core Indicators and ensure project M&E unit readiness to report on them from 2019.
- Prepare the background documentation needed for the mission and ensure that all project relevant documents will be made available to mission members
- Contribute to the capitalization of knowledge and lessons generated and/or captured by the project;
- Undertake field visits, attend group discussions and arrange meetings/interviews with key stakeholders to: (i) identify key experiences and potential stories from the field; (ii) develop a blog post useful to document project impact and good practices; and (iii) collect other relevant findings, if required;
- Contribute to the Aide Memoire and Supervision report if and as needed.
- Perform ad-hoc duties as required by the CPM and/ or Team Leader.

13. 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.

B. Detailed Mission schedule

RCDP Supervision Mission

1-15 November 2018

	Date	Time	Activity	Location
Thursday	1 Nov 2018		- Team Arrival	Sarajevo
Friday	2 Nov 2018	09.00 – 10.00 hrs	- Team meeting	PCU, Sarajevo
		11.00 – 13.00 Hrs	- Presentation by the PCU	PCU, Sarajevo
		13.00 hrs onwards	- Discussions with the PCU	PCU, Sarajevo
Saturday	3 Nov 2018		- Discussion with PCU and team meeting	PCU, Sarajevo
Sunday	4 Nov 2018	8.00 – 11.30	- Sarajevo to Sanski Most	Field visit
		11.30 – 13.00	- Visit to the Coop "Agrisan" Sanski Most	Field visit
		13.00-14.30	- Lunch	Field visit
		14.30 – 16.30	- Travel to Bihac (overnight in Bihac)	Overnight in Bihac
Monday	5 Nov 2018	8.30 – 9.30	- Travel from Bihać to Velika Kladuša	Field visit
		9.30-11.00	- Visit to "Agro-Velić" company doo Velika Kladuša and PA „Kornišon“	Field visit
		11.00 – 12.00	- Visit some farmers - producers/cooperants of PA „Kornišon“	Field visit
		12.00 – 12.30	- Transfer to "Bašo" company doo Velika Kladuša and discussion with the owner	Field visit
		12.30 – 13.30	- Visit and talking to a representative of Udruženje poljoprivrednika/PA of "AgroTrade"	Field visit
		13.30 – 14.00	- Visit to some farmers, cooperants of Bašo" company	Field visit
		14.00 – 15.00	- Lunch	Field visit
		15.00 – 16.00	- Transfer from Velika Kladuša to Cazin	Field visit
		16.00 – 17.00	- Visit the "AgroDar" Coop and discussion with representatives of Coop	Field visit
		18.30 – 20.00	- Travel from Bihac to Banja Luka either this evening or next morning	
Tuesday	6 Nov 2018	7.30 hrs	- Travel from Bihac to Banja Luka	
		11:30 hrs	- Presentation by the APCU	APCU, BL
		14.00 hrs	- Follow up discussions with APCU	APCU, BL
Wed-Thu	7-8 Nov 2018	Full day	- Field visits	Field visit schedule to be developed by the APCU
Friday	9 Nov 2018	Morning	- Wrap up in RS	APCU, BL
		Afternoon	- Travel from Banja Luka to Sarajevo	Sarajevo
Sat-Tue	10 – 13 Nov 2018	Full day	- Report writing - Follow up discussions - Additional field visits if required	Sarajevo
Wednesday	14 Nov 2018	Morning	- Wrap up	Sarajevo
Thursday	15 Nov 2018		- Departure	

C. List of people met

November, 4, 2018

Location Sanski Most

1. Husein Selimanovic, president of the Union of agricultural associations in Una-Sana Canton,
2. Suad Hadzibajramovic, director of AgriSan cooperative,
3. Jalim Hadziahmetovic, agronomist in AgriSan cooperative,

November, 8, 2018

Location Zvornik

1. Miladin Mijatovic, Smrcak company, owner,
2. Ljubisa Danilovic, head of cooperation in Smrcak company,
3. Radmila Micic, extension officer, regional office Bijeljina,
4. Sanja Ninkovic, extension officer, regional office Bijeljina,

Location Osmaci

5. Marija Mitric, farmer,
6. Zaharije Mitric, farmer,

Location Gracanica

7. Rasim Husic, Gracanka cooperative, director
8. Sabahudin Avdic, Gracanka cooperative, agronomist,
9. Refik Ahmuljic, Gracanka cooperative, agronomist,
10. Adem Dzafic, Gracanka cooperative,

Location Stanari

11. Mihajlo Gavric, PA Stanari, President.