

## IPA National Programme 2010 - Bosnia and Herzegovina

### Fiche 13 "Rural Development"

#### **1. Basic information**

**1.1 CRIS Number:** 2010/022-259

**1.2 Title:** Pilot support to IPA Rural Development measures

**1.3 ELARG Statistical code:** 03.11 European Standards/Agriculture and Rural Development

**1.4 Location:** Bosnia and Herzegovina

#### **Implementing arrangements:**

**1.5 Contracting Authority:** The European Union represented by the European Commission for and on behalf of the beneficiary country, in joint management with Food and Agriculture Organization of the United Nations (FAO)

**1.6 Implementing Agency:** Food and Agriculture Organization of the United Nations (FAO) through joint management with European Commission

#### **1.7 Beneficiary:**

Sector for Agriculture, Food, Forestry and Rural Development within the Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina

Senior Programme Officer (SPO):

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Main beneficiaries: Ministry of Foreign Trade and Economic Relations of Bosnia and Herzegovina (Sector for Agriculture, Food, Forestry and Rural Development), Federal (FBiH) Ministry for Agriculture, Water-Management and Forestry; Ministry for Agriculture, Forestry and Water-Management of Republic of Srpska (RS); Department for Agriculture of Brcko District (BD) of Bosnia and Herzegovina.

Secondary beneficiaries are: farmers, agricultural cooperatives and unions, rural enterprises sector, advisory services, training and technical assistance providers (e.g. institutes), business chambers and trade associations, regional development agencies, civil society organisations and rural population in general.

## **Financing:**

**1.8 Overall cost (VAT excluded):** EUR 3 300 000

**1.9 EU contribution:** EUR 3 000 000

**1.10 Final date for contracting:** Two years following the date of the conclusion of the Financing Agreement

**1.11 Final date for execution of contracts:** Two years following the end date of contracting

**1.12 Final date for disbursements:** One year following the end date for the execution of contracts

## **2. Overall Objective and Project Purpose**

### **2.1 Overall Objective:**

To develop a sustainable, competitive and dynamic agriculture and food sector in Bosnia and Herzegovina, its gradual alignment with the *acquis* institutional and regulatory requirements and standards, and maintain economically viable rural areas.

### **2.2 Project purpose:**

Improved preparedness of farmers to participate in EU-funded rural development projects and strengthened State capacities in agricultural programming and implementation

### **2.3 Link with AP / NPAA / EP/ SAA**

The European Partnership (EP)

Under the European Standards, the project contributes to the following

#### **(i) Short-term priorities:**

- Strengthen the administrative capacity at State level as it regards agriculture, food and Rural Development in order to effectively coordinate implementation of market and Rural Development policies throughout the entire country; and

#### **(ii) Medium-term priorities:**

- Implementation of the comprehensive State level agricultural strategy throughout the whole country, and
- Further strengthening the State level capacity for coordination and harmonisation of agricultural, food and rural development policy, reinforcement of implementation mechanisms and further approximation with the *acquis*.

The aim of this project is consistent with the above defined priorities. While the process of institutional development and establishment of IPARD structures is expected to advance with implementation of an upcoming IPA 2007-2009 projects, this assistance will further build upon the above defined European Partnership's priorities by supporting the piloting of IPARD-type rural development measures in Bosnia and Herzegovina.

### **2.4 Link with MIPD**

The project is linked to the section 2.3.1.3. *Ability to assume the obligations of membership* of the Multi Annual-Indicative Planning Document(MIPD) 2009-2011 for BiH

## **Objectives and choices**

*Sectoral Policies:* Support the adoption and implementation of a comprehensive agriculture and rural development strategy.

#### Expected results and indicators

A country-wide agriculture and rural development strategy with clearly identified priority areas is adopted and implemented, with agricultural sector actively contributing to economic growth. The administrative structures, responsible for the harmonised implementation of agricultural policy and rural development measures are established and become operational. Structures, strategies and programmes for agriculture and rural development in line with the requirements for implementing EU pre- accession assistance are planned. Rural households and communities are strengthened and benefit from enhanced policies and measures resulting in increased prosperity.

While this project is aimed at providing a direct benefit to the rural stakeholders and communities, it will strongly contribute to the strengthening of the management and implementing functions of IPARD structures which will be actively involved in monitoring, evaluation and overall coordination of the proposed assistance.

### **2.5 Link with National Development Plan**

Bosnia and Herzegovina has completed drafting of the National Development Strategy 2008 - 2013 and Social Inclusion Strategy that will serve as the basis for the National Development Plan. Both strategies are expected to be adopted at the beginning of 2010.

The project is linked to the strategic goal Sustainable development. Within this goal, priorities and specific measures which will aim at strengthening capacities of institutions in agriculture and rural development sector, as well as measures for rural development are defined.

### **2.6 Link with National/ Sectoral Investment Plans**

The project will support Bosnia and Herzegovina's preparations for decentralised management of IPA funds under IPA Rural Development component.

At sectoral level, Strategic Plan of Bosnia and Herzegovina for the harmonization of agriculture, food and rural development and its Operational Program (2008-2011) addressed the rural development planning. Amongst the six priority areas, rural development includes the fourth, fifth, and sixth, namely:

- Improving the competitiveness of the agro-food sector of Bosnia and Herzegovina through indirect measures of support for production and processing;
- Protection of the rural environment of Bosnia and Herzegovina by supporting agro-environmental programs;
- Diversification of rural activities and improving the quality of life in rural areas.

In conclusion, despite some improvement in the field of strategic planning and existence of measures to support rural development in both entities and District Brcko, the level of harmonisation with the state level strategic framework is still at early stage. In this context, the IPA 2007 project "Strengthening of BIH Rural Development Programming Capacities" as its main objective, seeks to facilitate agriculture and rural development priority-setting at the State level. IPA 2008 project "Support to Agriculture policy and IPA RD compliant structure" will focus on institutional IPARD building. IPA 2009 is expected to help rural development priority-setting on the State level by gathering, synthesising and analysing information on the main agricultural sectors in the country. Consequently, after the successful completion of

some and start of the other relevant IPA projects, it will remain for Bosnia and Herzegovina to finalise its institutional preparations for IPARD on the one hand and to increase awareness and absorption capacities of prospective IPARD funds at the final beneficiaries' level. This project aims to address these problems through an implementation of pilot rural development activities by strengthening capacities of the future final beneficiaries of IPARD programme.

In order to support implementation of the above mentioned state level framework and to approximate towards IPARD compliance, both entities and District Brcko (DB) have defined their strategic priorities in rural development which define measures similar to the above mentioned state level priorities.

In line with the above defined strategic framework, the governments of both entities and Brcko District in recent years have increased their support to agricultural production and rural development. In 2008, overall figure for Bosnia and Herzegovina reached 137 000 000 KM (70 046 987 EUR), which is an increase of almost 35% compared with 2007. However, due to the financial and economic crisis, the support in 2009 has been maintained at 2008 level (136 500 000 KM – 69 791 341 EUR).

In addition to the support from own budgetary allocations, the government has been granted a loan by the World Bank for the implementation of "Agriculture and Rural Development project in Bosnia and Herzegovina". The loan is worth 21 000 000 USD and will be gradually disbursed until 2012. The project includes 5 930 000 EUR support in terms of grants by Sweden for implementation of Entity-level grants scheme for rural areas. This component is expected to become operational in 2011.

The tables with detailed amounts and structure of subsidies in Bosnia and Herzegovina in the period 2007-2008 are provided in Annex VII. While they indicate orientation of Bosnia and Herzegovina towards increasing support to the rural development, they could not be accurately compiled at the national level, due to non-harmonised approach to definition of measures. Overall, the level of government support and investment in agriculture and rural development sector can only to a small extent facilitate a more dynamic modernization and restructuring in coming years, which will be a pre-condition for improved competitiveness of agri-food industry in Bosnia and Herzegovina. Additionally, although limited in scope, the recently performed studies already indicate a further trend of depopulation of rural areas in Bosnia and Herzegovina in the post war period.

### **3. Description of Project**

#### **3.1 Background and justification:**

Agriculture plays a significant role in economy and employment in Bosnia and Herzegovina. For illustration, while the contribution of agriculture in nominal GDP in 2008 was 7.8%, its contribution to employment was 20.6 %, based on the labour survey carried out by Statistical Agency of Bosnia and Herzegovina.

In the absence of a State Ministry of Agriculture, the competencies in the agricultural sector at state level are assigned to the Ministry of Foreign Trade and Economic Relations (MoFTER) and it's Sector for Agriculture, Food, Forestry and Rural Development (SAFFRD), which is comprised of four departments, namely:

1. Department for Policy Analysis, Monitoring and Evaluation (M&E) and Information;
2. Department for International Relations and Project Co-ordination;
3. Department for Co-ordination of Agriculture, Food and Rural Development Policy;

#### 4. Department for Co-ordination of Registers, Payment Systems, Inspection and Advisory Services.

Currently activities of Department for Co-ordination of Agriculture, Food and Rural Development Policy are focused on coordination of the Working Group for Rural Development which has a mandate to work on the harmonization and creation of Monitoring and Evaluation mechanism for agricultural and rural development measures.

The staffing situation of administration dealing with agriculture and rural development has slightly improved over the past period. SAFFRD currently employs 25 staff out of 31 available posts, including 5 staff whose employment is funded through ARDP World Bank's project. The Department for Co-ordination of Agriculture, Food and Rural Development Policy currently employs 6 staff. Entity ministries of agriculture have significantly larger number of employees. The staffing in Federal Ministry for Agriculture, Water-Management and Forestry has increased by 36 employees in 2008 and the total number of employees is 96. RS Ministry of Agriculture, Forestry and Water Management employed additional 12 staff in 2008. It also established new departments for rural development, registers, monitoring and evaluation, management of food resources, and the department for European integration. The number of staff in this Ministry is planned to increase to 150 in the medium term.

The problems facing agricultural producers include various limitations pertaining to access to markets, input supply, technology, advice and information exchange, economy of scale of production, investment opportunities, etc. Some of these issues can be addressed through improved competitiveness targeting the producer level, the producer organizations as well as the agri-business sector (processing and service providers).

Rural development is viewed as the key for restructuring of the agriculture sector in order to encourage diversification and innovation in rural areas. It helps steering the macroeconomic growth and its processes toward higher value-added and more flexible economy in general. In line with the Lisbon Strategy, the focus of rural development should be on improving education and training, research and development, and promotion of innovation and sustainability. Local initiatives, such as LEADER program, contribute to creation of new jobs, improvement of income, support of on- and off-farm diversification and encourage innovative entrepreneurship.

The piloting of specific IPARD type measures is expected to positively impact economic activity and employment in rural areas in Bosnia and Herzegovina, building capacities of the future IPARD beneficiaries. This project would further enhance the training capacities of rural service providers by promotion of locally-based actions. The role of non-state actors is critical to a successful implementation of rural development measures. Also, the extension services are important for facilitating an information flow between the local partners within the rural development programming process. They must be well equipped and trained with the relevant skills to play a crucial role supporting a more vibrant rural economy. Likewise, the engagement of and the use of the expertise within the local chamber of commerce, the SME sector, the regional development agencies, municipalities and other local action groups (agricultural cooperatives, cooperative unions, marketing and trade associations) should be seen as positive assets and resources that can be leveraged in support of improved agricultural competitiveness and rural development. Moreover, Bosnia and Herzegovina already has a cadre of experienced and skilled professionals in the Regional Development Agencies that can be used for Rural Development capacity building at grass root level.

As a potential candidate country for the EU membership, Bosnia and Herzegovina is currently developing administrative structures required for an access to IPARD programme, once it gains the candidate country status and obtains accreditation for decentralised management of

EU funds. The aim of earlier IPA 2007-2009 assistance for Agriculture and Rural Development sector is to support the creation of an Operational Structure for IPARD, as presented in Annex III.

While the proposed IPA 2010 assistance will primarily focus on the potential final beneficiaries of the IPARD programme it will also include strengthening capacities in agricultural programming and implementation in Bosnia and Herzegovina. Although Bosnia and Herzegovina is lagging behind the region in preparedness for access to IPARD, existence of the state level strategic and legislative framework provides for introduction of pre-IPARD type actions. The State Law on AFRD provides for development of the National Rural Development Plan, which should further lead to the preparation of draft rural development programme. These activities have started with assistance of IPA 2007 project, with an aim to be completed by the end of 2010.

### **3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact**

The implementation of this project is expected to have the following positive impact:

- Awareness on IPARD programme should increase among the future.
- Capacities of institutions should be strengthened for the implementation of rural development measures
- Competitiveness of agricultural sector and viability of rural areas increased
- The project's sustainability will be ensured thorough the capacity building and awareness rising among the future beneficiaries of rural development measures as well as through their engagement in implementation of the IPARD-compliant rural development measures. The project is expected to reinforce the inter-sectoral cooperation and integration of agriculture and rural development with other development programmes and strategies, such as regional development, environment and employment, as important elements, also contributing to enhanced cross-border cooperation.

### **3.3 Results and measurable indicators:**

The project is expected to achieve the following results:

Result 1: Capacities of structures envisaged to be entrusted with future IPARD programme management and control strengthened by having gained practical experiences with implementation of IPARD-compliant measures

Indicators:

- Training Needs Analysis performed for at least 50 staff of future IPARD management and control by the end of six months of project implementation
- Trainings held for at least 50 staff of future IPARD management and control by the end of the first year of project implementation

Result 2: Capacities of Producer Organizations (PO) and other final beneficiaries of IPARD strengthened

Indicators:

- Potential final beneficiaries of rural development projects identified within six months of the project, with the target group selected for capacity building
- Training programme for the target groups defined and performed for at least 10 POs by the end of the first year of the project

- Public awareness campaign implemented - Number of brochures (at least 5000), publicity campaigns (at least 4) and promotional materials prepared and disseminated to PO and in rural areas of Bosnia and Herzegovina
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Result 3: Systems of grant provision to the final beneficiaries established and tested by applying IPARD-compliant measures, in order to prepare final beneficiaries before IPARD becomes operational

Indicators:

- Assessment of grant schemes in the sector financed by other donors performed by the end of sixth month of the project
- Measures and award procedures for IPARD-like measures identified and agreed with future IPARD structure and other key stakeholders by the end of the first year of the project
- Pilot grant scheme implemented and evaluated in cooperation with future IPARD structure and key stakeholders by end of project

### 3.4 Activities

Activities related to the Result no. 1

- 1.1. Identify capacity building needs for future IPARD structures
- 1.2. Prepare training and coaching resources in cooperation with MoFTER and DG AGRI
- 1.3. Deliver pilot training and coaching
- 1.4. Deliver training and coaching activities

Activities related to the Result no. 2

- 2.1. Identify organizations and capacity building needs
- 2.2. Prepare training and coaching resources in cooperation with MoFTER and DG AGRI
- 2.3. Deliver pilot training and coaching
- 2.4. Evaluate pilot training and coaching
- 2.5. Deliver training and coaching activities

Activities related to the Result no. 3

- 3.1. Consolidate information on results and lessons learnt of grant schemes in Bosnia and Herzegovina funded by other projects (World Bank, Sida, IFAD, USAID, other)
- 3.2. Identify possible measures, beneficiaries, selection and award procedures in cooperation with DG AGRI and the future IPARD structures
- 3.3. Run pilot grant scheme and evaluate in cooperation with DG AGRI and the future IPARD structures
- 3.4. Operate grant scheme in close cooperation with DG AGRI and the future IPARD structure

Project activities will be implemented by joint management with FAO through one contribution agreement of 3 000 000 EUR in accordance with Article 53(d) of the Financial Regulation. 2 000 000 EUR will be allocated for the grant scheme, and 1 000 000 EUR for the

capacity building activities. The private contribution of 300,000 EUR will be provided in form of 10 % of co-financing by the grant beneficiaries.

The justification for choosing the operational modality of concluding a contribution agreement with the FAO is based on the fact that the FAO is the only organisation which can provide the envisaged support (i) countrywide, (ii) with a system of quality professional backup, (iii) with a benefit of other cross-country international experience, and (vi) in parallel but in close cooperation with the IPARD structures, established and supported through the above mentioned IPA 2007 and 2008 projects. Until these structures are accredited they cannot be used for managing IPA funds, but at the same time the present project will prepare farmers to be ready for eventually benefitting from IPA Rural Development component.

### **3.5 Conditionality and Sequencing**

Implementation of this project is conditional to successful implementation of the relevant IPA 2007 and 2008 projects and establishment of IPARD structure model agreed between Bosnia and Herzegovina institutions and the European Commission services.

### **3.6 Linked activities**

There is a range of projects/programmes that may be associated with this initiative and which would benefit from the strategic planning, coordination and institutional support developed through the project including:

- The EU support for Establishment of State Ministry of Agriculture and Rural Development (SESMARD) project concluded in 2008. The outcomes of this project provided the framework for other upcoming projects funded with the European Union Delegation's assistance.
- "Strengthening and harmonization of the BiH Agriculture and rural sectors information system" is an EU-funded IPA 2007 project worth EUR 1 500 000.
- EU IPA 2007 support "Strengthening of BiH Rural Development Programming Capacities" (EUR 1 000 000). The project is expected to have developed mechanism and structures for engagement of the communities and local administrations in the rural development programming process. See also Annex VI for an overview of ongoing and planned IPA support.
- IPA 2008 Support to Agriculture policy and IPARD compliant structure (EUR 2 500 000). The purpose of this project is to harmonise sectoral policies and measures for enhanced performance of agri-food sector and to create structures and capacity for managing the future IPARD funds.
- World Bank rural development project (and related investment plans for IT software and hardware and other management infrastructure) overall value of 21 000 000 USD. A 4.5 year project commenced in 2007.
- IFAD program for supporting rural SME development and rural associations. The project is implemented in a selected group of cantons and municipalities in FBiH and in RS. It supports rural households engaged in dairy production, fruit growing and other small-scale enterprises.
- USAID is implementing two projects related to the agricultural sector. The project "Excellence in Innovation" co-financed by the Norwegian government will create agri-business centre. FARMA project worth 14 000 000 USD will support implementation of the development programmes in agriculture by supporting agri-business sector and rural population.



### **3.7 Lessons Learned**

In view of delayed implementation of IPA 2007-08 programme, current experience is limited in implementation of the EU assistance, for which the main driving force would be approximation to the acquis and IPARD structures. Nevertheless, the lessons learnt from the limited CARDS and other donors assistance in this sector in Bosnia and Herzegovina, as well as the experience gained in the region in implementation of pre-accession programmes in rural development (primarily SAPARD) indicate a slow rate of initial programme uptake for a number of reasons, among which prevailing problem being limited human resources within the administration for managing complex projects.

To date, the preparations for IPARD implementation have been limited and conditioned to finding an agreement on structures to be developed in order to ensure sufficient managing, control and monitoring of the future EU rural development support through the IPA Rural Development component. The main areas requiring greater investment are the Rural Development Programme management capacity building, financial management, control and accounting for rural development funds, monitoring, evaluation and reporting, training of rural stakeholders and creation of rural networks to engage in planning (and implementation) process.

The project implementation will require and involve full collaboration and leveraging of resources available at the State and Entity level in support of activities, as well as the project leveraging and working with other stakeholders (private and public), contributing to the overall objective.

**4. Indicative Budget (amounts in EUR)**

SOURCES OF FUNDING													
ACTIVITIES	IB (1)	INV (1)	TOTAL EXP.RE		IPA EU CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
			EUR (a)=(b)+(c)+(d)	3 300 000	EUR (b)	%(2)	Total EUR (c)=(x)+(y)+(z)	% (2)	Central EUR (x)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	% (2)
Activity 1	X		3 300 000	3 300 000	3 000 000	90.91						300 000	9.09
Contract 1.1 (Contribution- Agreement with FAO)	-	-	3 300 000	3 300 000	3 000 000	90.91						300 000	9.09
TOTAL IB			3 300 000	3 300 000	3 000 000	90.91						300 000	9.09
TOTAL INV													
<b>TOTAL PROJECT</b>			<b>3 300 000</b>	<b>3 300 000</b>	<b>3 000 000</b>	<b>90.91</b>						<b>300 000</b>	<b>9.09</b>

Amounts net of VAT

- (1) In the Activity row use "X" to identify whether IB or INV
- (2) Expressed in % of the Total Expenditure (column (a))

## **5. Indicative Implementation Schedule (periods broken down per quarter)**

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1.1 (Contribution Agreement with FAO)	N/A	Q2/2011	Q2/2013

## **6. Cross cutting issues**

### **6.1 Equal Opportunity**

Equal opportunity for participation of men and women will be assured in all aspects of project implementation. Contractors involved in the project will be required to provide monitoring data recording the participation of men and women in terms of expert inputs and trainee days as an integral component of all project progress reports

### **6.2 Environment**

The project will not have any negative environmental effects

### **6.3 Minorities**

The project will promote participation of minorities in all the activities.

## **ANNEXES**

- I Log frame in Standard Format
- II Amounts contracted and Disbursed per Quarter over the full duration of Programme
- III Description of Institutional Framework
- IV Reference to laws, regulations and strategic documents
- V Details per EU funded contract
- VI IPARD structure in the context of IPA 2007-2009 assistance
- VII Amount and structure of subsidies in Bosnia and Herzegovina in period 2007-2008

**ANNEX I: Logical framework matrix**

LOGFRAME PLANNING MATRIX FOR Project Fiche		Programme name: IPA National 2010 Programme – Bosnia and Herzegovina, Fiche 14 “Rural Development”		Disbursement period expires: One year following the end date for the execution of contracts	
		Contracting period expires: Two years following the date of the conclusion of the Financing Agreement			
CRIS Number:		Total budget : 3 300 000 EUR	IPA budget: 3 000 000 EUR		
<b>Overall objective</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>			
To contribute to the development of a sustainable, competitive and dynamic agriculture, forestry and food sector in Bosnia and Herzegovina and its gradual alignment with the acquis institutional requirements and standards	Contribution of agriculture sector in GDP of the country increased by 3%	Statistical reports in Bosnia and Herzegovina			
<b>Project purpose</b>	<b>Objectively verifiable indicators</b>	<b>Sources of Verification</b>			
Enhanced preparedness of Bosnia and Herzegovina for IPARD programme	Awareness of farmers on IPARD programme increased through trainings and campaigns (no. of trainings and campaigns)  Bosnia and Herzegovina structures able to implement future IPARD grant (guidelines, procedures for	1.1 Farm census and farm surveys, benchmark  1.2 Statistical data, farm surveys			
		<b>Assumptions</b>			
		1.1 Project design assumes a stable and progressive policy environment, committed to gradual alignment with the EU; 1.2 Rural Development Programming capacity and management in place; 1.3 Accuracy and reliability of rural data can be assured;			
		1 Strong level of interest in Farm and Agribusiness /processing upgrade and modification, uses of new technologies 2. Interest in PO strong and subsequent capacity building and skills training			

	<p>implementation ready) IPARD-like grant schemes implemented</p>	<p>1.3 Statistical data on jobs</p>	<p>3. Access to markets and to added value for agricultural products achieved. 4. Skills training delivered and source to finance for new micro enterprise and SME development available</p>
<p><b>Results</b></p> <p>R1: Capacities of structures envisaged to be entrusted with future IPARD management strengthened on practical aspects of management of IPARD measures</p> <p>R2: Capacities of Producer Organizations and other final beneficiary organizations for IPARD project participation strengthened</p>	<p><b>Objectively verifiable indicators</b></p> <p>Training Needs Analysis performed for at least 50 staff of with future IPARD management by end of sixth month of project</p> <p>Trainings held for at least 50 staff of with future IPARD management by end of the first year of project</p> <p>Public awareness campaign implemented - Number of brochures (at least 5000), publicity campaigns (at least 4) and promotional materials prepared and disseminated to PO and in rural areas of Bosnia and Herzegovina</p> <p>Potential final beneficiaries of future IPARD projects identified by sixth month of the project, with the target group selected for capacity building</p> <p>Training programme for the target groups defined and performed for at least 10 POs by the end of the first year of the project</p>	<p><b>Sources of Verification</b></p> <p>Farm enterprise records, number of farmers participating in training, number of courses</p> <p>Farm census data , participating farmers results</p> <p>Publicity campaigns prepared and executed; number of brochures prepared and disseminated;</p> <p>Formal contracts and farm off take between producers and purchasers, including agri-processors; value of market linkage contracts</p> <p>New enterprises registered, new jobs created and sustained in rural areas – statistical data</p> <p>Income generation surveys, SMEs registered</p> <p>Registration records.</p> <p>Training records.</p> <p>MoUs/partnership agreements;</p> <p>Project reports;</p> <p>Employment agencies reports;</p> <p>Reports from public campaigns, promotional materials (brochures and leaflets) produced and disseminated</p> <p>Reports from the trainings and workshops;</p>	<p><b>Assumptions</b></p> <p>Staff in place and available to be trained; staff have sufficient capacity/minimum skills base to benefit from training; Leverage and capacity building of rural business support service providers</p> <p>1.4.Resources available; Commitment to financial</p>

<p>R3: Systems of grant provision to final beneficiaries established which applies IPARD-like measures in order to prepare final beneficiaries before IPARD becomes operational</p>	<p>Assessment of grant schemes in the sector financed by other donors performed by the end of sixth month of the project</p> <p>Measures and award procedures for IPARD-like measures identified and agreed with future IPARD structure and other key stakeholders by the end of the first year of the project</p> <p>Pilot grant scheme implemented and evaluated in cooperation with future IPARD structure and key stakeholders by end of project</p>	<p>Draft studies on elaboration and implementation of piloted measures; evaluation reports;</p>	<p>support rural development exists</p>
<p><b>Activities</b></p> <p>1.1. Identify capacity building needs for future IPARD structures</p> <p>1.2. Prepare training and coaching resources in cooperation with MoFTER and DG AGRI</p> <p>1.3. Deliver pilot training and coaching</p> <p>1.4. Deliver training and coaching activities</p> <p>2.1. Identify organizations and capacity building needs</p>	<p><b>Means</b></p> <p>Joint management: Contribution agreement with FAO</p>	<p><b>Costs</b></p> <p>Contract 1.1 : 3 300 000 EUR</p> <p>IPA contribution 3 000 000 EUR (including at least 2 000 000 for the grant scheme)</p> <p>Private Contribution: 300 000 EUR</p>	<p>Conducive Environment for Micro enterprise and SME development exists</p> <p><b>Assumptions</b></p> <p>Sufficient absorpction capacity in the beneficiary institution to effectively utilise project resources.</p> <p>Sufficient interest among users for the pilot measures.</p>

<p>2.2. Prepare training and coaching resources in cooperation with MoFTER and DG AGRI</p> <p>2.3. Deliver pilot training and coaching</p> <p>2.4. Evaluate pilot training and coaching</p> <p>2.5. Deliver training and coaching activities</p>	<p>3.1. Consolidate information on results and lessons learnt of grant schemes in Bosnia and Herzegovina funded by other projects (World Bank, Sida, IFAD, USAID, other)</p> <p>3.2. Identify possible measures, beneficiaries, selection and award procedures in cooperation with DG AGRI and the future IPARD structures</p> <p>3.3. Run pilot grant scheme and evaluate in cooperation with DG AGRI and the future IPARD structures</p> <p>3.4. Operate grant scheme in close cooperation with DG AGRI and the future IPARD structure</p>	
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Conditionality: IPARD structures to be agreed upon within institutions of Bosnia and Herzegovina and with the Commission.

**ANNEX II: Amounts (in EUR) Contracted and disbursed by quarter for the project**

Contracted	Q4/2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011	Q1/2012	Q2/2012	Q3/2012
Contract 1.1 (Contribution Agreement with FAO)			3 000 000					
<b>Cumulated</b>			<b>3 000 000</b>					
<b>Disbursed*</b>								
Contract 1.1 (Contribution Agreement with FAO)				3 000 000				
<b>Cumulated</b>				<b>3 000 000</b>				

\* The disbursement table is indicative and includes the EU funded contracts only. The relevant provisions containing payment arrangements are contained in the article 7 of the Financial and Administrative Framework Agreement between the European Union, represented by the Commission of the European Communities and the United Nations (FAFA). The disbursement schedule shall be determined in the agreement to be concluded between the European Commission and the FAO.



## **ANNEX III Description of Institutional Framework**

The State level competencies in the agricultural sector are – due to the lack of a State Ministry of Agriculture - assigned to the Ministry of Foreign Trade and Economic Relations (MoFTER) and there - to the Sector for Agriculture, Food, Forestry and Rural Development (SAFFRD). This department has the main role in the foreign trade and custom tariff policy, enforcement of the single economic space, international cooperation and the inter-entity coordination; whenever Bosnia and Herzegovina has to speak to the outside world with a single voice. Entities have their own respective constitutions and hold all responsibilities not expressly assigned to the State by the Constitution of Bosnia and Herzegovina, which empowers the State to co-ordinate the activities within the exclusive domain of the Entities.

Implementation of this project will be coordinated at State level by MoFTER and the respective Ministries of Agriculture at entities level and Brcko District.

The Sector for Agriculture, Food, Forestry and Rural Development within MoFTER and in the entities are anticipated to take the lead in agricultural programming and implementation and measuring the impact, efficiency and effects of the piloted measures and for continued searching for the co-funding sources to achieve synergy with government funding and other donors assistance in order to assist Bosnia and Herzegovina preparations for access to IPARD component.

The following duties / core activities shall be performed in the Sector for Agriculture, Food, Forestry and Rural Development: legislative-drafting (normative-legal), study-analytical, technical-operational, information-documentary, administrative-technical duties of relevance for agriculture, food, fisheries, forestry, water management and rural development.

Sector for Agriculture, Food, Forestry and Rural Development within Ministry of Foreign Trade and Economic Relations currently employs 19 public officers (14 university graduates officers, 5 high school graduates officers) and 6 consultants currently funded through ARDP project of the World Bank by the end of 2009, and after that period the obligation concerning their employment is taken on by the MoFTER. Department for Co-ordination of Agriculture, Food and Rural Development Policy currently employs 5 public officers (4 university graduates officers and 1 high school graduates officer) and 1 consultant currently funded through ARDP project of the World Bank.

The duties in the MoFTER's SAFFRD are organized within the following four departments:

1. Department for Policy Analysis, Monitoring and Evaluation (M&E) and Information;
2. Department for International Relations and Project Co-ordination;
3. Department for Co-ordination of Agriculture, Food and Rural Development Policy;
4. Department for Co- ordination of Registers, Payment Systems, Inspection and Advisory Services.

## **ANNEX IV Reference to laws, regulations and strategic documents (EU and Bosnia and Herzegovina)**

### **1. List of relevant EU regulations**

- Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)
- Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council Regulation (EC) No 1085/2006 establishing an instrument for pre-accession assistance (IPA)
- Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
- Council Decision of 20 February 2006 on Community strategic guidelines for rural development (programming period 2007 to 2013) (2006/144/EC)
- Council Regulation (EC) No 1257/1999 of 17 May 1999 on support for rural development from the European Agricultural Guidance and Guarantee Fund (EAGGF) and amending and repealing certain Regulations

### **2. Relevant Bosnia and Herzegovina legislation**

- Law on Agriculture, Food and Rural Development of Bosnia and Herzegovina, “Official Gazette of Bosnia and Herzegovina” No 50/08
- BIH Strategic Plan for Harmonization of Agriculture, Food and Rural Development (2008-2011) , “Official Gazette of Bosnia and Herzegovina” No 70/09
- BIH Agriculture, Food and Rural Development Operational Programme (2008-2011), “Official Gazette of Bosnia and Herzegovina” No 70/09

## **ANNEX V Details per EU funded contract**

The project activities will be implemented by joint management with FAO through one contribution agreement of 3 000 000 EUR in accordance with Article 53(d) of the Financial Regulation.

The justification for choosing the operational modality of concluding a contribution agreement with the FAO is based on the fact that the FAO is the only organisation which can provide the envisaged support (i) countrywide, (ii) with a system of quality professional backup, (iii) with a benefit of other cross-country international experience, and (vi) in parallel but in close cooperation with the IPARD structures which are established and supported through the above mentioned IPA 2007 and 2008 projects. Until these structures are accredited they cannot be used for managing IPA funds but at the same time the present project will prepare farmers to be ready for eventually benefitting from IPA component 5.

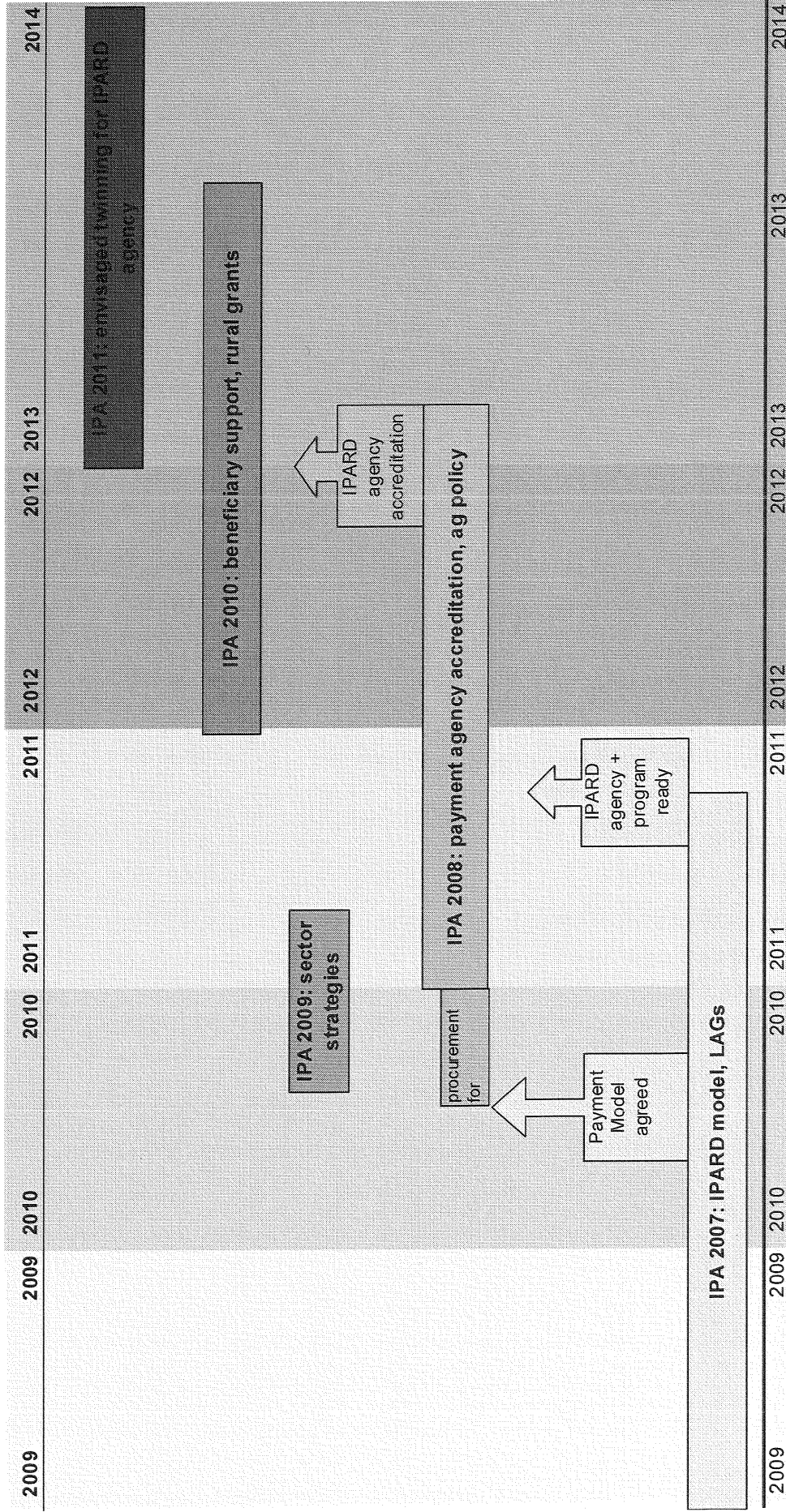
Alternative implementation modalities that were considered were calls for proposals and grant contracts as well as tendering and service contracts but these modalities failed to outweigh the advantages of FAO, as outlined above.

The relationship between EC and FAO is governed by the Financial and Administrative Framework Agreement between the European Community, represented by the Commission of the European Communities and the United Nations (FAFA). FAFA outlines how EC funds shall be handled by the UN system. Furthermore, a Strategic Partnership Agreement between EC and FAO, established in 2004, strengthens cooperation between EC and FAO.

These agreements can be found on the web site: [http://ec.europa.eu/europeaid/work/procedures/implementation/international\\_organisations/index\\_en.htm](http://ec.europa.eu/europeaid/work/procedures/implementation/international_organisations/index_en.htm), together with the model contribution-specific agreement.



Annex VI - IPA support to AGRI sector 2009 -2014 in BiH



**Annex VII Amount and structure of subsidies in Bosnia and Herzegovina in period 2007-2008**

Review of total amount of subsidies for period 2007-2009 in Bosnia and Herzegovina

in mil KM<sup>1</sup>

Year	Federation of BIH	Republic of Srpska	Brcko District	Total BIH	% of change
2007	37.65	60.00	4.53	102.18	-
2008	52.65	80.00	5.00	137.65	34.71%
2009	50.00	80.00	6.50	136.5	- 0.84%

Review the FBIH Rural Development Measures (2007-2009)

Measure	2007	2008	2009
	Amount (KM)		
Investments into farming households	-	1 000 000	-
Support to young farmers	-	500 000	-
Increase of farm size ( <i>from 2007</i> )	0	1 100 000	-
Rural development projects	-	-	37 000
Support to areas with more difficult economy conditions	-	1 000 000	-
Organic agriculture	372 500	300 000	-
Additional activities	200 000	312 000	400 000
Rural infrastructure investment	-	1 200 000	700 000
Protecting and handling of farm land	-	1 100 000	400 000
Modernisation of farm households	955 500	-	-
Less favourable areas	1 386 000	-	-
Rural inheritance	174 000	-	-
Autochthon plants and animals	300 000	-	-
<b>Total</b>	<b>3 388 000</b>	<b>6 512 000</b>	<b>1 537 000</b>

Source: Federal Ministry for Agriculture, Water-Management and Forestry

<sup>1</sup> 1KM = 0.51129 EUR

Review of the RS Rural Development Measures (2007-2009)

Measure	2007	2008	2009
	Amount (KM)		
Farm registration	265 782.00	1 131 456	174 000
Improvement of agricultural production competitiveness	579 685.60	480 120	500 000
Economic, social revitalisation of rural areas	595 971.60	2 162 166	500 000
Support to revitalisation of rural infrastructure	3 050 128.93	3 663 395	2 500 000
Support to professional programs, trainings and education	181 363.00	530 717	500 000
General funds for rural development	1 166 239.20	600 808.85	1 000 000
Milk quality control program	21 594.92	386 343.85	-
Protection of autochthon genetically resources	60 000	4 800	-
Designing strategy documents of rural development	148 753	191 000	-
<b>Total</b>	<b>6 069 518.25</b>	<b>9 385 386.77</b>	<b>8 484 000</b>

Source: Ministry for Agriculture, Forestry and Water-Management of RS

Out of this subsidy plan of Brcko District of Bosnia and Herzegovina, there have been measures that are significantly contributing to product competitiveness such as:

- Investments into new sowings – 20 479 KM;
- Investments into farm mechanisation and equipment – 226 161 KM;
- Global gap – 39 821 KM;

While the projects covered:

- Rehabilitation of rural roads and agricultural channels in 2008 (out of total amount, 118 385.18 KM relates to 2007 projects that have been paid in 2008 266 297 KM);

Maintenance of water facilities and water flows, followed by channel network amounts to 760 707 KM.