



## 1. Project Data

### Project ID

P101213

### Project Name

AG &amp; RURAL DEVT

### Country

Bosnia and Herzegovina

### Practice Area(Lead)

Agriculture

### L/C/TF Number(s)

IDA-43250,TF-90773

### Closing Date (Original)

30-Jun-2012

### Total Project Cost (USD)

36,190,000.00

### Bank Approval Date

19-Jun-2007

### Closing Date (Actual)

30-Jun-2016

### IBRD/IDA (USD)

### Grants (USD)

Original Commitment

21,000,000.00

5,992,007.74

Revised Commitment

21,000,000.00

5,936,860.34

Actual

19,239,159.94

5,912,563.92

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## 2. Project Objectives and Components

### a. Objectives

The Project Development Objective (PDO) as articulated in the Project Appraisal Document (PAD, p. 4) was to:

***"assist Bosnia and Herzegovina (BiH) to strengthen the capacity of its State level and Entity-level institutions (the Republic of Bosnia and Herzegovina is composed of two Entities, The Federation of Bosnia and Herzegovina and the Republika Srpska) to deliver more efficient and effective agricultural services and support programs as well as to make a substantial contribution to an acceleration of BiH's eligibility to access support under the European Union Instrument for Pre-Accession***



***Assistance for Rural Development (IPARD)."***

The Project Development Objective (PDO) as articulated in the Financing Agreement (FA, p. 5) was to:

***"assist the Recipient to strengthen the capacity of its State-level and Entity-level institutions to deliver more efficient and effective agricultural services and support programs in order to make a substantial contribution to an acceleration of the Recipient's eligibility to access support provided under the European Union Instrument for Pre-Accession Assistance for Rural Development."***

The PDO statement in both the PAD and FA are almost identical. This Review will assess the project's outcome against the objectives as stated in the FA.

**b. Were the project objectives/key associated outcome targets revised during implementation?**

Yes

**Did the Board approve the revised objectives/key associated outcome targets?**

No

**c. Will a split evaluation be undertaken?**

Yes

**d. Components**

The project included three components:

**1. Agricultural Information and Institutional Capacity Building (appraisal cost: US\$9.04 million, actual cost: US\$7.85million).** This component would support the Entity-level Ministries of Agriculture as well as the various State-level agencies serving both Entities to fulfill their respective mandates as planning and policy making institutions. A key aim would be the harmonization of the various activities and functions at the level of both Entities to facilitate the consolidation of State-level systems as and when such opportunity arises. It would provide assistance through the following four sub-components:

**1.1. Improving agriculture and rural sector information systems.** This would be achieved through providing long term national consultants at the Entity-level and information technology hardware and software at State, Entity and municipal level to support an EU Instrument for Pre-Accession Assistance (IPA) financed program for the development of the Bosnia and Herzegovina's agriculture information structure, based on standardized and EU harmonized methods, to support sectoral policy and decision making processes. This component would include the establishment of a secure Wide Area Network for agriculture and rural development payment information transfer.

**1.2. Strengthening state veterinary, food safety and phytosanitary services.** This sub-component would support developing the Veterinary Office of Bosnia and Herzegovina (VO), the Administration of Bosnia and Herzegovina for the Protection of Plant Health (APPH) and the Food Safety Agency of Bosnia and Herzegovina (FSA), with a view to harmonize and enforce uniform and EU compatible veterinary, phytosanitary and food safety regulations, standards and controls and animal identification, movement control and traceability systems. Project inputs would include technical assistance (TA) and staff capacity building, database development, critical risk analysis and disease epidemiology studies, development of targeted laboratory services including Genetic Modified Organisms (GMO) testing, and inspection service, infrastructure, IT, sampling equipment and transportation resources. Project support in these areas would



be complemented by TA financed by the EU and focused primarily on institutional capacity building, risk management, laboratory service restructuring and regulatory reform.

**1.3. Strengthening inspectorate capacity.** This sub-component aimed to strengthening the Entity-level inspectorate capacity for EU compliant food safety, plant health and animal health inspection. Under the oversight of Bosnia and Herzegovina Ministry of Foreign Trade and Economic Relations, its agencies and the Food Safety Agency, Sanitary and Phytosanitary inspectors would be trained to apply Bosnia and Herzegovina's new food safety, plant health and animal health laws and regulations and to adopt web-based information and reporting systems. Government-owned buildings would be upgraded to provide up to 6 Regional Inspection Centers in each Entity to accommodate core inspection capacities, with each Center having its own intranet and vehicle pool together with IT service managers. In the Federation of Bosnia and Herzegovina, similar support would be provided to Canton Inspectorates.

**1.4. Strengthening agricultural extension services.** This sub-component would support the development of pluralistic, participatory, market-driven and results-oriented extension programs at the Entity-level; the establishment of Extension Departments for policy and budgetary control and contracting of existing agencies or institutions to develop extension strategies and manage extension delivery; and the provision of incremental funding for the extension service delivery, including contracted services. Project inputs would include national and international TA and staff capacity building, office and IT equipment, vehicles and cofinancing for extension service delivery and its monitoring.

**2. Enhanced Agriculture and Rural Development Support Program (appraisal cost:US\$10.83 million, actual cost: US\$9.70 million).** This Component would provide assistance to address the weak systems for the targeting and administrating of incentives and grants through the following three sub-components:

**2.1. Strengthening rural development program planning and coordination.** By supporting the establishment of a Rural Development Coordination Unit within the Sector for Agriculture, Food, Forestry and Rural Development under Bosnia and Herzegovina Ministry of Foreign Trade and Economic Relations for playing an effective role in liaising with the EU on agriculture and rural development policies and programs in Bosnia and Herzegovina and in decision-making coordination. Project inputs would include payment system infrastructure including minor civil works, office and computing systems, IT equipment and supporting software, secure communications systems, equipment, furniture, vehicles, and staff capacity building.

**2.2 Strengthening the systems for providing rural development payments.** By building a harmonized, efficient, transparent, and by Project-end, EU Instrument for Pre-Accession Assistance for Rural Development (IPARD) compliant rural development support program and Entity-level farm and entitlement registries and paying systems including State-level data coordination and reporting systems and a secure communications system. This sub-component would provide needed investments and TA for: (a) strengthening the Entity-level Ministry Departments responsible for rural development grant administration; (b) progressively developing and introducing an EU IPARD compliant administration and fiduciary system for agriculture and rural development payments; and (c) support the preparation of an operational manual for rural development grants program.

**2.3. Increasing investment grants for target objectives and areas.** By providing incremental funds to be disbursed by Entity-level Ministries as grants for specific objectives, including encouraging innovation, community/collective action and income diversification. Investment priorities and counterpart contributions will be guided by the national agriculture and rural development framework presently being developed with TA from the EU.



**3. Project Coordination, Administration and Monitoring (appraisal cost: US\$1.13 million, actual cost: US\$1.85 million).** To coordinate, administrate, monitor and evaluate the Project. It would support the establishment of the Project Coordination Units (PCUs) within Bosnia and Herzegovina Ministry of Foreign Trade and Economic Relations, Federation of Bosnia and Herzegovina Ministry of Agriculture, Water Management and Forestry and Republika Srpska Ministry of Agriculture, Forestry and Water Management. Project support would include: salaries and fees of PCU staff and specialized expertise, office equipment, furniture, vehicle, fiduciary training, financial and environmental audits, and incremental operational costs.

**Revised Components following the July 2011 Restructuring as reported in the Restructuring Paper:**  
**(a) Sub-Component 2.3. "Increasing investment grants for target objectives and areas"** was changed to **"Financing for flood damage rehabilitation activities of selected areas affected by the floods in both Entities."**

**(b) Sub-Component 1.4. "Strengthening agricultural extension services"** and related operating costs were reallocated to the revised Sub-Component 2.3. due to delays with implementation of extension activities.

#### **e. Comments on Project Cost, Financing, Borrower Contribution, and Dates**

The tables in the ICR (Annex 1) did not reflect up-to-date amounts. However, following a communication with the project team during the preparation of this Review the project team provided IEG with the revised the Annex 1 tables.

**Project Cost.** The total project cost was estimated at US\$36.19 million. Actual cost reported by the ICR (Annex 1) was US\$28.5 million. The difference stemmed mainly from a US\$5.99 million shortfall in the borrower's counterpart funding.

**Financing.** The project was to be financed by an International Development Association (IDA) Specific Investment Loan (Credit) of US\$21.00 million and co-financed by the Swedish International Development Cooperation Agency (SIDA) in the amount of US\$6.00 million. Actual amounts reported by the ICR (Annex 1) were US\$19.40 million and US\$5.90 million for IDA and SIDA, respectively. The difference in the IDA amount was due to the cancellation of project activities at the Banja Luka Agricultural Institute and laboratory facilities (ICR para 33 and project team).

**Borrower Contribution.** The Borrower was expected to contribute US\$9.19 million. The ICR (Annex 1) reported that the borrower contributed US\$3.20 million of counterpart funds.

**Dates.** The project was expected to close on June 30, 2012, however, it closed four years later on June 30, 2016. The ICR (para 31) stated that the delay beyond the expected closing date stemmed from multiple extensions of the closing date that were needed to accommodate various delays during implementation.

**Restructuring.** The project was restructured five times (all Level 2 restructurings) as follows:

(a) On June 16, 2010 (amount disbursed US\$4.08 million) in order to allow disbursement categories 2a, 2b, 5 and 10 that had a deadline for disbursement of June 30, 2009 to become effective; and to increase financing percentage of disbursement categories 7 and 12 from 15% to 85%.

(b) On July 12, 2011 (amount disbursed US\$6.96 million) in order to respond to changes in the country priorities in the pre-EU-accession context; implementation issues identified as part of the Bank's Implementation Support Activities; and damage rehabilitation needs pertaining to rural infrastructure and



assets following the severe floods that hit the country during the 2010/11 winter season (ICR, para 30).

(c) On April 25, 2012 (amount disbursed US\$9.06 million) in order to extend the Closing Date for 12 months from June 30, 2012 to June 30, 2013.

(d) On May 21, 2013 (amount disbursed US\$13.83 million) in order to extend the Closing Date for 24 months from June 30, 2013 to June 30, 2015.

(e) On June 17, 2015 (amount disbursed US\$17.89 million) in order to extend the Closing Date for 12 months from June 30, 2015 to June 30, 2016.

The Midterm Review was scheduled to be carried out on October 11, 2010, however, it was carried out one year earlier on October 11, 2009.

### 3. Relevance of Objectives & Design

#### a. Relevance of Objectives

Before Restructuring - Substantial.

In Bosnia and Herzegovina the agriculture sector accounted for 10% of Gross Domestic Product (GDP) in 2005 and employed about 21% percent of the total labor force in 2006. In addition, rural livelihoods depend on the agriculture sector for food security and forests as an important source of heat energy. The agriculture sector in the country suffers from a number of challenges including: an underdeveloped capacity for standardization, certification and food quality control, an understaffed and under-funded and poorly coordinated agricultural institutions; and reporting and monitoring arrangements did not ensure adequate supervision and undermined the effectiveness of BiH's agricultural support policies. Also, advisory and extension programs lack a clear policy framework, resources, and effective results monitoring.; and the weak organization of producers and limited integration along the value chains constrained value adding and efficient marketing in the agriculture sector.

At project appraisal, the project objectives were substantially relevant to the Bosnia-Herzegovina development policy. The project objectives were also in line with the Entity-level strategies for agriculture (and rural development) and the Bosnia and Herzegovina's Medium-Term Development Strategy (MTDS), which aimed at enhancing the contribution of agriculture and rural development to overall economic growth and poverty reduction. Objectives were also in line with two of the key pillars of the Bosnia and Herzegovina World Bank's Country Partnership Strategy (CPS) for the period of FY2008-2011: (i) job creation through expanded and better targeted investments in the agriculture and rural non-farm economies, and (ii) improving public services, including sanitary and phytosanitary protection, business inspection, farm advisory and payment systems, under the overarching theme of EU accession.

At project completion, objectives remained substantially relevant to country conditions and priorities in particular its strategic aim of EU accession and the necessity to be able to integrate the agricultural sector in the economic environment of the EU. The primary policy driver for the agriculture sector in Bosnia and Herzegovina continued to be aligning the sector with EU requirements and fulfilling the necessary competitive and structural adjustments. Objectives were also in line with the Bosnia and Herzegovina Bank's Country Partnership Strategy (CPS) for FY16-20 which continues to focus on improving sector competitiveness and alignment towards the EU.

After Restructuring - Substantial



While the project was restructured and a new sub-component was added to address flood rehabilitation, the PDO remained the same without any changes. On the basis of this, the ICR (p.11, para 38) stated that: "in view of such substantial changes to the initial project design (cancellation of key project activities, and consequent re-directing of 30 percent of funding) and PDO indicators, this restructuring was not used to also revise the broad PDO. The team believed that conversion of the rural grants program into flood rehabilitation activities contributed to the objective to improve agricultural services." This Review concluded otherwise. However, the numerous amendments in indicators and activities changed the original project in such a way that a split assessment of the project's outcome was warranted. Nevertheless, after restructuring the relevance of the project objectives remained substantial in relation to Bank and Government development objectives.

**Rating**  
Substantial

**Revised Rating**  
Substantial

**b. Relevance of Design**

**Before Restructuring - Modest.**

The results framework did not include clear links between project inputs, outputs and expected outcomes. Design also included a broad statement of objectives that lacked specificity with regard to the level at which substantial contributions would be required to access EU IPARD, given the over decentralized and fragmented nature of the country's government. To achieve the stated objectives, the project's design featured two main components. The first would contribute to strengthening four agricultural institutions to improve service delivery including: state veterinary, food safety and phytosanitary services; and strengthening agricultural extension services. These activities were relevant and directly linked to the PDO. The second component would contribute to achieving the PDO through providing assistance to improve the weak systems for the targeting and administering of agricultural incentives and grants and hence better align the management of a package of agriculture structural subsidies with EU accession requirements. These activities were relevant and directly linked to the PDO.

While the supported activities were relevant and linked to the PDO, they were not enough given the broad nature of the PDO. The design did not cover important challenges facing the agriculture sector. These were highlighted in the PAD (p. 23, para 7) and included: an "underdeveloped rural credit market and low investments, the unfavorable structure of agricultural land policies including multiple small plots, deteriorating infrastructure in rural areas, and inadequate irrigation". Targeting these sectoral challenges could have contributed to achieving the ambitious PDO which called for "more efficient and effective agricultural services" and could have been more consistent with the implied theory of change in the PDO.

**After Restructuring - Modest**

Design was changed following the July 2011 restructuring when a new sub-component was added to address the impact of the 2010/2011 floods. Changes included the discontinuation of activities under the extension sub-component and reallocating its funds to the flood rehabilitation activities. The activities under flood rehabilitation were to be delivered in the form of grants to beneficiary communities and individuals and remained along the lines of the overall project development objective of delivering efficient and effective support programs for rural development. Flood rehabilitation activities were relevant given the emergency situation that resulted from the 2010/2011 floods, but not relevant to the unchanged PDO. While the changes





in project design (including the results framework) were substantially relevant to the new circumstances faced by the Government, the design was only modestly relevant to the original PDO.

**Rating**

Modest

**Revised Rating**

Modest

#### 4. Achievement of Objectives (Efficacy)

##### Objective 1

###### Objective

PDO: to assist the Recipient to strengthen the capacity of its State-level and Entity-level institutions to deliver more efficient and effective agricultural services and support programs in order to make a substantial contribution to an acceleration of the Recipient's eligibility to access support provided under the European Union Instrument for Pre-Accession Assistance for Rural Development.

The PDO as stated includes two interdependent sub-objectives:

- (a) to deliver more efficient and effective agricultural services and support programs; and
- (b) substantial contribution to an acceleration of the Recipient's eligibility to access support provided under the European Union Instrument for Pre-Accession Assistance for Rural Development.

###### Rationale

**Sub-objective (a): to deliver more efficient and effective agricultural services and support programs.**

###### Outputs

###### Before Restructuring

- **Strengthened State Veterinary Office.** Inspection plans were revised quarterly or more frequently in case of an emergency as is the case currently with the Lumpy Skin Disease outbreak that threatened the country. The livestock registration system supported by the project combined with the disease notification system that was previously supported by the Bank's financed HPAI (Highly Pathogenic Avian Influenza project-closed) helped the State Veterinary Office in improving its disease control and animal health management capacity. The ICR (para 53) reported that the Lumpy Skin Disease was contained at the border despite that it had been infecting much of the Western Balkans. This was achieved through establishing a system that tracks animal movement combined with regular sampling and laboratory testing, as well as coordination with neighboring country's veterinary services. By project completion over 90% of bovines were registered and ear tagged across the country. Sheep/goats registered and ear tagged by over 70% in Federation of Bosnia and Herzegovina and approximately 25-30% in the Republika



Srpska. The campaign for sheep-goat ear tagging in the Republika Srpska was launched (target achieved, base line: animal ID only covering 50% of cattle population, ICR p. v). Animal vaccination in 2015 was completed and involved at least 75% of total number of target animals. Eradication policy was not established and mass preventive vaccination continues (50% achievement of target, baseline: Brucellosis and CSF epidemiology data outdated. Limited test and slaughter program for *Brucella*, ICR, p. v).

- **Strengthened Plant Health and Phytosanitary Agency.** The Agency benefited from project support as it coordinated efforts for potato pest surveys for the past three years to ensure the export of seed, industrial and food potato to Europe. It implemented a phyto-register that records all plant product traders and operators including pesticides and herbicide products. It informed inspection monitoring plans to ensure detecting diseases at entity and border inspection posts. Recently attention has been concentrated on packaging material to verify the kilning of wooden transport crates to reduce the risk of import of animal, plant, and fungi based pests (ICR, p. 14, para 56). Potato pest survey was ongoing in 2016, for the sixth time with funding provided by each entity. The Administration of Bosnia and Herzegovina for the Protection of Plant Health conducted ad-hoc risk assessment, identified priorities for enhanced control (target achieved, baseline: Administration of Bosnia and Herzegovina for the Protection of Plant Health only recently established and not fully staffed or operational, ICR, pp. v & 27). The Administration of Bosnia and Herzegovina for the Protection of Plant Health. This administration operated a phyto-register database that included plants and producers as well. The link was accessible by entity inspections services and Ministries of Agriculture (target achieved, base line: no centralized database for phytosanitary or plant production or trade, ICR p. vi).

- **Strengthened Food Safety Agency.** By project completion the Food Safety Agency completed three risk analyses (diet study, nitrate study, aflatoxin study); and was one of the first food safety agencies that alerted the Western Balkans about the risks of aflatoxins in milk stemming from poorly processed corn silage (ICR, p. 14, para 55). As a result of this revelation, aflatoxin testing of animal fodder became a common practice in a greater part of the EU. Inspections took place based on constant risk monitoring including variables with weather conditions, notifications from the European Food Safety Network, and issues arising from typical sanitary inspections. While the Food Safety Agency's role to ensure a safe food supply improved as a result of project support, challenges remain notably with the introduction and integration of the hygiene package (ICR, p. 15, para 55). There was a significant shortage of inspectors to fully inspect all food operators including producers, traders, and restaurants, retailers. Also, there remain issues with the proper harmonization and mandates notably as it relates to the authority of entity level inspection services to certify products nationally (ICR, p. 14, para 52).

- **Entity-level Inspection Directorates are implementing Bosnia and Herzegovina plant health, animal health and food safety laws and regulations.** Inspectorates at both Entities operated web-based databases and share data with state-level agencies. However, their information management systems (IMS) were not linked. Information was shared on a daily basis through uploads, but not yet in a real-time manner (target 75% achieved, baseline: no effective agricultural inspections undertaken, ICR, p. 27).

- **Farm Accountancy Data Network pilot established in both Entities.** However regular update of database not maintained in Federation of Bosnia and Herzegovina once responsibility was handed down to cantons. To date in the Republika Srpska a total of 128 farms were being surveyed on an annual basis (target 50% achieved, baseline: adhoc record keeping and no M&E for formulation of policy for support





programs. ICR, p. 27).

- **A Virtual Private Network (VPN) connection was established.** The purpose of this network was to replicate for Farm and Client data from the federal Ministry of Agriculture to the Ministry of Foreign Trade and Economic Relations server. The same kind of connection was set up with the Ministry of Agriculture, Forestry and Water Management Republika Srpska, for test purposes, but it never got used in terms originally outlined. The Phyto register became operational in 2013 with links open to all key stakeholders in the field of plant health, i.e. entity ministries, inspectorates and Ministry of Foreign Trade and Economic Relations (baseline: no coherent agricultural information collection at State level, ICR, p. 28).
- **Agricultural extension services.** The project achievement was minimal with regards to pluralistic, stakeholder driven and outcome-based contracted extension services. The lack of achievement stemmed from delays related to the adoption of an extension strategy acceptable to the Bank, and of a sustainable legal framework for the extension services at the level of the Federation of Bosnia and Herzegovina; and eventually dropping activities and reallocating funding to flood rehabilitation.

**After Restructuring** - In addition to the outputs mentioned above, the following output was achieved after restructuring

- **Rehabilitation investments.** These were completed before the end of the project when 100 households had their greenhouses rehabilitated and 14 farms in Ravno Municipality had their orchards and vineyards replanted. Some 15% of community assets (small rural bridges, access roads to remote villages, as well as water supply systems for rural communities and small irrigation systems) were destroyed by the flood. All these assets were rehabilitated (ICR, para 61 and PDO Indicator 6. ICR, page iv).

#### **Outcome - before restructuring - Modest**

- **More efficient and effective agricultural services.** The project supported strengthening four agriculture related services namely the State Veterinary Office, Plant Health and Phytosanitary Agency, Food Safety Agency, and Agricultural Advisory Services. According to the evidence provided in the ICR, the project efforts were successful in improving the capacity of the veterinary, food inspections and plant phytosanitary services, however, activities to support the agricultural advisory services and the rural investment grants were discontinued. The ICR (para 57) reported that "the outcome of the various investments led to the acceptance for the export of honey, heat treated milk, eggs and poultry products, potato, and other horticultural products to the EU according to the report of the EU Food and Veterinary Office (FVO) in Dublin". However, the ICR (Annex 3 para 1) noted that institutions that benefited from support under the project could have also benefitted from other donor programs (not identified in the ICR) working on strengthening capacities at the Ministries of Agriculture at the two Entities level and Ministry of Foreign Trade and Economic Relations. This raises questions with regards to the attribution of the improved acceptance of various agricultural export products in EU uniquely to the Bank assisted project.
- **More efficient and effective agricultural support programs.** The cancellation of the rural investments grants (US\$8.00 million of IDA envelope), which were expected to support on-farm investment in the use of new know-how and technologies that make products and services in rural areas more competitive or



add value to local products, in particular by facilitating access to markets, negatively impacted the achievement of the project's outcome. On the other hand, addressing the flood emergency situation was a logical step, however, it should have been accompanied by a revision of the PDO after cancelling/discontinuing critical activities of the original design that were aimed at accelerating accession to the EU. The ICR (para 38) concluded that "while a number of indicators have been substantially achieved, it is still difficult to link that achievement with the broadly defined objective of the project." Because of the uncertain attribution of the improved agricultural services to this project and the cancellation of the rural investment grants the efficacy of this sub-objective is rated modest.

### After Restructuring - Substantial

- **Flood Rehabilitation.** In addition to the above-mentioned achievements, the flood rehabilitation grants helped communities recover to pre-flood level of economic activity (PDO Indicator 6, ICR, page iv; ICR, para 61).

**Rating**  
Modest

## Objective 2

### Objective

Sub-objective (b) substantial contribution to an acceleration of the Recipient's eligibility to access support provided under the European Union Instrument for Pre-Accession Assistance for Rural Development.

### Rationale

**Sub-objective (b): substantial contribution to an acceleration of the Recipient's eligibility to access support provided under the European Union Instrument for Pre-Accession Assistance for Rural Development. Modest.**

### Outputs

- By project completion it was expected that 100% of rural development structural payments made through the harmonized EU-IPARD compliant institutions and systems at the level of each Entity. However, this was not achieved compared with the baseline which was an "un-transparent manual paying system" (Intermediate Outcome Indicator 14, ICR, p. viii).
- Both Entities developed their respective rural development programs and agricultural strategies which were expected to be overseen by the monitoring committees. This output was partially achieved (about 50%, baseline: no rural development plans, ICR, p. ix).
- By project completion 25% of agricultural payments (compared to a target of 50%) were in structural



form (i.e. non-income support payments), for investments. Ratio used to be higher before floods in 2014, but it is expected to recover to 50% over the next couple of years (partially achieved, baseline: only 10% of agricultural subsidies are structural, ICR, p. ix).

## **Outcome**

- Bosnia and Herzegovina had an un-transparent agricultural and rural development support targeting and administrative procedures combined with poor monitoring and impact evaluation (ICR, p. iv). In order to qualify for accession to the EU the project was expected to harmonize agricultural and rural development support through establishing a joint Rural Development Grants Program and a Payment system, however these two EU requirements were not achieved by project completion. However, the project helped in establishing links at Entity and state-level for various registries for the Farm Information System approximating the EU requirements. Most of these registries were playing a key role in food safety and animal health agencies. A web based service was ready for linking with eligible users, but it had not been in use by any of the relevant Entity ministries to access the agencies' database (ICR, p. 15, para 59). The ICR (para 69) reported that Bosnia and Herzegovina was excluded from accessing EU funds (IPA2014-2020) "due to the lack of an agreed coordinating structure". The evidence provided in the ICR did not show that an acceleration of the Recipient's eligibility to access support provided under the European Union Instrument for Pre-Accession Assistance for Rural Development took place. Therefore, efficacy of this outcome is rated modest. The project's restructuring had no impact on this outcome.

**Rating**  
Modest

## **5. Efficiency**

### **Economic and Financial Efficiency** **ex ante**

- Efficiency analysis in the PAD analysis did not provide an overall economic or financial rate of return for the whole project, but it provided an independent analysis for activities for each component.
- For component 1, the ex ante analysis relied on comparing a with and without project situation. The with and without project analysis was based on the assumptions of probability of disease prevalence and incidence as well as cost of disease control and treatment assumptions which indicated that the financial internal rate of return for Component 1 was 14%.
- There was no specific ex ante analysis carried out to determine the likely benefits from investments in



pluralistic, stakeholder driven and outcome-based contracted extension services. The PAD (p. 77 para 10) referred to a recent analysis of similar farming systems in Serbia that showed a projected financial internal rate of return (FIRR) of 12% in response to an investment in a strengthened, pluralistic public/private extension service.

- The financial and economic analysis of Component 2 was difficult due to the absence of any certainty over the level of future funding from the Instrument for Pre-Accession for Rural Development (IPARD). The PAD (p. 78-79 para 16) referred to a recent analysis of likely improved farmer uptake of IPARD funding in neighboring Macedonia resulting from the accelerated development of its paying system showed an internal rate of return of 48% over the period 2007-2010, during which Macedonia was expected to receive €31.3 million in IPARD funding.

#### ***ex post - before restructuring - substantial***

- The ICR analysis did not provide an overall economic or financial rate of return for the whole project. It relied on the same methodology in the PAD to recalculate the FIRR for component 1. The estimated FIRR was at 18% compared to 14% at appraisal due to the difference in disease pattern (ICR, p. 16, para 63).
- Support to the plant health sector: the analysis estimated the potential incremental benefit from investments in the plant health and phytosanitary sector, specifically from the investment in potato testing. Potato production in Bosnia and Herzegovina was equivalent to around 300,000 tons representing a value of some US\$50.0 million including seed as well as industrial and consumption potato. Assuming only five percent of the production to be exported represents a value of some US\$2.5 million per year compared to three seasons of project support amounting to some US\$300,000 per year and continued financing of the yearly monitoring program. The investment rate of return over 20 years assuming no change in production volume and constant prices amounts to an IRR of 18% (ICR, p. 17, para 64).
- The analysis did not assess the efficiency which the project contributed to an acceleration to the EU accession.

#### ***ex post - after restructuring - substantial***

- Flood Rehabilitation: in Republika Srpska the works covered 20 municipalities rehabilitating a total of 63 pieces of infrastructure including river banks, drainage canals, bridges, roads and drinking infrastructure serving a total of some 29,000 people in rural towns. No project specific analysis was carried out to estimate the economic and financial benefits from the flood rehabilitation efforts funded by the project in Republika Srpska. The ICR (para 65) referred to similar flood protection works in Serbia with a similar topography to North Western Bosnia and Herzegovina resulted in an estimated EIRR of some 36% using Loss Avoidance Estimates modeling to estimates benefits from drainage infrastructure rehabilitation. In the Federation of Bosnia and Herzegovina resources were primarily invested in rehabilitation of on farm immovable assets mostly orchard installations and plastic covering for green house installations benefitting some 106 farming households replanting a total of some 92.3 hectares of orchards and wine yards and 1.5 hectares of greenhouses. Assuming average yields of higher value horticultural and orchard crops for the region, the rate of return of the rehabilitation of these on-farm investments was expected to approximate around 25% over 20 years (ICR, p. 17, para 65). However, flood rehabilitation activities were not relevant to



the PDO because it was an attempt by the project to deal with an emergency and restore the situation to the baseline.

- The analysis could have benefitted from some measure of cost effectiveness for the infrastructure works that took place under the flood rehabilitation effort funded by the project.

### Administrative and Institutional efficiency

The project closed four years beyond its appraisal closing date in order to accommodate various delays during its implementation. Many activities were delayed in part due to the difficulties in getting agreement by all stakeholders on their mandates, structure of data exchange, and data ownership. Also, the construction of laboratories and the certification process both experienced delays. Delays with the implementation of the extension services eventually led to discontinuation of these activities and subsequent reallocation of funds to flood rehabilitation efforts. In addition, limited institutional and human capacity "contributed considerably to the delays and inefficiencies during project implementation" (ICR, para 22). Also, the inability or lack of support by respective Ministries to address the declining schedule of cost sharing for wage payments caused delays and undermined capacity building. Finally, the actual cost of Component 3 (Project Coordination, Administration and Monitoring) was US\$1.85 million compared to an appraisal estimate of US\$1.13 million i.e. about 164% of the appraisal amount--possibly due to the extension of the project.

Overall, taking account of the restructuring of the project's activities, its efficiency is rated substantial before and after restructuring.

### Efficiency Rating

Substantial

a. If available, enter the Economic Rate of Return (ERR) and/or Financial Rate of Return (FRR) at appraisal and the re-estimated value at evaluation:

	Rate Available?	Point value (%)	*Coverage/Scope (%)
Appraisal		0	0 <input type="checkbox"/> Not Applicable
ICR Estimate		0	0 <input type="checkbox"/> Not Applicable

\* Refers to percent of total project cost for which ERR/FRR was calculated.

## 6. Outcome

**Before restructuring.** Relevance of objectives was rated substantial and relevance of design was rated modest. Efficacy of the first sub-objective was rated modest because it was not clear whether the project supported activities lead to the delivery of more efficient and effective agricultural services; and due to limited achievements with regard to agricultural advisory services. Efficacy of the second sub-objective was rated modest because there was no clear evidence provided in the ICR to indicate that the project activities lead to substantial contribution to an acceleration of the Government's eligibility to access support provided under the



European Union Instrument for Pre-Accession Assistance for Rural Development. Efficiency was rated substantial. Hence the outcome of the project before restructuring suffered from major shortcomings and is rated unsatisfactory.

**After restructuring.** Relevance of objectives was rated substantial and relevance of design was rated modest. Efficacy of the first sub-objective was rated substantial after restructuring because of the success of the flood rehabilitation activities. Efficacy of the second sub-objective after restructuring was rated the same as before restructuring. This modest rating was due to the lack of evidence that the Government's eligibility to access support under the EU Instrument for Pre-Accession Assistance for Rural Development. Efficiency was rated substantial. Hence despite the substantial efficacy of flood rehabilitation activities the outcome of the project after restructuring still suffered from its inability to achieve the required conditions for accession to the EU which was a core aspect of the PDO. Hence the outcome still suffered from major shortcomings and is rated moderately unsatisfactory.

On balance the overall outcome is determined by the average of ratings before and after restructuring (indicated by scores from 1 to 6), weighted by the disbursements before and after the restructuring. This calculation is as follows:  $[(6.96 \times 2) + (11.55 \times 3)] / 18.51 = 2.62$ . This result (rounded to 3) is equivalent to a rating of moderately unsatisfactory.

#### a. Outcome Rating

Moderately Unsatisfactory

### 7. Rationale for Risk to Development Outcome Rating

- Risk to development outcome is rated modest in light of the risks discussed below:
- The risk to institutional sustainability is low in spite of the lack of unified vision over the agricultural sector because EU accession continues to be a key objective for the BiH authorities. The recent signing of the Stabilization and Association Agreement constitutes the framework of relations between the EU and the Western Balkan countries as it was an important step not only to establish a free trade area between the EU and the countries concerned, but also to identify common political and economic objectives and encourage regional co-operation. However, there is a concern that BiH might have achieved its trade benefits with the EU suspended if it fails to fully adopt quality standards (notably in agriculture) by end of 2016 (ICR, pp. 20 & 21, para 76).
- Sustainability of agricultural research, extension and food safety activities will require a significant increase in public spending to enable the agriculture sector to remain competitive in the context of the EU. An additional risk is that the government agencies do not have sufficient budget to sustain the human resources and maintain the equipment/information databases provided by the project (ICR, p. 21, para 77).
- The agriculture sector continues to be highly susceptible to climate change causing problems such as severe flooding that could negatively impact productivity and disrupt rural livelihoods (ICR, p. 21, para 77).
- Bosnia and Herzegovina is still prone to political instability that could undermine the project's achievements.





**a. Risk to Development Outcome Rating**

Modest

**8. Assessment of Bank Performance**

**a. Quality-at-Entry**

Bosnia and Herzegovina (BiH) requested the World Bank's support for an Agriculture and Rural Development Project to address the challenges and constraints that existed in the agricultural sector (ICR, p. 1, para 1). The Swedish International Development Corporation Agency (SIDA) collaborated closely with the World Bank in project design/preparation. The project design reflected lessons from the experience of the Bank and other donors in agricultural support projects in BiH and other EU accession countries. Notable lessons reflected in the design included: implementation to be done by existing institutions; and improving food quality required capacity building efforts in both the public and private sectors. However, design suffered from some notable shortcomings including: a broad PDO that was expected to be achieved through addressing only a few challenges faced by the agricultural sector and insufficient baseline assessment of an ex-ante situation in each Entity of the country, which could have informed a more effective design of Entity-specific activities. At appraisal eight risks were identified, six were rated moderate, one was rated high and one low. Three risks related to the implementation of the rural development grants program did not materialize as the program was never launched. The risk of limited institutional and human capacity was adequately rated high as these two constraints contributed considerably to the delays and inefficiencies during project implementation (ICR, para 22). While most critical risks and related mitigation measures were clearly assessed during the design phase, a few were underestimated. These include: fragmentation and lack of coherent vision in the Entities that posed greater challenges due to inability by the Entities to adopt an extension law for years; challenges with getting inspection services at the Entity and cantonal levels to establish a uniform inspection IT system; and extensive differences in Entities' institutional policies to determine bodies with national reference capacities located on their respective territories, including the agreement on the location of livestock registration, Genetically Modified Organisms (GMO) testing capacity, and the network of reference (ICR, pp.6 & 7 para 22). Finally M&E suffered from weaknesses in design (see section 10 for further details).

**Quality-at-Entry Rating**

Moderately Unsatisfactory

**b. Quality of supervision**

The project was implemented under a difficult environment and against a complex institutional structure. While the project aimed at strengthening institutional capacity in the country, it was implemented as two parallel projects in Entities (Federation of Bosnia and Herzegovina and Republika Srpska) with different institutional set-ups and legislative frameworks. This challenging implementation environment contributed to implementation delays and a low disbursement ratio in the first few years of project. According to the ICR (para 80) the project had sufficient budget and staff resources; and was adequately supervised and



monitored. Supervision missions facilitated communication and resolution of inter-agency obstacles, as well as properly maintaining a joint donor coordination effort. The project was led by four consecutive task team leaders yet transition between them was smooth and continuity was therefore guaranteed. At the MTR stage, the team cancelled few under-performing activities (mainly the rural development grants and extension activities), re-allocated the project proceeds from these activities towards flood rehabilitation activities (to address the emergency situation faced by the country), and adjusted the Results Framework to reflect these substantial changes to the initial project design.

A notable shortcoming by the project team was overlooking the revision of the broad PDO despite several rounds of restructuring. Also, it took the project about six months from when flood damage occurred up to the approval of the restructuring to address the flood damage; which was a long time to address an emergency situation. In a further communication during the preparation of this Review the project team explained that the delay was due to the reluctance of the Government to cancel the rural development activities and reallocate funds to flood rehabilitation activities. It was not clear in the ICR whether there were any joint supervision missions in order to ensure donor coordination with Project co-financier (SIDA). Finally, the Bank team did not follow-up with the Beneficiary Governments to ensure preparation of the MTR Progress Report and final Project Beneficiary Survey mentioned in the PAD (p. 30) (ICR, para 39).

### **Quality of Supervision Rating**

Moderately Satisfactory

### **Overall Bank Performance Rating**

Moderately Unsatisfactory

## **9. Assessment of Borrower Performance**

### **a. Government Performance**

The Entity governments in the Federation of Bosnia and Herzegovina and the Republika Srpska viewed the project activities as a priority; and both governments approved many changes to their legal frameworks and adopted the important Agriculture and Rural Development Strategies. However, several changes in Ministerial counterparts, and uncertainty in institutional policy defining the layout of the various institutions contributed to implementation delays. The governments could have ensured more cost-efficient allocation of resources and complementarity of scientific inputs with executive responses. The project suffered from the inability or lack of support by respective Ministries to address the declining schedule of cost sharing for wage payments which caused delays and undermined capacity building. In particular, the inability to regularize consultants into the public service led to the collapse of the Farm Accountancy Data Network in the Federation because there was no staff to survey farmers and coordinate efforts with canton extension services to maintain the pilot activity. Finally, the project suffered from implementation delays that stemmed from institutional confusion and lack of vision for sharing of responsibilities between the State and Entity level; legal ambiguity and lack of institutional capacity in the food safety sector, specifically in the State Veterinary Office and Food Safety Agency; and the inability or lack of support by state institutions to provide adequate staffing (ICR, p. 23, para 84).



## **Government Performance Rating**

Moderately Unsatisfactory

### **b. Implementing Agency Performance**

The Agriculture, Food, Forestry and Rural Development Directorate of Ministry of Foreign Trade and Economic Relations was responsible for overall project coordination, monitoring and evaluation, and reporting. Implementation of project activities were shared between Ministry of Foreign Trade and Economic Relations, the Federation of Bosnia and Herzegovina Ministry of Agriculture, Water Management and Forestry and Republika Srpska Ministry of Agriculture, Forestry and Water Management. According to the ICR (para 85) both implementation units had adequate financial management and procurement arrangements for project implementation; and the implementation teams in each PCU were proactive and positively contributed towards achieving the project outcomes. However, there were some delays towards the end of the project due to the large number of projects managed by each implementation body. The ICR (para 85) also noted that the final project progress report prepared by the Ministry of Foreign Trade and Economic Relations "did not offer a comprehensive and robust final evaluation"; and no MTR Progress Report and final Project Beneficiary Survey were carried out.

## **Implementing Agency Performance Rating**

Moderately Satisfactory

## **Overall Borrower Performance Rating**

Moderately Unsatisfactory

## **10. M&E Design, Implementation, & Utilization**

### **a. M&E Design**

The monitoring and evaluation (M&E) of the various activities under the Project were to be coordinated among the Entity-level Ministries and Ministry of Foreign Trade and Economic Relations (PAD, p. 11, para 38). The M&E Specialist under the Ministry of Foreign Trade and Economic Relations-PCU was responsible for following up with the Results Framework. M&E design included three outcome indicators geared to assess the broad PDO. These outcome indicators were relevant, however, there were many other factors that were not included in the design that could have contributed to the achievement of the broad PDO. Further, it was not clear how the delivery of more efficient and effective agricultural services would be assessed. M&E design also included thirteen intermediate outcome/output level indicators that were geared to assess activities under the project components. While most intermediate outcome/output level indicators were relevant, some covered aspects of the PDO as well. The baseline line data did not account for differences in institutional structure and policies and were based on a vague explanation of an ex ante situation in the two Entities; hence the quality of the data was questionable (ICR, p. 10, para 37).



## **b. M&E Implementation**

According to the ICR (para 38) the "Results Framework indicators were consistently used to measure project progress throughout implementation in the semi-annual progress reports and on the Bank's Implementation Status and Results Reports (ISRs)." Following the July 2011 restructuring the results framework was revised. Three key PDO indicators were replaced with three new ones; six intermediate indicators were dropped; and three intermediate indicators were newly added; and six intermediate indicators were revised. These changes were relevant and reflected the discontinuation of the grants program and the extension activities and the reallocation of funds to a new flood damage rehabilitation activity instead.

## **c. M&E Utilization**

The ICR did not elaborate on M&E utilization. There was no MTR progress report nor a final Project Beneficiary Survey carried out (ICR, para 39). That said, it is plausible to assume the project team relied on the data collected by the M&E system to adjust implementation and activities, however, a notable shortcoming was that the PDO was not revised.

## **M&E Quality Rating**

Modest

## **11. Other Issues**

### **a. Safeguards**

The project was classified as Category 'B' under Environmental Assessment (OP/BP 4.01) and it triggered Pest Management (OP 4.09) safeguard policy. The ICR did not include an explicit statement of compliance for any of the triggered safeguard policies discussed below. In a further communication during the preparation of this Review the project team confirmed that the project complied with all relevant World Bank safeguard policies.

**Environmental Safeguards (OP 4.01).** Activities under Component 1 were expected to have environmental implications including rehabilitation/refurbishing of laboratory facilities and disposal of laboratory waste. An Environmental Management Framework (EMF) and the accompanying Environmental Management Plan, which considers the status of the pest management operational policy, was prepared and adopted by the Recipient. The Environmental Management Plan was an integral part of the Operational Manual for the Project. Also, an Environmental Management Plan was prepared with disclosure and consultations prior to start of activities on flood rehabilitation. According to the ICR (para 40) "adequate mitigation measures were implemented."

**Pest Management (OP 4.09).** The Environmental Management Framework identified measures to mitigate possible environmental impacts associated with the strengthening of extension services in case they encouraged the increased use of pesticides. According to the ICR (para 41) "there were no issues of non-compliance with this safeguard policy during project implementation."



**Involuntary Resettlement (OP 4.12).** While this safeguard policy was not triggered at appraisal, there were an incidence of relocation of two households from the premises of the Agricultural Institute in Banja Luka. Both residents signed the document that had been developed in collaboration with the Regional Safeguards Advisor and were relocated to an apartment in the city of Banja Luka. The relocation took place without triggering the Bank resettlement policy OP4.12 (ICR, para 42).

## b. Fiduciary Compliance

**Financial Management.** Financial management responsibilities were carried out by the Project Coordination Units in both Entities. Quarterly financial reports were prepared and submitted on time; and the financial statements were regularly audited by independent auditors, resulting in unqualified opinions (ICR para 43).

**Procurement.** The project benefited from experienced project coordination bodies that worked with Bank financed projects for years and were familiar with Bank procedures. Overall the procurement process followed the Bank procedures and guidelines. However, towards the end of the project there was a case of suspected collusion. According to the ICR (para 44) "the case was investigated and while inconsistencies of testimony were identified, INT closed the case without sanctioning any of the suppliers named, but it illustrated the effectiveness of the fiduciary functions performed by both coordination Units."

## c. Unintended impacts (Positive or Negative)

**Positive.** The outcome of the various project investments contributed to the acceptance of honey, heat treated milk, eggs and poultry products, potato, and other horticultural products for the export to the EU according to the report of the EU Food and Veterinary Office (FVO) in Dublin.

## d. Other

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## 12. Ratings

Ratings	ICR	IEG	Reason for Disagreements/Comment
Outcome	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Risk to Development Outcome	Modest	Modest	---
Bank Performance	Moderately Unsatisfactory	Moderately Unsatisfactory	---
Borrower Performance	Moderately	Moderately	---



	Unsatisfactory	Unsatisfactory	
Quality of ICR		Substantial	---

### Note

When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.

The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

## 13. Lessons

The ICR included four lessons, three were project specific and only one was of general applicability. That general lesson is therefore emphasized here with some editing:

- **Having a realistic development objective and design are important for a project's successful implementation.** When a project has a very broad objective and inadequate design that are beyond the reasonable purview of the project, full achievement of the PDOs becomes very difficult. It is, therefore, very important to take advantage of the Mid-Term Review or a restructuring to help guide potential re-formulation of the PDO and its design.

## 14. Assessment Recommended?

No

## 15. Comments on Quality of ICR

The ICR covered most aspects of the project's implementation and candidly reported on most shortcomings. However, the narrative in the ICR was undermined by the ICR's own perception that "conversion of the rural grants program into flood rehabilitation activities contributed to the objective to improve agricultural services". This approach skewed the analysis of the outcome of the project.

The ICR could have improved in the following areas:

- Provide more details on the connection between project inputs, outputs and expected outcomes - namely the project's theory of change.
- Focus the discussion of outcomes more on the achievement of objectives than the achievement of targets for PDO indicators.
- Provide explicit statements on safeguard compliance for each of the triggered safeguard policies.
- Annex 1 tables need to reflect up-to-date amounts.
- All the abbreviations used in the text should be included among the list of abbreviations and acronyms.





**a. Quality of ICR Rating**  
Substantial