

Bosnia and Herzegovina (BiH)

Results from the Rural Competitiveness Development Programme (RCDP)

Near East, North Africa, Europe and Central Asia (NEN)

The Project in a Nutshell

The Rural Competitiveness Development Project (RCDP) was implemented from March 2017 to September 2022 in Bosnia and Herzegovina (BiH). The areas selected for project implementation were divided into 12 clusters (geographical areas composed of multiple linked municipalities with similar production characteristics and interests), classified according to the prevailing profit oriented value chains (VCs) as well as socioeconomic characteristics and potential for poverty alleviating opportunities. Seven clusters covering 64 municipalities were formed in Republika Srpska (RS), while five clusters covering 79 municipalities were formed in the Federation of Bosnia Herzegovina (FBiH).

RCDP direct beneficiaries were rural poor people within the identified clusters who were active or interested in entering the targeted VCs, including very poor, poor and borderline poor households,¹ with a special focus on providing opportunities for women and young people. At completion, 51 per cent of the beneficiaries were very poor, 45 per cent were poor and 3.5 per cent were borderline poor, highlighting the strong pro-poor focus in project delivery.

To achieve sustainable inclusion of poor smallholder farmers in remunerative VCs while simultaneously upgrading agricultural production and reducing rural poverty, the project leveraged a public-private partnership model that utilized public funds to incentivize enterprises involved in the food and agriculture sector (called “business leaders” (BL) in the project context) to cluster and partner with poor and marginalized smallholders in targeted value chains, primarily through the delivery of starter packages to eligible farmers. The RCDP intervention logic was then implemented to address the needs of smallholder farmers by increasing their access to markets, linking them with more integrated forms of marketing and production, empowering them in local organizations and increasing access to economic development opportunities for women and young people.

KEY PROJECT DATA

PROJECT

Rural Competitiveness Development Programme

COUNTRY

Bosnia and Herzegovina

OUTREACH

31,026 people receiving services

- Women: 11,504
- Young people: 7,077

IMPLEMENTATION PERIOD

Entry into force: 16/03/2017

Completion: 31/03/2022

Closing: 30/09/2022

PARTNERS

Ministry of Agriculture, Water Management and Forestry

IFAD FINANCING

USD 12.75 million

CO-FINANCING

Domestic: USD 35.95 million

International: USD 12.75 million

PROJECT AREA



¹ Very poor households were those earning below 200 KM per household member; poor households were those earning 201–400 KM per household member; and borderline poor were those earning 401–500 KM per household member.



Theory of Change

DEVELOPMENT OBJECTIVES

Enable smallholders to take advantage of fruit, vegetable and non-timber forest product subsector development for sustainable improvement of their social and economic conditions and those of other poor rural groups.

CHALLENGES/CONSTRAINTS



Poor and non-commercial farmers insufficiently integrated into supply chains

Lack of access to competitive markets

Low productivity and production capacity of small producers

High vulnerability to climate change and limited access to climate-smart technologies

Small farmers excluded from the Government's subsidy

Limited bargaining power of small producers in the value chains

OUTCOME



1 Improved policy and institutional environment attracts smallholders and investors to the selected subsectors

2 Sustainable inclusion of poor smallholders and vulnerable groups in selected subsectors

OUTPUTS/ACTIVITIES



Delivery of VC starter packages, including selected climate-resilient practices

Provision of equipment to FOs to improve their services to members

Establish cluster stakeholder platforms around specific value chains

Capacity building in business development and skills

Connect small farmers to business leaders through contracts

Provide improved varieties with better yields and more cost-efficient production methods

IMPACT



Overall, the project succeeded in demonstrating a successful example of the effectiveness of pro-poor public-private partnerships in rural areas, as well as a model for inclusive business plan implementation and VC and cluster development in pursuit of increased productivity, productive capacity, resilience and income for the rural poor.



Results: Outputs and Intermediate Outcomes

To assess the impact of RCDP on the main outcomes/impact indicators of interest, a combination of quantitative and qualitative research methods was applied as mandated by the corporate COI methodology.

	Results
Outputs	
No. of persons trained in production practices and/or technologies	15,081
% of vulnerable groups in decision making positions in PAs/Coops	28%
Persons trained in income-generating activities or business management	2,157
No. of rural POs supported	101
No. of inclusive business plans developed and implemented	41
Private extension staff with updated skills and competencies	385
Rural enterprises accessing business development services	88
Intermediate Outcomes	
% adoption of new environmentally sustainable & climate-resilient technologies/practices	44.5%
% increase in the final price/value accruing to smallholders	11%
New jobs created within targeted VCs	459
% increase in product value added for starter package recipients	30%
Social inclusiveness of VCs: % of women and youth	37%

Results: Effectiveness & Impact

DATA & METHODOLOGY

To assess the impact of RCDP on the main outcomes/impact indicators of interest, a combination of quantitative and qualitative research methods was applied as mandated by the corporate COI methodology, namely face-to-face (F2F) surveys with poor farmers eligible to receive starter packages (beneficiaries and non-beneficiaries from the project area), with PA/COOPs, key informant interviews (KII) and focus group discussions (FGDs).

IMPACT

The results presented below show the impact of the project on different outcome/impact indicators (i.e. the percentage change in the outcome/impact indicators attributable to the project). Disaggregated impact by gender is also presented in the tables.

TCDP's main goal of increasing the value of production accruing to smallholders through starter packages was achieved. This translated into positive impacts on gross and net income at both the household and per capita level and on household livelihoods (measured by asset indices (Table 1)).


	Overall impact	Impact as reported by male respondents	Impact as reported by female respondents
Gross income			
• per household	+24.4%	+26.6%	+32.7%
• per capita	+25.2%	+27.4%	+32.0%
Net income			
• per household	+27.4%	+35.9%	+29.2%
• per capita	+13.6%	+19.5%	+12.6%
Productive asset index	+0.6%	+0.6%	NA ⁴
Durable asset index	+0.8%	+0.9%	+0.6%

Table 1 **Economic mobility and Income**

²IFAD. 2019. "Core Outcome Indicators Measurement Guidelines (COI)."

³The sample selected for the analysis was stratified in both the Republic of Srpska and the Federation of Bosnia and Herzegovina, based on the distribution of starter packages in the beneficiary population, so that it accurately represents the project's outreach; 39 per cent of the respondents are women and 59 per cent are men. Note, however, that the number of female headed households is much lower than the number of male-headed households. Therefore, the disaggregated analysis presented below focuses on the differences between households in which a female member received the starter package and those in which a male member did.

⁴NA result means that the impact is not statistically significant.

The project boosted productive capacity, leading to a positive change in the value of total production, as well as a substantial increase in total yield (Table 2).


	Project impact	Impact as reported by male respondents	Impact as reported by female respondents
Gross income			
Total crop yield (Kg per Ha)	+26.6%	+38.1%	+28.1%
Value of crop yield per Ha	+39.7%	+50.6%	+44.4%
Gross margin ⁵	+40.2%	+31.9%	+30.7%
Value of total production	+50.6%	+62.1%	+41.5%

Table 2 **Increase poor rural people's productive capacities**

Consistent with the project's ToC, the increase in production was accompanied by greater market access and a consequent increase in the total value of sales (Table 3).


	Overall impact	Impact as reported by male respondents	Impact as reported by female respondents
• Overall market access ⁶ (inc. livestock and agriculture)	+8.0%	+12.3%	+7.5%
• Market access (agricultural production)	+9.0%	+12.3%	+6.0%
Total value of sales (agricultural production)	+59.0%	+46.9%	+60.1%
Total value of sales	+67.1%	+58.8%	+78.1%

Table 3 **Increase poor rural people's benefits from market participation**

RCDP also contributed to an improvement in overall adaptive capacity, one pillar of resilience (measured by the increases in HH livelihood diversity and the number of income sources (Table 4))

	Overall Impact	Impact as reported by male respondents	Impact as reported by female respondents
Livelihood Diversity Index	+15.9%	NA	+14.0%
Number of income sources	+12.3%	NA	+64.3%

Table 4 **Strengthen the environmental sustainability and climate resilience of poor rural people's economic activities**

When starter packages were delivered to women, RCDP was especially impactful in terms of increasing the diversity of household livelihoods, as it supplemented income earned by other household members and was often a new source of income. Finally, although the project ToC did not specifically address nutrition, it contributed to greater nutrition security – proxied by the level of dietary diversity (Table 5) – at the household level, indicating either that some of the higher agricultural production was consumed or the higher income was used to increase the diversity of foods consumed.


	Overall Impact	Impact as reported by male respondents	Impact as reported by female respondents
Household Dietary Diversity Score (7 days)	+8.6%	+9.1%	+10.7%
Household Dietary Diversity Score (24 hours)	+9.8%	+14.3%	+7.5%

Table 5 **Nutritional outcomes**

⁵ Note that costs are primarily agricultural and seed inputs. We do not estimate or include the value of own labour in the calculation of costs, meaning that costs are underestimated, which is why the impact on gross margin may be overestimated.

⁶ Market access is calculated as the probability of selling the product. Therefore, the outcome variable is equal to 1 if the product is sold and equal to 0 if it is not.

Results: Efficiency

Efficiency is measured through benefit-cost ratios that show the impact generated by the project per dollar invested. Because RCDP generated impacts across multiple domains, including several that are difficult to monetize, such as resilience and nutrition, final impacts on gross income are used to measure efficiency, as it is a final outcome in the ToC.

- Net present value of benefits: US\$140,973,664.
- Total project cost (present value): US\$44,605,128.
- Benefit-cost ratio: 3.16, indicating that for every dollar spent, US\$3.16 in benefits were generated in terms of the beneficiary's gross income.
- Cost-effectiveness ratio: 1.23, which is equal to the total cost per beneficiary per year (estimated at US\$1,981), divided by the impact on the project on gross income per capita (US\$2,446).

Lessons learned

STARTER PACKAGES

The success of starter packages in integrating very poor households into commercial value chains can increase government participation and boost the effectiveness of government subsidies to the private sector. The starter packages were cofinanced by IFAD loans and municipalities. The latter cofinanced the starter packages from their annual budget. In the past, municipalities were criticized for the limited effectiveness of subsidies, particularly for their inability to reach very poor households. The cofinancing partnership forged through the starter packages not only enabled municipalities to reach poor and very poor households but ensured higher income for these social segments through improved production and marketing support. Furthermore, they provided poor farmers with the requisite capital to take advantage of the opportunities offered by VC development.

PARTNERING WITH PRIVATE SECTOR AGRIBUSINESS FOR PRE-FINANCING

Through the starter packages, RCDP showed that when properly incentivized, agribusinesses are willing to partner with smallholder farmers. However, complementary support from development partners is critical to forging the initial connection and mobilizing the partnership. In RCDP, these partnerships were crucial, as agribusiness leaders had a significant role and involvement in improving the yield and quality of products produced by smallholders, thus ensuring higher output; this translated into greater value added and income, as agribusiness leaders played the dual role of marketing partner and input supplier. They did so by providing access to high-quality inputs such as pre-financing, the strengthening of quality controls, attractive financial incentives to first-time commercial farmers and the facilitation of access to new technologies. Qualitatively, agribusiness leaders are continuing to show a real appetite for these partnerships, as they maintain partnerships with previous starter package recipients after the first year or season.



"RCDP has successfully contributed to solving the long-term challenge of integrating small producers and small landowners into value chains."

PRO-POOR VC DEVELOPMENT

The very poor target group in middle-income countries can be integrated into commercial agricultural value chains through the starter package subsidy mode. With its starter package approach, RCDP helped the A/PCUs shift from dependence on participating financial institutions (PFIs), service providers, business leaders and municipalities to engage in targeting. Moreover, with its self-targeting features, the starter package succeeded in primarily attracting poor and very poor farmers, overcoming the targeting challenge identified at design. RCDP has thus successfully contributed to solving the long-term challenge of integrating small producers and small landowners into value chains.

CLUSTER STAKEHOLDER PLATFORMS

Cluster stakeholder platforms can safeguard smallholders' interests in VC partnerships with the private sector by i) promoting FO involvement in approving BPs focused on smallholder inclusion; ii) mediating/troubleshooting disputes in contractual relationship between FOs and agribusinesses; and iii) continuously monitoring project-supported public and commercial infrastructure to ensure they benefit smallholders even after project closure. Furthermore, RCDP showed that this collaboration can complement the inclusion of the poorest segments of the rural population in VC development and is critical for ensuring it.

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Investing in rural people


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