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Starting Rural Businesses after the War

In Bosnia and Herzegovina, a project co-sponsored by IFAD helped the war-ravaged country make the transition from immediate relief and rehabilitation to long-term sustainable development.

In the years immediately following the 1992-1995 conflict, Bosnia and Herzegovina was busy carrying out emergency operations. Once this most urgent undertaking was completed, IFAD and the OPEC Fund for International Development (OFID) launched the Livestock and Rural Finance Development Project. The project sought to contribute to reviving rural areas as they made the transition to a market economy. In particular, the project focused on developing a replicable model of sustainable, small-scale livestock production. The project was innovative in promoting producers' associations, in providing advice and access to credit to small private dairies, and in paying special attention to women who, with training and microfinance services, were able to kick-start small businesses. Support to the reconstruction of community infrastructure (water, roads, schools, etc.) and to the development of savings and credits associations (SCAs) were also key components of this project.

Country:

Bosnia and Herzegovina

Direct Beneficiaries:

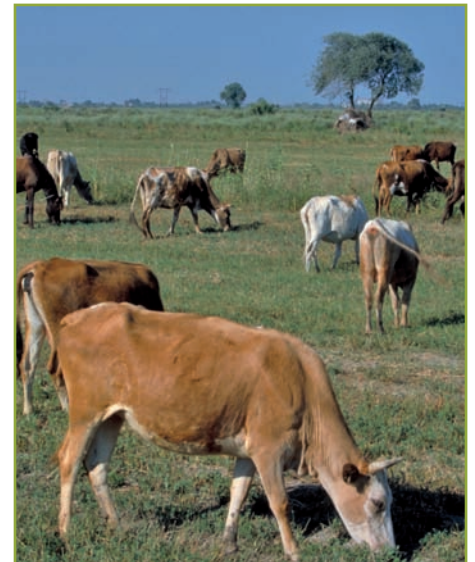
Small farmers, small and medium enterprises, landless women

Results:

- A total of 23 producers' associations and one producers' cooperative were established or strengthened, with a total of 3,400 members (39 per cent of whom were women).
- Through nine commercial banks and two micro-credit organizations, 3,533 loans were disbursed for an aggregate amount of about US\$15 million.
- A total of 139 community infrastructure micro-projects took place, to the benefit of 38,600 rural households (140,000 people).
- About 100 new jobs and part-time employment were created for more than 500 seasonal workers by 12 small and medium enterprises that received loans.

Main Lessons:

- Farmers need their own organizations, such as producers' associations, to promote their economic interests, to collectively obtain services, and to more powerfully negotiate prices for their products and inputs.
- Investment activities driven by a private-sector interest, such as the development of supply chains, should be left to the private sector, which is better equipped to conduct them than the public sector.



BASIC INFO

Sources:

Livestock and Rural Finance Development Project – Project Completion Report (IFAD, 2009)

Project Name:

Livestock and Rural Finance Development Project

Project Starting Date:

2002

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WEB PAGES

IFAD operations in NENA and CEN:

<http://www.ifad.org/operations/projects/regions/pn/index.htm>

IFAD learning notes:

<http://www.ifad.org/rural/learningnotes/index.htm>

IFAD case studies:

<http://rpr.ifad.org/node/204> (username and password: "guest")

Background

From 1992 to 1995, much of the countryside and population of Bosnia and Herzegovina were devastated by an exceptionally brutal war. Hundreds of thousands of people were displaced from their homes. Infrastructure was severely damaged or destroyed, livestock was reduced by nearly 60 per cent, and the economy was in complete shambles.

The end of the war marked the beginning of a double transition: the transition from war to peace, and an economic and political transition. IFAD's first two projects in the country responded to the need for emergency assistance. In 2002, once the need diminished, IFAD and the OPEC Fund for International Development (OFID) launched the Livestock and Rural Finance Development Project, which responded to the transition from immediate relief and rehabilitation to long-term sustainable development. The project aimed to help stimulate growth in farming-related and non-agricultural businesses, with particular attention to women.

Reviving the Economy

The Livestock and Rural Finance Development Project carried out the following activities:

- Supported the establishment of producers' associations, which provided a wide range of services to their members, including negotiating with dairies and managing lactofreezers, screening prospective credit applicants, organizing the purchase of farm inputs, and assisting members to secure public subsidies.
- Provided training sessions to 4,150 farmers on production and conservation of fodder, feeding, breeding and management of livestock, milking and milk hygiene, artificial insemination, and farm management.
- Provided a line of credit through a commercial bank for cash loans to buy livestock and develop enterprises.
- Assisted the development of small

private dairies with advice on marketing strategies, product development and dairy management, and by facilitating access to credit for investment.

- Supported the reconstruction of community infrastructure such as water and electricity supplies, village roads, schools and health facilities.
- Promoted the development of self-managed village-based savings and credit associations.

From the Pasture to the Market

As mentioned above, one of the project's key elements was to ensure the successful operation of the private-sector dairies by providing advice and access to credit. Although dairy operators do not fall within IFAD's target group, they represent a vital link in the marketing chain and warrant support as providers of essential services to small farmers. By promoting linkages between producers, processors and markets, the project strengthened the milk supply chain, improved the competitiveness of the dairy enterprises, and increased their market share.

As a result of this strategic choice, the project created a favourable economic environment for developing milk production and milk producers' and processors' business. Currently Bosnia and Herzegovina has some 50 dairy processing plants that, thanks to the project, have been rehabilitated and/or started as new enterprises. They have managed to develop in line with the existing level of production and have built up better relationships with their supplying farmers as individuals, producers' associations or cooperatives.

Women at the Forefront

After the war, about a quarter of the homes in the country were headed by women. In addition to their heavy economic burdens, women lacked access to land, skills training,

financing and equipment. They were often denied participation in political decision-making even though they assumed responsibility for the survival of the family.

The project responded to women's concerns by ensuring that they had equal access to the knowledge, technology and resources it made available. Overall, women accounted for 39 per cent of producers' association membership, 28 per cent of training beneficiaries, 51 per cent of infrastructure beneficiaries, and 46 per cent of credit beneficiaries.

Women took advantage of these new opportunities by reducing their workload and improving their quality of life – for example through the purchase of milking machines. But those with a more entrepreneurial spirit managed to kick-start their own small dairy businesses as well as the collection and processing of mushrooms and medicinal plants.

Replication and Scaling Up

The project was carried out in two phases. In 2002, an initial pilot phase started in 12 municipalities, with the objective of developing a model of sustainable, small-scale commercial livestock production that could be replicated. In 2005, in view of the success of the pilot phase, the project area was extended to nine more municipalities, which fulfilled the project's targeting criteria of incidence of rural poverty and potential for commercial smallholder livestock production.

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