



BOSNIA–HERZEGOVINA

Enhancing municipal and private sector structures helps lift poor farmers out of poverty



An agronomist advises small producers on raspberry cultivation. Photo by CRS staff.

Unemployment in Bosnia–Herzegovina is at 20.8%,¹ and 17% of people live below the national poverty line,² while another 27% risk falling into poverty. Small farms of less than 5 hectares form the backbone of the farming sector, with most farm households seeking off-farm employment to survive. Farm productivity is low and its improvement is a government priority delegated to municipalities.

Due to close proximity to the European Union market, demand for certain products, notably fruit and vegetables, is high and the private sector is actively seeking opportunities.

To capitalize on the opportunities—market demand and government support—amid a need for income generation in rural areas, CRS supported the various stakeholders to jointly develop structures to promote vegetable and fruit production among the poorest and most vulnerable farmers in the community. From 2016 to 2019, 411 farmers were assisted to enter horticultural value chains.

1. UNDP (2019). <http://hdr.undp.org/en/countries/profiles/BIH>. Unemployment as a % of the workforce.

2. CIA (2015). <https://www.cia.gov/library/publications/the-world-factbook/fields/221.html>.

Summary

Protocols developed by two municipalities enabled very poor households with limited land to be profitably linked to markets and lifted out of poverty. The informal and sustainable public–private partnerships between municipalities and horticultural produce buyers enabled the buyers to expand their markets both nationally and internationally, thus creating the opportunity for new households to commercialize their production and join a value chain. All activities were simple, low-cost and mutually beneficial to all parties. The approach is ideally suited to poverty alleviation in other regions of the country.

CHALLENGES AND SOLUTIONS

Municipalities: Pivotal to the approach was the role of the municipalities, who would go on to sustain and scale the activities. Municipalities had little capacity in value-chain development and had used their funds simply to provide subsidies, often to more well-off farmers.

CRS assisted the municipalities to create processes to link smallholders with both local and international high-end value chains. Activities included:

- Developing an inclusive value-chain approach to promote the agricultural sector with local municipalities.
- Developing mechanisms to attract private business and investment in small growers.
- Identifying strategic production areas for financial support and ensuring transparency in subsidy allocation.
- Developing approaches that would reduce the risks borne by small growers.
- Setting up monitoring and reporting systems to ensure accountability, and influence government.

Private sector: Due to the limited government extension system, which is administered at the higher canton/entity level, most buyers, either cooperatives or private companies, employed their own field staff. However, they tended to shun small growers with the belief that they were not capable of producing sufficient produce of the desired quality. Many buyers also lacked the capacity to extend their own markets to reduce the risk of dependency on a single outlet. CRS thus worked with buyers to:

- Train the buyers' field staff in improved agricultural practices and extension practices relevant to small growers.
- Assist buyers to develop their own markets and participate in national and international trade fairs.

CRS: Coordination and facilitation was a crucial aspect of the project and needed to be embedded in all activities to ensure sustainability, and CRS committed to:

- Working with partners to convene regular discussions and meetings to enhance the competitiveness of the value chain for all participants.
- Facilitating a robust monitoring, evaluation, accountability and learning (MEAL) system to understand individuals' perceptions and reactions, and improve the approach accordingly.
- Advocating for small growers in contract negotiations, in collaboration with municipalities.
- Ensuring transparency throughout the project (selection criteria, expectations, timeline, obligations, etc.).



Rising out of poverty

In 2019, 40 households living below the poverty line and with a monthly household income of less than 60% of median monthly consumption costs, were introduced to cornichon production and linked to buyers. Average household income before the intervention was 424 BAM, and for the year of the intervention was 766 BAM, an increase of 81% due almost entirely to income from the cornichon crop which lifted the households above the minimum wage of 429 BAM per month.



Harvesting of salad greens.
Photo by CRS staff

RESOURCE ALLOCATION

All partners agreed to provide resources toward the project:

- Municipalities provided 40% of the funding and allocated a staff member to work with the project and to continue in the position after the project's close.
- Buyers agreed to their staff being trained and then to conduct grower trainings, and committed to close grower accompaniment during their first year of production.
- Farmers agreed to allocate 20% of the funds, which was based on their production and reclaimed through the buyers at harvest.
- CRS provided 40% of the funding, as well as the staff and administration as necessary.

IMPLEMENTATION

CRS managed all activities initially as it trained and mentored partners in their various responsibilities. Crops were selected following a series of assessments, value-chain analysis, common crop patterns analysis, and the identification of potential participating buyers. Crops included:

- Conventional raspberry production for the frozen export market
- Organic raspberry production for the fresh export market
- Cornichon production for export
- Hot pepper production for the local market
- Greenhouse production (tomatoes, peppers and salad crops) for the local market

Following the selection of crops and interested buyers in the area, farmers were invited to sessions to match them with buyers who presented the conditions and benefits of working with them and answered any questions. Beneficiary selection—limited to households fulfilling predetermined criteria—was initiated through a public call. Upon expiry of the public-call deadline, a field visit was made to each applicant, and a list of accepted beneficiaries was published on the municipal notice board. Unselected applicants were given the opportunity to file an appeal and have it reviewed. Selected individuals interacted with their buyer of choice on an individual basis with support from CRS and later the municipalities.

Trainings were given to 411 growers by the buyers' field staff who had previously been trained by CRS. Individual sessions were short and limited to five in total for each crop, followed by frequent field staff visits.

Financial support was in-kind, and a central tenet was the provision of drip irrigation, fertilizer and pesticides sufficient for one dunum (0.1 ha) of land, with the exception of greenhouse crops which were limited to growers with less than 0.5 hectares of land on which greenhouses covered 100 square meters. This ensured reasonable yields and quality, and optimized the effect of other inputs while mitigating against climate change.

Project highlights

- A methodology to build municipal capacity to enable poor, smallholder farmers to participate in selected value-chain programming was designed and tested.
 - Annual household income from 0.1 ha was increased by the equivalent of 35% to 100% of the national minimum wage depending upon crop.
 - Municipalities have committed their own funding and staff, and secured funding from private investors for the long-term support of value-chain activities.
 - Cooperatives strengthened their roles as effective market-linkage agents for small farmers and for their relevant buyers.
 - The methodology to build municipal capacity in value-chain programming was replicated by two new municipalities.
 - Over 85% of growers were satisfied with project implementation and outcomes.
 - All growers were still producing a year after the project ended.
 - Some 85% of growers continued to sell to buyers with whom they were linked.
 - Some 40 new farmers have used municipal funds to enter the cornichon value chain.
 - Six cooperatives linking small farmers and buyers had attracted new members a year after project end.
 - Two cooperatives signed export contracts with EU buyers.
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STAKEHOLDER SATISFACTION

Growers: More than 85% of growers were satisfied or extremely satisfied with the project and felt they had benefitted from selling through the buyer they were linked with. Three quarters of growers were continuing to grow their selected crop a year after the project ended. The remaining quarter had changed their crop mainly due to early misunderstandings (since resolved) on the necessary product quality and a price collapse for cornichons due to overproduction. They are now growing other horticultural crops using the training and support they received during the project.

Municipalities: All the municipalities said CRS' technical support in providing external services and production inputs and equipment were critical, and they are continuing to provide these services. One municipality hired interns during the project and they continue to work with project beneficiaries as employees of the municipal development agency. Municipalities saw their future role as creating market linkages for new buyers and connecting new growers to markets. The design and implementation of robust MEAL systems were seen as a means of presenting to government officials the impact of the activities in terms of household financial security and resilience.

Buyers: Buyers expressed satisfaction with the approach, noting that by assisting a cohort of small-scale farmers to increase their productivity, CRS had expanded their supply chain and profitability. Cooperatives continue to have 70% to 100% of small farmers in their supply chain. Buyers believed that the provision of continuous, good-quality extension services was a key factor in increasing product quantity and quality, with farmers having an average of 70% grade 1 produce across all crops. Most buyers said they appreciated the assistance in developing new markets. CRS assisted one buyer to get organic product certification, thus enabling him to expand his business; and two contracts resulted from buyers attending a trade fair in Berlin.

OUTCOMES

Net profit per 0.1 ha on working capital for each crop ranged between 1,600 and 4,500 BAM (Table 1). The national annual minimum wage is 4,500 BAM, clearly demonstrating that all crops can make a very significant contribution to household income. Detailed analysis showed that irrigation, and fertilizer and pesticide application, were the main drivers of yield and quality.

All stakeholders agreed that the availability of dedicated extension staff was a key requisite for success through training, individual follow-up and regular contact with the buyer. Complementary assistance was given by the municipalities, which reduced risk and ensured quality produce. The programmatic approach was documented in a methodology made available for replication by other municipalities. This methodology includes a three-step selection process, a complete training curriculum,³ and resource mobilization strategies to link smallholders with national and international value chains.

3. Modules: Identification of value chain; Identification of corporate partners; Assessment of value chains; Identification of value-chain upgrading strategy; and From strategy to project proposal.

85%+

MORE THAN 85% OF GROWERS WERE SATISFIED OR EXTREMELY SATISFIED WITH THE PROJECT AND FELT THEY HAD BENEFITTED FROM SELLING THROUGH THE BUYER THEY WERE LINKED WITH.



Cornichons are harvested.
Photo by CRS staff

Table 1: Net profit/0.1 ha on working capital, year 2

Crop	Net profit
Raspberries	1,600 BAM
Organic raspberries	3,100 BAM
Cornichons	4,500 BAM [‡]
Greenhouse crops	3,000 BAM

* US\$1 = 1.8 BAM

[‡]National annual minimum wage