



# Project Information Document/ Identification/Concept Stage (PID)

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Concept Stage | Date Prepared/Updated: 26-Feb-2019 | Report No: PIDC160216



**BASIC INFORMATION**

**A. Basic Project Data**

Project ID	Parent Project ID (if any)	Environmental Assessment Category	Project Name
P167786		C - Not Required (C)	Strengthening agriculture sector capacities for evidence-based policy making
Region	Country	Date PID Prepared	Estimated Date of Approval
EUROPE AND CENTRAL ASIA	Serbia	26-Feb-2019	
Financing Instrument	Borrower(s)	Implementing Agency	Initiation Note Review Decision
Investment Project Financing	Ministry of Agriculture, Forestry and Water Management	Ministry of Agriculture, Forestry and Water Management	The review did authorize the preparation to continue

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**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	1.80
<b>Total Financing</b>	1.80
<b>Financing Gap</b>	0.00

**DETAILS**

**Non-World Bank Group Financing**

Trust Funds	1.80
Japan Policy and Human Resources Development Fund	1.80

**B. Introduction and Context**

Country Context

Serbia's rapid growth before the global financial crisis was fueled by capital inflows and led to significant internal and external imbalances, with fiscal deficits averaging 5.3 percent of gross domestic product (GDP) in 2009-2014, and resulting in 2015 in a record high public debt, at 76 percent of GDP. Since then, Serbia has embarked on a fiscal consolidation and structural reform program, turning deficit into a surplus (0.2 percent of GDP in 2017) and reducing public debt. Although growth has reduced poverty, constrained by several



recessions, the poverty rate declined only slightly, from 24.1 percent in 2014 to 23.5 percent in 2016, with most gains more recently. Average consumption among the bottom 40 percent of the income distribution declined more than for the population average since the crisis, due to more severe losses in employment and labor income experienced by the poor. Although overall unemployment fell to 11.8 percent in 2017, informality is high and labor force participation low with 45.5 percent of the population inactive in June 2017.

Serbia has made progress towards its European Union (EU) membership. The prospects for EU accession are providing an important impetus for reforms in the Serbian public sector. In November 2007, Serbia initiated a Stabilization and Association Agreement with the EU and in 2012, Serbia was granted EU candidate status. Since the formal start of accession negotiations in 2014, progress is moving largely as planned. As of July 2017, Serbia opened 14 out of 35 chapters of the EU's *acquis communautaire*. The European Commission (EC) declared Serbia as a "frontrunner" able to join EU by 2025 if all conditions are met. The rapid progress towards EU accession has accelerated the need for adequate alignment to EU regulatory frameworks, requiring the formulation of compliance mechanisms and evidence of their functionality.

#### Sectoral and Institutional Context

Agriculture, as a primary sector, continues to play an important role in the economy of Serbia, contributing 9 percent to GDP (which is high in comparison to the EU-average of 2 percent). With 45 percent of the population of the country living in rural areas, the sector provides formal full-time employment to 20 percent of the population, with the share of part-time and informal employment in the sector being very high. The agri-food sector is the only sector in the Serbian economy with a continuous positive trade balance since 2005, accounting for about 20 percent of total exports and 8 percent of total imports.

Serbian agriculture is at a pivotal point in its development. In principle, the prospect of European Union (EU) membership has improved its outlook, with the promise of EU budget support for agriculture and rural development and access to the large EU market. In practice, trade liberalization and access to broader markets has already begun, and EU budget support is available through the Instrument for Pre-Accession Assistance in Rural Development (IPARD). Parts of the sector have already benefitted from trade liberalization, with strong growth in response to a rapid increase in exports (cereals, oilseeds, fresh fruit and vegetables); while other sub-sectors are having a harder time adapting (dairy and meat production). These less competitive components of Serbian agriculture are struggling to modernize and invest and are contracting. Overall sector growth stagnated as a result.

During the past 15 years, the ministry responsible for agriculture has gone through several stages of institutional reforms. From 2000 until today, the work and responsibilities of the ministry have been regulated through ten different versions of the Law on Ministries, and the organization has been led by 13 different ministers. This has resulted in frequent changes in agricultural policy, the structure of the organization and the work of the institutions responsible for agriculture. From 2011 to 2012 trade and agriculture were combined in one ministry, and from 2014 to the present environmental protection has been



joined with agriculture. In 2004 the Veterinary Administration and Phytosanitary Administration were formed as bodies with the Ministry of Agriculture to strengthen implementation of food safety policy. During the period of 2008-2011, a General Inspectorate brought together inspectors from all parts of the ministry, but it was dissolved following a change of government. Three more bodies were established within the ministry in 2009: the Administration of Agrarian Payments, the Administration for Agricultural Land, and the Directorate for National Reference Laboratories. From 2002 to 2004 the Forest Administration was part of the Ministry for Protection of Natural Resources and the Environment, before being brought back into the what is today the Ministry of Agriculture, Forestry and Water Management (MoAFWM).

After 2004, the agrarian policy of Serbia made a strong turnaround in strategic guidelines and implementation mechanisms. The reform of agricultural policy aimed to increase competitiveness of farms through redirecting support to encourage investment. The Strategy for Agriculture Development, prepared with EU assistance, was adopted in 2005, defining the general strategic goals and recognizing development of institutional capacity as one of the key issues in future steps towards the EU and the World Trade Organization (WTO) memberships. The Strategy was supported by a significant increase in the agriculture budget (the biggest share of the total government budget at any time over a 15-year period). Rural development measures were applied and the Ministry of Agriculture, together with the Ministry of Finance, introduced programs to increase the availability of agricultural credit through preferential credit rates and loan guarantees. Renting of agricultural land was also supported and a register of agricultural holdings established. The Ministry of Agriculture continued with capacity building, recruitment of new and young people and separating policy from implementation and control. The new structure of the Ministry included agricultural policy, rural development, implementation, control, and legal and financial affairs as well as the Veterinary, Phytosanitary, Forestry and Water Management Administrations. In 2006, the Ministry has employed just fewer than 1,000 people who worked in jobs classified into three groups: Policy (7 percent); Implementation (15 percent); Control (78 percent).

The global economic and financial crisis had a strong impact on the Serbian economy from late 2008 until 2014. This period saw a general decrease in prices of agricultural products, falling more sharply than either agricultural input prices or final food products. Also, the demand for premium agricultural and food products (those with perceived higher standards of quality, safety or environmental protection) decreased, slowing or reversing a trend towards higher-value products. Credit availability was reduced for all sectors. In this context, direct payments per hectare became the main form of support, although the implementation mechanisms, procedures and eligibility criteria were changed frequently in response to budget pressures and to changing political priorities as to which groups should be supported.

The Sector for Rural Development (SRD) of the Ministry is currently in charge for the design, monitoring and implementation of rural development (RD) measures as well as for the EU-funded IPARD II program. Following the commitments of the Republic of Serbia assumed in the Framework Agreement and Sectoral Agreement between the Government of Serbia and European Commission (EC), the Group for Monitoring, Evaluation and Reporting (GMER) was established within the SRD in 2015. The GMER carries out activities related to establishment of monitoring, evaluation and reporting system for the implementation of the



IPARD II program. The Directorate for Agrarian Payments is responsible for provision of reporting on progress of RD measures, and consequently provides data to the SRD.

Further, the Managing Authority (MA), i.e. Sector for Agricultural Policy of the Ministry, and the IPARD II Monitoring Committee (MC) monitor the effectiveness, efficiency and the quality of the implementation of the IPARD II Program. The Managing Authority is responsible to set up a system to gather financial and statistical information on progress of the IPARD II Program and to forward this data to the IPARD II Monitoring Committee, which is in line with arrangements agreed with the EC. The MC comprises representatives from the relevant public authorities and bodies, appropriate economic, social and environmental partners, as well as representatives from the national academia, i.e. Agriculture Faculties of University of Belgrade, University of Novi Sad, and University of Kragujevac, and Institute for Science Application in Agriculture. As evident from the above, the Ministry's M&E capacity is, however, limited with assessing performance of RD measures (both EU and national) only, and the Ministry continues to lack a monitoring system for other agricultural and rural development policies, making it difficult to assess the effects of these policies on the entire sector's performance. At present, there are no donor agencies that support the Ministry's M&E capacity.

The Vertical Functional Review of the MoAFWM recently completed by the World Bank Group (to be launched in fall of 2018), identified policy and data as two of the most critical areas in need for improvement, without which the sector will never fulfil its potential. To this end, the key recommendation was *to establish an independent "Group for policy evaluation" to comment on policy proposals, assess the impact of operating policies, and monitor progress towards strategic goals*. The ministry allocates a lot of resources to policies designed to change farmers' behavior and businesses – to increase investment, productivity and profitability – yet little is known about the actual impact of these policies in practice. Measuring the impact of agricultural policies is not straightforward, given the variations in weather, market conditions, pest and disease challenges, among others. Effective policy monitoring and evaluation approaches should be an integral part of strategy documents to enable effective targeting for achieving the desired results and adequate follow up on the ministry's actions as compared to proposed strategic directions.

In 2014 Serbia began a new phase of the European Union integration process by opening formal accession negotiations for EU membership. The process of negotiations for WTO membership is also in progress. The reform of agricultural institutions and policy will be of critical importance for positioning the sector vis-a-vis these processes. Evidence-based programming is becoming a key element of the agricultural development agenda in the EU (under the Common Agricultural Policy, CAP) and is a critical requirement for the development of the agricultural sector in Serbia. It will ensure that the government has the "evidence-base" needed, both in terms of having appropriate indicators for monitoring policy inputs and outputs, and in having the capacity for rigorous, objective analysis of this information to evaluate and strengthen policy outcomes. To be fully effective, support for evidence-based decision making should also include extensive training in policy analysis and policy formulation. With this understanding, policies can be good at the start and become better over time, allowing the Ministry to use its limited resources much more effectively and to get maximum benefit from the EU accession process.



The monitoring and evaluation (M&E) capacity building agenda in the agricultural sector also includes specific measures to better understand gender inequalities. Rural women are considered to be especially vulnerable because they are often not legal owners of land or agribusiness, and tend to be employed as lower-skill laborers. These measures could include, for example, development of specific mixed-method indicators to track gender (surveys, specific evaluations), gender-specific impact evaluation and use of diagnostics/thematic studies to recognize gender-specific constraints or opportunities and design corresponding activities.

Recognizing the limitations in the current M&E framework, the MoAFWM has requested the support of the World Bank to strengthen their M&E systems and capacity for collecting data to inform policy actions and monitor the progress of ongoing agriculture programs and projects. To this end, the Japan PHRD TA Grants Program under the Performance and Results with Improved Monitoring and Evaluation (PRIME) Window is the adequate instrument to support this request. The proposed project was discussed and agreed with the MoAFWM. Improvement of M&E systems and capacity is imperative for Serbia, as the country prepares for EU accession. The reforms of the Common Agricultural Policy of the EU towards results-based programming require that future member states have the capacity to formulate indicators and monitor results. The project's objective is in line with the broad objective of the PRIME window, which is to enhance the use evidence-based decision making in government systems, by strengthening the M&E systems of recipient ministries in priority sectors, including agriculture. The MoAFWM is viewed as a strong candidate for the PHRD support due to its demonstrated commitment to policy reform, its awareness of the need to improve its capacity for policy analysis and policy formulation, and its recent efforts to strengthen its capacity for monitoring and evaluation. Strengthened government ownership of the policy process is viewed as an important, outcome of the grant support. The PHRD activities will build on the World Bank's ongoing engagement with the MoAFWM under a new Commercial Agriculture Project (P167634).

#### Relationship to CPF

The World Bank's Country Partnership Framework (FY 16-20) is designed to support Serbia in creating a competitive and inclusive economy and, through this, to promote integration into the EU. One of the CPF's six foundational and high impact priorities is based on improving governance and institutional capacity. The proposed project will contribute to the CPF's Focal Area 1: Economic governance and the role of the state that specifically addresses constraints to the effectiveness of economic governance: the size and management of the budget, the scope and capacity of the administration to implement reform and deliver services, the footprint of the government in the economy.

Given the re-engagement in the agriculture sector in Serbia in the form of a lending operation for the improvement of the competitiveness and growth potential of agriculture, the capacity building activities of this proposed activity will be immediately applied in the formulation of a results framework and the M&E approaches can be used under this lending operation.



### **C. Project Development Objective(s)**

#### Proposed Development Objective(s)

The objective of the proposed project is to “to strengthen the M&E capacity and systems of the MoAFWM and its decentralized services for evidence-based strategic planning in agriculture and rural development”. Government ownership of the evidence-based policy process is viewed as an important outcome of grant support, along with better prioritization of programs and beneficiaries, and sector impact.

#### Key Results

Evidence-based decision making ensures that policies respond to the needs of the constituency for which they are designed and leads to better long-term policy outcomes. It also helps to highlight an issue or problem that requires specific attention; and strengthens the case for securing funding and resources for an effective public response. Ultimately, the proposed project will help improve capacity of the MoAFWM to optimize government expenditure by ensuring that resources, both domestic and external (EU grant financing), are directed to the most effective policies and programs and improve service delivery and the outcomes of public programs and investments, including, among others, Ministry’s subsidy programs, implementation of the ongoing IPARD program, etc.

The results framework will be developed together with the MoAFWM, and the key results (outcomes) could include enhanced capacity of the Ministry to inform policy formulation and implementation of agriculture sector strategy, and support for adoption of the principles and techniques of evidence-based policy making including statistical and gender-disaggregated analysis, as well as a targeted number of commissioned evaluations. For example, the proposed project output indicators could include:

#### PDO level indicators:

- Improved M&E capacity for the adoption of evidence-based strategic planning in Agriculture and Rural Development (including a set of actions to address gender gaps);
- Elements of evidence-based policy cycles incorporated into written MoAFWM procedures;
- Number of policy tools developed and systematically documented, with clear intervention logic and appropriate monitoring indicators.

#### Intermediate indicators:

- A set of new agreed Agriculture sector performance indicators;
- M&E Plan, Manuals, Protocols developed for data collection and methodologies;
- Number of pilot tests of selected indicators conducted;
- Number of staff from the MoAFWM and decentralized departments trained in enhanced M&E system.



#### **D. Preliminary Description**

##### Activities/Components

The project is provisionally planned to begin operating in late-2018 and continue until the end of 2021, with an estimated total cost of US\$1.8 million. The project has two components that are described below:

#### **Component 1: Capacity Building for Evidence Based Policy Making (US\$1,640,000)**

**Sub-component 1.1. Diagnostic work, development of agricultural sector performance indicators, and staff training (US\$180,000).** At the onset of the project, a diagnostic work will take place to identify the strengths and weaknesses of the existing M&E system, including but not limited to the following:

- Governance structure of M&E system, including who is responsible for collecting, collating, validating and reporting data.
- The use of data including links with the budget process and performance evaluation.
- Champions and key political events that play key roles in mainstreaming M&E.
- M&E tools already applied at project, program and policy levels.
- Extent of existing donor support in the field of M&E capacity development.
- Gaps and duplications that hinder the effectiveness and efficiency of M&E.

The project will also identify a set of agricultural sector performance indicators that can guide evidence-based decision making. The diagnostic and the work on the agricultural sector performance indicators, will provide the basis for the training program. The training needs for building M&E capacity will be identified by an International Expert. A series of short (2-4 day) training programs will be implemented regularly during the life of the project. In addition to relevant Ministry staff, training will also be provided for staff of subnational sector public agencies, the national institute of statistics, relevant staff of regional government administrations, and university staff, as deemed appropriate. Possible areas of training will include building skills in: the selection, design and use of appropriate M&E approaches; how to review existing and prospective sources of information; the development and management of data bases; the design and commissioning of evaluations to support evidence-based policy making; techniques of policy analysis; the design of mechanisms to build citizen engagement into the process of policy evaluation; and the alignment of M&E outputs with strategy implementation and budget formulation. To ensure sustainability, the project will seek possibilities to reflect this training in domestic training institutions curriculum and in train the trainers' programs.

**Sub-component 1.2 Manuals and Protocols for Data Collection, and Specific Evaluations (US\$1,460,000).** To further build skills in the development of M&E for evidence-based policy making, the project will support development of manuals and protocols for data collection, frequency of reporting, and roles and responsibilities of the MoAFWM and relevant departments, including pilot testing of selected indicators. In addition, the project will launch a small number of surveys and analyses to be commissioned and



implemented by staff in the Ministry or other relevant agencies. Potential activities include: analysis of the Agricultural Census; the development of templates for farm enterprise analysis (gross margins), which can be updated quickly and easily with secondary data on an annual basis as the basis for monitoring trends in on-farm incomes and profitability; and a program to review and improve the current survey instruments used for agriculture and rural areas, to render them better suited to evidence-based policymaking. Skills for development of program baseline will also be provided to enable the assessment of impact of policy interventions.

Further, the project will fund specific, detailed economic evaluations on topics agreed with the Ministry's leadership. These evaluations would typically take a few months to complete, often involving a small ad hoc working group comprising of staff from the relevant departments. They will focus on different issues, such as impact analysis of existing policies, including socio-economic impact, environmental impact and regulatory impact assessment. The project will also build a mechanism that will link the evidence and findings generated by the evaluations to the regular policy formation processes within the Ministry. Each kind of evaluation would have its own issues and approaches, which could be conducted in a peer-learning environment by engaging short-term international consultants to build capacity, guide, and support the Ministry as they do their first evaluations. It is important for the Ministry to gain their own experience in carrying out such evaluations, to help them prepare Terms of Reference and better assess the reports that they receive. In addition, the international experts will provide support with any specific evaluations based on the sector's emerging needs (e.g. assessment of the livestock sub-sector policies, national direct subsidies, ongoing implementation of the IPARD program, etc.).

The project will carry out information campaigns and workshops about the M&E initiative to improve the knowledge between central and local governments; appropriate training to staff working on M&E approaches, roles and functions, indicators, methodologies, etc.

The project will provide limited support for computers and software for data base management and judicious use of new and promising remote sensing technologies. The project will also explore the ways to include various digital platforms to help the newly established M&E Unit process big data more expeditiously and efficiently.

An international advisor with demonstrated experience in capacity building for evidence-based policy making will be recruited to guide and support project activities in the Ministry. Areas of support include: review of the current institutional base within the Ministry for M&E and evidence-based policy making, including its links to other ministries and public agencies, followed by recommendations and guidance on ways to strengthen their institutional base; an assessment of the human resource base for policy M&E and the design of a training program for building and strengthening relevant skills; a review of the current system of M&E, its capacity to evaluate policy and its links to implementation of agriculture sector strategy and design of the agriculture budget, and support for adoption of the principles and techniques of evidence-based policy making -- including statistical analysis, commissioned research, citizen engagement and the use of administrative information; a review of the current evidence-base for agricultural policy monitoring and the development of recommendations on ways to strengthen its contribution to evidence-based policy making



for agriculture; a review of the need to build capacity for independent policy monitoring outside the Ministry (e.g. universities, think tanks) as a further input to evidence-based policy making and the design and implementation of appropriate training and support programs; and the development of appropriate fora for sharing the outcomes of evidence-based policy making with other government ministries and public agencies. As capacity building of this nature is a gradual process, and will initially need support and reinforcement, the International Expert will be appointed full-time in the first year of project implementation. However, his/her presence will be reduced to 50 percent in the second year and to 25 percent in the third year of project implementation, as the national capacity for M&E will be strengthened and the program work will be institutionalized within the Ministry.

## **Component 2: Project Management and Administration, Monitoring & Evaluation, Knowledge Dissemination (US\$160,000)**

This component includes the provision of goods, technical assistance and training to a Project Implementation Unit (PIU) for the implementation of the project (including the areas of financial management, procurement, disbursement, monitoring and evaluation), financing of incremental operating costs and costs related to knowledge dissemination. The component will comprise three sub-components: (i) Project Management and Administration; (ii) Monitoring and Evaluation; and (iii) Knowledge Dissemination.

**Sub-component 2.1 Project Management and Administration (US\$118,000).** The sub-component will: (i) support operation of the PIU, and finance overall project management, as well as contract administration, procurement, and financial management.

**Sub-component 2.2 Monitoring and Evaluation (US\$25,000).** The sub-component will arrange for data collection and reporting on key performance output and impact indicators through baseline survey and final evaluation. This subcomponent will finance the costs of the Implementation Completion Report. The project M&E framework will be developed during appraisal and its implementation will be reviewed regularly by the Ministry and PIU.

**Sub-component 2.3 Knowledge Dissemination (US\$17,000):** The sub-component will carry out knowledge dissemination activities on the building and maintaining agriculture sector M&E systems for evidence-based policy making to the relevant stakeholders. Specifically, this subcomponent will fund activities related to the project launch, expert round tables and web-based and paper copy dissemination of the project's key reports. The Ministry's and PIU's websites will be used for a virtual discussion of the project's studies. The project will finance printing and distribution by direct mailing 100 of the final project reports in Serbian and English to all key counterparts in the Government's key ministries and agencies, think tanks, NGOs active in this sphere, key public libraries and higher educational institutions (faculties of economics and rural development/agriculture).

### **Project Cost and Financing**

Project cost by component and financing are summarized in the table below:



<b>Project Components</b>	<b>Project cost (US\$)</b>	<b>Grant Financing (US\$)</b>	<b>% Financing (inclusive of taxes)</b>
1. Capacity building for evidence-based policy making	1,640,000	1,640,000	100
2. Project management and administration, monitoring & evaluation, knowledge dissemination	160,000	160,000	100
<b>Total Project Costs</b>	<b>1,800,000</b>	<b>1,800,000</b>	<b>100</b>

**SAFEGUARDS**

**E. Safeguard Policies that Might Apply**

<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>	<b>TBD</b>
Environmental Assessment OP/BP 4.01		X	
Natural Habitats OP/BP 4.04		X	
Forests OP/BP 4.36		X	
Pest Management OP 4.09		X	
Physical Cultural Resources OP/BP 4.11		X	
Indigenous Peoples OP/BP 4.10		X	
Involuntary Resettlement OP/BP 4.12		X	
Safety of Dams OP/BP 4.37		X	
Projects on International Waterways OP/BP 7.50		X	
Projects in Disputed Areas OP/BP 7.60		X	

Summary of Screening of Environmental and Social Risks and Impacts

**CONTACT POINT**



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### Borrower/Client/Recipient

Borrower : Ministry of Agriculture, Forestry and Water Management

### Implementing Agencies

Implementing Agency :	Ministry of Agriculture, Forestry and Water Management		
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