



<b>1. Project Data:</b>		<b>Date Posted :</b> 09/30/2003	
<b>PROJ ID:</b> P008335		<b>Appraisal</b>	<b>Actual</b>
<b>Project Name:</b> Croatia Farmer Support Services Project (FSSP)	<b>Project Costs (US\$M)</b>	30.0	22.3
<b>Country:</b> Croatia	<b>Loan/Credit (US\$M)</b>	17.0	14.8
<b>Sector(s):</b> Board: RDV - Agricultural extension and research (80%), Central government administration (20%)	<b>Cofinancing (US\$M)</b>	0	2.0
<b>L/C Number:</b> L3988			
	<b>Board Approval (FY)</b>		96
<b>Partners involved :</b> Netherlands	<b>Closing Date</b>	06/30/2001	12/31/2002
<b>Prepared by:</b>	<b>Reviewed by:</b>	<b>Group Manager :</b>	<b>Group:</b>
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## 2. Project Objectives and Components

### a. Objectives

To support the transition of the agricultural sector to a market economy by providing technology -related support services that are relevant to private farmers with the aim of improving the productivity and income of the private farming community and hence the competitiveness of the sector . The project would (1) change the delivery mechanisms for the provision of technical services to the private farming community and (2) restructure and strengthen institutions to meet the needs of a market economy in order to allow public authorities to respond to the service needs of the private farming community and to ensure that private agriculture and agribusiness irrevocably have a voice in the formulation of agricultural services and support policies .

### b. Components

The project had six components (actual expenditures vs. appraisal estimates in parentheses) which include, among other things:

1. Agriculture extension (US\$ 3.5 million vs. 7.2 million) -- equipping and training public extension staff, increasing stakeholder participation in extension management, and piloting a farmer -association-based private advisory service and a farmer-managed milk recording scheme .
2. Agriculture research (US\$ 6.2 million vs. 8.0 million) -- establishing an Agriculture Research Council (ARC) to define and oversee an applied, competitive grant research program .
3. Animal health support services (US\$ 4.5 million vs. 6.1 million) -- upgrading the National Veterinarian Institute and its four regional branches in order to intensify national disease surveillance, and training for both public and private veterinarians .
4. Pasture and fodder development (US\$ 2.9 million vs. 2.3 million) -- evaluating national grassland resources, upgrading a pasture research station, training staff, and establishing a modest seed bank .
5. Seed industry development (US\$ 2.8 million vs. 3.8 million) -- establishing and equipping a State Institute for Seeds and Seedlings (SISS) to improve the quality, access, and price of both local and imported plant genetic material.
6. Policy analysis support (US\$ 2.0 million vs. 2.3 million) -- improving the policy analysis capacity of the Ministry of Agriculture and Food (MAF) by providing training, technical assistance, studies, and support for establishing a market information system.
7. Project management unit (US\$ 0.5 million vs. 0.4 million)

### c. Comments on Project Cost, Financing and Dates

The Dutch government provided \$2.0 million of technical assistance on grant terms, which led directly to the cancellation of \$2.0 million of the Bank's loan. Project closing was extended by 18 months due to the complexity of the project, a slow start-up, and delays in government legislation and reform .

The FSSP was the first of three related agricultural projects conceived to support the implementation of the government's market-oriented "Agricultural Policy Strategy," prepared with FAO assistance and approved by the Croatian Parliament in March 1995. The other two projects were the Agriculture Sector Adjustment Loan and the Rural Finance Pilot Project. All three were intended to support the development a private, mostly family -based

agriculture sector. But a new government, which was elected shortly after the start-up of the FSSP and was less enthusiastic about the agricultural reform program, allowed the original project management team (that had prepared the project) to dissipate, and cancelled the other two projects.

### 3. Achievement of Relevant Objectives:

The objective (2) of restructuring and strengthening agricultural public sector institutions, post-collapse Yugoslavia, to meet the needs of an agricultural market economy was largely achieved. Objective (1) of changing the delivery mechanisms for the provision of technology-related support services to the private farming community was only partially achieved.

The transition to an agricultural market economy -- the broader objective of the project -- was slow and uneven over the project period. In spite of having legislated a market-oriented agricultural development strategy prior to project effectiveness, the government failed to move decisively on agricultural privatization, trade liberalization, and subsidy management, among other reasons, due to strong resistance to change from the socially owned sector (the 500 or so agro-kombinats and cooperatives). Such political lethargy and the absence of "civicness" in the post-war environment in Croatia seriously affected farmers' willingness to associate and to participate in public sector activities.

Overall agricultural growth has also been slower than anticipated. The output of the agro-kombinats and cooperatives fell steadily after 1990 before stabilizing at around 50 to 60 percent of 1990 levels around 1995. Conversely, that of the small-scale private farmers (who own about 63 percent of all agricultural land and 78 percent of all arable land) recovered fairly quickly after the war ended in 1992 and exceeded their 1990 production level by 1998. Weak monitoring and evaluation makes it impossible to assess more definitively the impact of the project on private farmers' productivity and income.

The estimated internal rate of return was 17 percent at completion compared to 28 percent at appraisal.

### 4. Significant Outcomes/Impacts:

(1) The Agricultural Research Council (ARC) and the Croatian Agricultural Extension Institute (CAEI) have been established. Both their structures and funding are now embedded in the Agricultural Law. The ARC has awarded on a competitive basis 137 applied research programs valued at US\$ 4.6 million. All completed projects have been submitted to the Project Implementation Unit and are being catalogued and prepared for web presentation.

(2) The National Veterinarian Institute has been re-equipped, its staff trained, and systems put in place for border and field disease monitoring, residue testing, animal numbering, and laboratory test recording. The project also provided support to the Veterinary Chamber and training for private veterinarians in areas that would improve their services and business management.

(3) The State Institute for Seeds and Seedlings (SISS) has been established and is operating as a largely self-financing authority (85-90 percent from industry fees and 10-15 percent from the government). Registered with the ISTA, UPOV, and OECD, it is internationalizing its activities through the sharing of Distinctiveness, Uniformity, and Stability (DUS) testing programs with regional and EU partner organizations.

(4) A fodder and pasture training and research center has been established and equipped at the University of Zagreb Faculty of Agriculture, with permanent staffing assured by the government.

(5) A market information system has been established in the Ministry of Agriculture, which now monitors prices on about 350 agricultural commodities and products. Project-developed software provides web access to current and historical databases and linkages to wholesale market price databases and central and Eastern European market price information.

### 5. Significant Shortcomings (including non-compliance with safeguard policies):

(1) There was little progress in increasing stakeholder participation in extension management, in setting up county farmer advisory committees, and in fostering private sector approaches to agricultural services. However, a draft law for the establishment of County Agricultural Chambers, following an Austrian-style agricultural chamber system for service delivery, was to be tabled in 2003.

(2) The farmer-based milk recording pilot scheme was not implemented due to the inability of competing animal breeding and herd selection institutional interests to integrate their services.

(3) There has been little reform or privatization of agro-kombinats, or better use of their assets.

(4) Monitoring and evaluation was weak. Only three of five planned farm monitoring surveys were conducted, none of which provided baseline data.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome:</b>	Satisfactory	Moderately Satisfactory	[the ICR's 4-point scale does not allow for a "moderately sat." rating]. The lack of progress in increasing stakeholder participation in public sector activities and in fostering private sector approaches to agricultural services represents a significant shortcoming in relation to the

			project's objectives.
<b>Institutional Dev .:</b>	Substantial	Substantial	
<b>Sustainability .:</b>	Likely	Likely	
<b>Bank Performance .:</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR .:</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

#### **7. Lessons of Broad Applicability:**

(1) Strong statements of national government support are not sufficient to organize and sustain farmers associations and stakeholder participation in public sector activities . These require training in rural leadership and the development of community trust built over time from the grass roots through meetings and open elections that avoid elite capture or party politicization .

(2) Effective competitive grant management requires strong, independent supervision and regular financial and scientific auditing. Competitive grant schemes cannot by themselves do much to reform entrenched and politicized scientific communities. Farmer representation on advisory boards is often notional and rarely democratic, and research and program funding is often under funded and insufficiently independent .

(3) While it is possible to design and implement institutional development projects before economic reforms are completed, the full benefits of such institutional development will not be experienced until the broader economic reforms have also taken place.

**8. Assessment Recommended?** ☐ Yes ☒ No

#### **9. Comments on Quality of ICR:**

This is a high quality ICR. The analysis is sound and internally consistent .