

Annex 4 Serbia Case Country Study

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List of Abbreviations

F&B	Fruits and Berries
GDP	Gross Domestic Product
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoS	Government of Serbia
IFC	International Finance Corporation
IPA	Instrument for Pre-Accession Assistance
IPARD	Instrument for Pre-accession Assistance for Rural Development
LEDIB	Local Economic Development in the Balkans
MAFWM	Ministry of Agriculture, Forestry and Water Management
MoU	Memorandum of Understanding
SAA	Stabilisation and Association Agreement

1 Background

Context

The Government of Serbia (GoS) has clear priorities for the content and direction of reforms; the overall political priority is accession to the EU. Serbia signed the Stabilisation and Association Agreement (SAA) with the EU in May 2008 and it was subsequently ratified by the EC in June 2010. The successful implementation of the SAA is one of the pre-conditions for gaining Candidate Country status, which will grant Serbia access to Instrument for Pre-Accession Assistance (IPA) III-V and, particularly, to Instrument for Pre-accession Assistance for Rural Development (IPARD) funds. IPARD funds support Candidate Countries to modernise their agricultural system, as well as develop their rural areas so they can attract people to live and work there. The EC is funding three sector studies, including one on the fruits and vegetables sector, for the preparation of the future agricultural and rural development programmes.

One of the major challenges facing the GoS is the high level of unemployment (20%, National Statistical Office), especially in rural areas (21.3%, National Statistical Office), where more than 50% of total population live. The South of Serbia is well-known for its developed production of fruit and berries, whose export, especially of frozen raspberries, contributes significantly to the national economy.

The aim of the DNP interventions in Serbia is to increase producers' income and employment in the entire value chain, thus contributing to reducing poverty and migration. The impacts are expected to include increased export of high quality fresh and processed fruit and berries, which should result in an increase in jobs, income and improvement in the trade balance. The DNP is also expected to support Serbia's EU accession process in general.

Nature of DNP intervention(s):

- Title: 'Private Sector Programme: Support to the Fruits and Berries Sector, South Serbia'.
- Period: November 2010-November 2014.
- Development objective: Socially balanced economic development and employment creation within four districts in the South of Serbia.
- Immediate objectives: Through support to relevant value chains within the selected fruit and berries sector it is the aim to contribute to: i) preparations for EU accession; ii) strengthening of a sustainable growth of the private sector in the districts; iii) increased export; iv) income generation; iv) job creation, in particularly among youth and women; and v) reduced migration from the districts.
- Scope: The programme has two interrelated components:
 - i) Capacity building of extension service, training, improvement of cooperation between producers, including the enhancement of cooperation throughout the entire value chain from producers to consumers and exporters: technical support to introduce new certified and approved varieties of selected fruit and berries and modern production, harvesting and processing methods, including a

sub-component for strengthening the quality control, risk analysis, safety monitoring, and certification of the selected sorts of fruit and berries.

- ii) Grant scheme for investment in primary production and processing: focuses on investment in new production methods and improvement of quality and competition. Contributions to the environment, gender, youth, migration and poverty reduction are important considerations in the section process.
- Implementing modality: a full-time International Senior Horticulture Consultant will be responsible for day-to-day management and implementation.
 - Key stakeholders: The main partners are the Ministry of Agriculture, Forestry and Water Management (MAFWM); the Ministry of Economy and Regional Development and its institutions; the extension service; and the rural network. The partners in the selected region are all the municipalities in the Jablanica, Nisava, Pcinja and Toplica Districts; local state extension service and consulting companies; Regional Rural Development Offices; Agricultural School in Aleksinac and others; Regional Chamber of Economy; processors and exporters of fruit and berries; fruit and berry producers; and farm organisations.
 - Budget/inputs: A total budget of DKK 40 million: i) for capacity building (DKK 11.5 million); for investment in production (DKK 17.2 million); and iii) the remainder for staff, contingency and audit. It is expected that the programme will be supplemented with DKK 29.1 million from public Serbian sources. Additional public support is foreseen from other public programmes: support to standardization and certification (MAFWM) and support for development of cooperatives and clusters (Ministry of Economy and Regional Development). The grant scheme is also expected to mobilise up to DKK 37.3 million in private co-financing. In total, a financial envelope of DKK 112 million is anticipated.
 - Geographical coverage: four districts in the South Serbia (28 municipalities): Jablanica District (Leskovac, Bojnik, Lebane, Medveđa Vlasotince, and Crna Trava); Nišava District (Aleksinac, Svrlijig, Merošina, Ražanj, Doljevac, Gadžin Han, Medijana, Niška Banja, Palilula, Pantelej and Crveni Krst); Pčinja District (Vladičin Han, Surdulica, Bosilegrad, Trgovište, Vranje, Bujanovac and Preševo); and Toplica District (Prokuplje, Blace, Kuršumlija and Žitoradja).
 - Expected outputs/outcomes: improvement of productivity and competitiveness of fruit and berries production in the South of Serbia.
Capacity Building: i) improvement of productivity and quality, as well as growing of new varieties of fruit and berries (new production method and mother plantations for production of certified material of fruit and berries, harvest process, transport of produce, sorting process, cold storage, quality control process and transport to international markets of fresh and processed fruit and berries introduced); ii) dissemination activities regarding new knowledge of processing, new technologies and production principles, training seminars, workshops, on-the-spot-visits and meetings, written and electronic publications produced, all information available on internet; iii) special extension service in business planning, best agricultural practise, risk analysis, safety monitoring, organic production, quality control and certification in accordance with EU regulations and practices of the entire value chain of fruit and berries production and distribution; and iv) testing

laboratories for quality control and food safety (pesticides, harmful organism, mycotoxins, mechanical impurities, toxic elements) fulfilling EU requirements.

Grant Scheme: i) investment in replanting, rejuvenation and establishment of new plantation, investments in new machinery and equipment for the fruit and berries sector (anti-hail systems, irrigation and water management systems, drip irrigation systems, special tractors, field sprayers, etc.); and ii) investment in cold storages and any other technology and machinery (sorting machines, box pallets, etc.) for processing of selected fruits and berries. The following targets are expected to be met: i) minimum 160 projects will be supported with DKK 40.5 million of public support representing a total investment of DKK 75 million; ii) minimum 3,000 persons (farmers, processors, employees, advisors, etc.) trained¹; iii) 5% increase in Net Value Added of the supported farms/holdings/enterprises; iv) 10% increase in the volume of exports of enterprises investing with this objective; v) 250-500 jobs established or maintained, of which at least 50% women; vi) 5% increase in labour productivity (Gross Value Added per Full Time Equivalent); and vii) 75% of supported beneficiaries and trained farmers, processors and others state in surveys that their EU competences have increased due to the programme.

Key relevant documents

The 'Support to the Fruits and Berries Sector, South Serbia' (hereafter, the Fruits and Berries or F&B) programme is fully in line with two strategic documents which the GoS adopted in 2011, namely the 'National Rural Development Programme 2011-2013' and the 'Needs of the Republic of Serbia for International Assistance 2011-2013'.

The 'National Rural Development Programme 2011-2013' focuses on improving the competitiveness of farms and integrating primary production with processing and marketing, thus enabling value to accrue along the entire chain and increasing competitiveness. This is considered to be essential since, with joining the WTO and application to join the EU, the pressure on small farms to compete internationally is expected to rise (e.g. the tariff levels are expected to decline rapidly in the medium term). The sectors of greatest concern, and thus the primary targets for competitiveness improvement measures, are milk and meat, as well as fruits and vegetables.

The document 'Needs of the Republic of Serbia for International Assistance 2011-2013' defines the GoS' approach to multi-annual programming of international development assistance, donor coordination and cooperation mechanisms, as well as prioritised measures within the relevant sectors. The overall objective is to support the sustainable socio-economic development and EU integration. The document is based on the existing national strategic framework and defined mid-term objectives and sets out the framework for developing projects which are suited for financing by the donor community, focusing on: Competitiveness, Human Resources Development, and Agriculture and Rural Development. The document is the main instrument for alignment of donor assistance with national priorities, in accordance with the Paris Declaration. Discussions with the Ministry of European Integration, suggest that it is fully aware of the DNP activities and that these are aligned to the above.

¹ Figure revised (from 15,000) during inception review.

External factors

The analysis to follow needs to be set in the context of the wider external factors occurring in the country, not only the global economic and financial crisis, which are bound to have affected the implementation of all DNP programmes, but also to the specific risks relevant for implementation of the F&B programme.

Serbia has made considerable economic progress since October 2000. Starting from a low economic base, political instability and interrupted transition, the Serbian economy witnessed relatively high annual growth rates in the pre-crisis period (2001-08), averaging 5.7% of GDP. The Serbian economic model was based on relatively high domestic consumption linked to a significant credit boom, but also to rapid increases in exports. Due to relatively fast financial liberalisation, international commercial banks entered the domestic market and sharply increased the supply of credit. Credit expansion increased demand for foreign goods and contributed to a widening trade (22.8%) and current account (17.2%) deficit in 2008.

Macroeconomic stability has been broadly maintained although the economy has been hit by the global downturn. The crisis was transmitted through trade and financial channels, resulting in reduced external demand for the region's exports, credit crunch, decline in remittances and sharp decline in foreign direct investment. The crisis caused an overall drop of economic activities and a significant decline in GDP (-3% in 2009), though in 2010 Serbia recorded a modest recovery of 1.8%. However, the budget deficit almost doubled from 2.6% in 2008 to 4.9% in 2010. As a result of the crisis, external debt rose from 65% in 2008 to 80% in 2010.

The crisis had an adverse effect on employment in Serbia, with ca. 15% of jobs being lost (more than 400,000 jobs were lost since the crisis started). The unemployment rate, which was decreasing steadily prior to the crisis, shot up from 14% in April 2008 to 20% in April 2011. The privatization process has exacerbated redundancies; the termination of the transitional labour force protection arrangements coincided with the onset of the crisis. As a result, the previously declining poverty trend has also been reversed. The poverty levels increased from 6.1% in 2008 (the poverty line is set at USD 5 per day, 2007) to 8.6% in 2010 according to the International Monetary Fund ('Country Report', No. 11/9, 2011, p.22).

Continuing the process of EU integration is a policy priority for the GoS. The SAA has been signed but is still not effective pending unresolved political issues pertaining to cooperation with the International Criminal Tribunal for the Former Yugoslavia and Kosovo's declaration of independence. Nevertheless, the GoS has taken the decision to implement the part of the agreement which relates to trade liberalisation.

To conclude, the wider external factors, including the financial and economic crises, are of some significance in the case of the Republic of Serbia; these are likely to affect the implementation and impact of the F&B Programme. At the same time, the programme was designed during the global crises (i.e. the crisis is already factored into the programme design). Overall, it is far too soon to predict the likely wider external effects at this early stage of implementation.

Evaluation of the DNP programme

Below, we evaluate the “Support to the Fruits and Berries Sector, South Serbia” programme. The evaluation is based on the 20 questions set out in the ToR and the Inception Report for this evaluation. Since the programme consists of two components dealing respectively with capacity building and final services (grant scheme), the evaluation distinguishes between the components (whenever a distinction is required), bearing in mind the fact that the two components are inter-related.

2 Relevance

(Extent to which the objectives of the interventions are consistent with the beneficiaries' requirements, needs, priorities and partners' and donors' policies)

Are the portfolio and its activities well aligned with the policies of the partner countries?

Yes, both components (capacity building and grant scheme), together with relevant activities (improvements of the advisory and extension service; strengthening of the cooperation between producers and establishment of links to processors and exporters; needs for new investment in plantations and farm techniques and better marketing of fresh and processed fruit and berries) are well aligned with the relevant national policies.

Discussions with relevant GoS representatives, including the MAFWM and the Ministry of European Integration, reinforce the point that the F&B programme is entirely in line with national priorities. The new draft of the 'Agricultural and Rural Development Strategy 2010-2020' continues to focus on a modernisation of agriculture, improved food safety and promote rural development. It reinforces the GoS' commitment to join the WTO, which implies a reduction of protection for agriculture, for example through the elimination of export subsidies and changes in the structure of internal support to domestic agricultural production. In addition, import protection for products originating from EU countries will be gradually reduced (on average from 21.2% to 3.2% by 2015).

These tendencies, together with increasing competition in the international market, lack of access to affordable credit for investment in new production methods and drive for quality improvements, suggest an urgent need for both technical and financial support to ensure future competitiveness and employment throughout the value chains. By focusing on the value chain for a few promising fruit and berries produced in South Serbia, the F&B programme fits into the concept of rural and regional development, which is an overarching national priority.

Discussions between MAFWM and the Danish embassy in Serbia reinforced the perceived need for development of the fruit and berries sector in the South of Serbia, as well as the need for Danish assistance for the development of a sustainable economic growth and job creation approach centred on improving both the competitiveness and export-orientation of fruit and berries sector. The initial discussions were followed-up with three DNP programme design missions during June 2009-February 2010. Data were collected and discussions held, including with regional stakeholders and donors, resulting in a detailed programme for the fruit and berry sector.

Do the portfolio and its activities fit into the larger socio-economic and political context, including the development efforts of the government and other development partners?

Capacity building: Yes, the capacity building component operates within a framework for adapting to the requirements of the EC's *acquis communautaire*; this makes demanding requirements necessitating enhanced cooperation throughout the value chains, including producers, consumers and exporters. The F&B programme activities are designed to increase competitiveness, promote employment and economic development. The global economical crisis has seriously impacted the Serbian econ-

omy (see preceding discussion). The agricultural sector is economically significant (agriculture, food and beverages accounted for 18% of exports in 2009), but is struggling to adapt to the new conditions created by the new markets, trade rules, EU regulations, etc. As a result of historically low levels of investment, large numbers of very small farms and fluctuating prices of products, agricultural production is weak and uncompetitive. It is still characterised by low-input/low-yield production methods; only 20% of farmers produce for the market. One of the major socio-economic challenges for the GoS is the unemployment in general, and in rural areas in particular. According to the OECD, 85% of Serbia is rural and 55% of the population lives in such areas ('National Programme of Rural Development 2011-2013', p.7). The unemployment rate in rural areas is 21.3% and the female equivalent is 23.4% ('National Programme of Rural Development 2011-2013', p.10). Significant emigration rates from rural areas have contributed to demographic changes in the structure of agriculture households, such as the fact that 45% of the rural population is 50 years of age or older. It is a major challenge to generate employment, in particular for young people, in rural areas.

Grant scheme: Yes, grant scheme supports the larger socio-economic and political context. The global economic crisis has had a serious negative effect on the Serbian currency and interest rates. Prices for fresh and processed Serbian fruits and vegetables are under pressure. The competition on the world market and accession challenges require investment, yet financing is difficult to obtain for new investment in plantation, replanting, machinery, equipment and processing facilities. Should the Republic of Serbia achieve Candidate Country status, IPA/IPARD funds will increase, however, these are insufficient to cover the full needs and pressures on the domestic market, in particular small family-operated farms. Small farms will continue to decline, due to the age structure of the farming population, emigration from rural areas and lack of new entrants to farming (urban opportunities and more certain income streams attract young people), and difficulties in meeting the necessary food safety and other standards. The grant scheme will be focused on individual producers and be based on IPARD standards. The grant scheme criteria will also take into consideration the investment needs based on factors such as gender, youth, migration, environment and poverty reduction. With the establishment of the Directorate for Agrarian Payments, which is a forerunner of a Payment Agency, Serbia is putting in place the necessary administrative structures for effective implementation of IPARD; a process that the F&B programme is contributing to.

Are the portfolio and its activities coherent with the overall Strategy of the Danish Neighbourhood Programme?

Yes, the DNP's primary objective is to contribute to a positive development of the EU neighbouring countries. Consequently, the Danish support to the F&B sector in the South of Serbia represents a good match between the economic and political needs of Serbia, not least eventual EU membership, and wider Danish priorities. The programme supports Serbia's reform process in the fruit and berry sector and the general requirement to align its legislation with the EU acquis. Denmark has considerable experience with transfer of good practices for economic development in rural areas, including farm development, development of producer organisations and organisation of marketing initiatives promoting job creation in rural areas. Denmark's agricultural expertise includes special and niche production (e.g. fruit and berries), organic farming and education of producers and employers

in agriculture/rural development, as well as marketing of high quality agricultural products to high food safety standards. Therefore, the F&B programme and its activities are coherent with the overall DNP Strategy.

Are the portfolio and its activities perceived to be relevant by the intended beneficiaries?

Yes, both components and the corresponding activities are perceived to be highly relevant by the intended beneficiaries. A series of meetings with key beneficiaries (representatives of the MAFWM, Ministry of Economy and Regional Development, representatives of municipalities, business associations, processors and exporters, producers, farmers, etc.) confirmed that the F&B programme is perceived to be very relevant and to contribute to the modernisation of the South Serbian fruit and berries production. The competitiveness of the fruits and berries sector needs to be enhanced; low yields, low labour productivity, low efficiency in the use of resources and production factor inputs and low quality of products make it difficult to obtain high prices in domestic and export markets. At the same time, producers from both EU and non-EU countries are raising their price and quality performance. Serbian producers have little alternative but to respond to these challenges by modernising production storage, processing, marketing, etc. in order to maintain their share of the world market, (currently 50% according to the F&B Programme Document, p.28; Serbia also has a relatively high share of the world market for frozen raspberries, sour cherries and dried plums) let alone increase it. The F&B programme is perceived by the beneficiaries to assist with this challenge.

3 Effectiveness

(Extent to which intervention's objectives are expected to be achieved)

Have the supported activities had the intended effects/are they likely to achieve the intended effect?

Capacity building: N/A, it is too soon to form a judgement on whether the supported activities are likely to achieve the intended effects. At the time of the field visit, the Inception Report had not yet been finalised and the Inception Review had yet to take place. Nevertheless, it is possible to say that the early indications are that the programme implementation team is experienced, committed and making strides forward with implementation.

Grant scheme: N/A, it is too soon to form a judgement about on the supported activities are likely to achieve the intended effect. Progress is being made to establish the necessary infrastructure and procedures for grant management according to IPARD principles, but is too early to say whether this will be completed as anticipated or that the grant scheme will work effectively. Some targets are however considered ambitious such as e.g. the target of supporting a minimum of 160 projects through the grant scheme with a total investment of DKK 75 million and training minimum 15,000² persons (farmers, processors, employees and advisors). There are other grant schemes of a similar nature already operating in Serbia; however, discussions with possible applicants suggest that demand is very strong so absorption of the funds may not need to be problematic from the demand-side. The training activities will require a substantial amount of time and resources.

Has the number of growth-oriented SMEs increased as envisaged within the targeted industries and regions?

N/A.

How have the most promising results in terms of socio-economic development been attained?

N/A.

² This number has later been revised to 3,000 persons in the Inception Report.

4 Efficiency

(How economically resources/inputs (funds, expertise, time, etc.) are converted to results)

Was the approach(es) as well as the more specific intervention logic(s) appropriate and justified?

Yes, the approach, as well as the intervention logic is appropriate and justified for both components. The initial programme idea was developed by the Danish embassy in Serbia in cooperation with MAFWM. Thereafter, the Danish MFA employed a thorough process of programme design; the concept was initiated with close GoS involvement and three missions took place involving detailed assessment and consultation. The result is an approach which builds on what has already been achieved by the DNP in Southern Serbia (i.e. the Local Economic Development in the Balkans (LEDIB) Programme) and whose intervention logic is appropriate and justified. Such an approach would be worth consider replicating in other countries, while recognising that there are relatively few Danish embassies in DNP countries.

Has the actual implementation deviated from the strategies and plans stated in the project documents?

No, there are no major implementation deviations at this stage. However, it is likely that minor deviations may be reflected in the Inception Report such as: i) the F&B programme is expected to add sweet cherries to the sour cherries value chain; ii) it is expected that Pirot will be added as a fifth programme district in southern Serbia; iii) it is expected to adjust possibly unrealistic expectations, such as that a minimum 15,000 persons³ (farmers, processors, employees, advisors) be trained by the programme; iv) it is expected to define transparent criteria for the grant scheme, so as to also stimulate young people and women to take part in primary production and processing of fruit and berries; and finally v) it is expected to fine-tune the administrative and/or management arrangements, such as clarifying the relationship between the Programme Steering Committee and the Advisory Board (see Programme Document).

Have the applied modalities (partnerships, use of consultants etc.) been cost-effective?

N/A, it is too soon for a judgement to be formed.

Have an appropriate number of the beneficiaries been reached, considering the scope/magnitude of support?

N/A, it is too soon for a judgement to be formed.

Has duplication of activities been avoided?

Yes, duplication of activities has been avoided thus far. USAID is the main donor assisting the fruit and berries sector. For example, their 'Agribusiness Project' provides technical assistance and grants,

³ This number has already been revised.

paying particular but not exclusive attention to the poor region of South East Serbia. It assists producer organisations and service delivery providers in certain agribusiness sub-sectors: berries, tree fruit, herbs, spices and mushrooms, dairy and livestock. The project also runs a grants scheme supporting youth and women entrepreneurship in rural areas. The best individual agribusiness plans can obtain grants of up to USD 15,000, including the necessary technical assistance to enter and establish in the market. Therefore, the F&B Programme Document stresses the importance of cooperation and coordination with the USAID/Agribusiness Project so as to avoid duplication. The early indications are that this requirement is being taken on-board. The F&B implementing team has already held detailed discussions with USAID, a Memorandum of Understanding (MoU) setting out the nature of the cooperation has been negotiated and is awaiting signature. On-the-ground activities, such as joint organisation of training activities for producers, are already happening in advance of the MoU being signed. This bodes well for the future implementation of the programme which avoids duplication.

Have synergies between the different activities been exploited?

Yes, synergies between the different activities are in the process of being exploited. For example, important synergies are expected to be gained between the on-going DNP LEDIB Programme and the new DNP F&B Programme; the latter of which targets the Nisava District. The F&B and the LEDIB programmes, in combination, can greatly contribute to achieving the DNP strategy in southern Serbia. The LEDIB programme is a five-year programme focusing on development of the SME sector; it runs until 2012 with a total budget of DKK 75 million and includes a credit facility of DKK 15 million. The LEDIB programme comprises two components: i) Enabling Business Environment through support of local authorities and improvement advocacy of business organisations; and ii) SME development through development of clusters and Business Development Services as well as financial support for SMEs. In relation to the agricultural sector, for example, the LEDIB programme is supporting agricultural cooperatives (e.g. the establishment of a Sour Cherry Association Merosina and promotion of its activities), supporting the agricultural school Sumatovac in Aleksinac through different activities (e.g. training for teachers, equipment provision), etc. In February 2010, LEDIB established an Agricultural Advisory Service Company 'Agrozem', which provides advice and direct interventions for agricultural producers. There are indications that synergies are already being reaped: i) both programmes are located in the same floor of the same building; ii) regular discussions and collaboration take place; iii) the programmes share an accountant/bookkeeper; existing contacts and networks are being maximised, etc. Overall, synergies exist and are expected to be exploited further.

Have lessons learned from related activities been taken into consideration in the design of new activities?

Yes, lessons learned from related activities/programmes have been taken into consideration in the design of new activities. The experience of the LEDIB Programme, which is perceived as being complex (involving five sub-components, not to mention that half of the project was directed at Bosnia and Herzegovina, a concept that failed to take-off) has influenced the new programme design. The F&B programme is viewed as being a simple, integrated concept with a clear focus, namely value chains.

There is regular contact between the two programmes and a good deal of cross-fertilisation has already occurred.

Are there implications for efficiency arising from the set-up of the programme?

There are implications for efficiency based on the experience of the F&B and LEDIB programmes. The main implications concern the role of the Danish embassy in relation to the DNP. There is no formal responsibility by the Danish embassies for the DNP activities. However, the Danish embassies in DNP countries are often involved when it comes to signing of Government-to-Government agreements and promoting the programme(s) at the local level. Based on the Serbia Case Study, a number of issues are worth highlighting: i) the Danish embassy is actively supporting the implementation of both programmes; ii) the embassy was instrumental to the development of the initial F&B programme concept; iii) it performs an informal but important role in relation to trouble-shooting and smooth implementation of the programmes (e.g. through its liaison role with GoS, facilitating tax (e.g. VAT for vehicle purchase), registration and other administrative barriers; iv) it plays a quality control role on an ad hoc basis, v) its presence means that the visibility and knowledge of the DNP is significantly higher than in other countries visited (i.e. Armenia and Kosovo); and vi) permanent local presence enables the Danish embassy to play a role in relation to donor liaison. In short, the efficiency of the implementation of the DNP programmes may increase when there is Danish embassy involvement, whether it has a formal role in the DNP or not. Furthermore, where there are two DNP programmes in the same country/region/district/town, if their offices can be co-located, for example in the same building, there are likely to be efficiency gains, such as enhanced cooperation, transfer of knowledge, sharing of contacts, etc.

5 Sustainability

(The continuation of benefits from a development intervention after completion)

What are indications that benefits and improvements resulting from the programme are expected to be of longer term duration?

N/A, it is too soon for a judgement to be formed.

Are there possible wider effects from the programmes?

N/A, it is too soon for a judgement to be formed.

Are there prospects for the executing organisations to continue after the programme has ended?

N/A, it is too soon for a judgement to be formed.

Have exit strategies been built into the project designs?

No exit strategies were built into the programme document for the grants component, other than the expectation that this would be developed by the Inception Report. The Inception Report had not yet been prepared but it may be assumed that there is likely to be a clear exit strategy, since the grant scheme is being developed within the framework of the MAFWM's/EC's grant making structures.

6 Impact

(Long-term effects produced by a development intervention, directly or indirectly, intended or unintended)

What are the indications, that the programme and its interventions will have the intended employment and income effect?

N/A, it is too soon for a judgement to be formed.

7 Concluding Remarks

A number of top-line issues are worth highlighting based on the experience of Serbia. There are key points regarding the role of the Danish embassy, as well as messages from the meetings with active donors in the fruit and berry sector in Serbia.

The role of the Danish embassy

The Serbian experience shows that the presence of the Danish embassy contributes directly to significantly higher levels of visibility and knowledge of the DNP compared with other countries visited (i.e. Armenia and Kosovo). In the case of Serbia, the Danish embassy is closely involved in the preparation and implementation of LEDIB and F&B programmes. The Serbian case country shows that a Danish embassy can play a critical role, to the benefit of the DNP: i) it can be closely involved in the implementation of the DNP programmes; ii) it can be instrumental to the development of the programme concepts; iii) it can perform an informal but crucial role in relation to trouble-shooting and smooth implementation of projects on the ground; iv) it can play an important quality control role; v) permanent presence can increase the awareness level and visibility of the DNP; and vi) permanent local presence can enable it to play a full role in relation to donor liaison and coordination. In short, the efficiency of the implementation of the DNP programmes seem to increase significantly when there is a Danish embassy involvement. Therefore, scope exists of making better use of Danish embassies, where these exist. A relatively modest amount of MFA funding for a national expert, possibly covering more than one country on behalf of the DNP, could pay major dividends in terms of efficiency gains.

Overlapping between programme phases

In cases where two DNP programme phases with similar thematic and geographic focus are overlapping there is significant scope for efficiency gains: i) they can be co-located using same logistical capacities; ii) they can gain from enhanced cooperation, transfer of knowledge, use of networks and contacts, etc. Through coordinated activities, they can project a proportionately positive image of DNP interventions. However, there may also be potential problems (e.g. duplication, competition, transfer of responsibilities before these become sustainable, etc.) that may affect project implementation.

Synergy between components

The experience of other DNP programmes is that they may have two or more components which typically involve diverse themes such as value chains/clusters, financial services (grants/loans) and vocational educational elements. In these cases, the DNP interventions require synergies to be reaped between components, so as to maximise the impact on the ground. The F&B programme is different in this respect. Although it has two components, namely capacity building and grants element, these are intimately related in that both are geared around the needs of the F&B value chains and both are implemented through the same agent. As a result, although it is too soon to make a judgement, it is much more likely that there will be synergies gained between these two closely inter-related components.

Capacity building component

As Serbia moves closer to EU and World Trade Organisation accession, enterprises are encountering both new opportunities and competitive challenges. In order to benefit from the changes that trade liberalisation can bring to Serbia's agribusiness producers, there is an urgent need to modernise and increase efficiency. The targeted technical assistance into certain promising value chains is expected to contribute to improving business practices, developing the workforce, enhancing marketing, attaining international standards and introducing new technologies. Building a strong and competitive business environment offers the best basis for long-term, sustained economic growth and employment. The actual delivery of the capacity building component has not yet started; the Inception Report has not yet been prepared at the time of the fieldwork. However, the early indications are that cooperation is already taking place between the F&B programme and other key projects such as LEDIB and USAID Agribusiness Project, which bodes well for the future implementation of this component.

Grant scheme component

The degree of competition in the global market place and the accession challenges requires investment in (re)plantation, machinery, equipment, storage and processing facilities. The financial component (grant scheme) of the F&B programme is of importance, especially for the small farms that have problems accessing finance; agriculture and agribusiness are widely acknowledged to be one of the riskiest areas for lending, as far as financial institutions are concerned. Collaborating closely with the Directorate for Agrarian Payments is the first step towards establishment of the necessary institutional and administrative structures for the future implementation of IPARD measures; this is a process that the F&B programme is directly contributing to. It remains to be seen whether the implementation of the grant scheme will be effective (the legal and procedural issues are far from being finalised), however, the early indications are that this is progressing well and there is demand for the grant scheme in the south of Serbia. However, other grant schemes are also in operation, which means that attention needs to be given to issues such as targeting, co-financing, additionality, avoidance of the deadweight effects, etc.

Donor discussions

Various donors are active in similar areas to those covered by the DNP programme, such as USAID, EC, GIZ, World Bank and UNDP. Discussions with donors reveal agreement that there is a deep and on-going need to maintain donor support in Serbia. A number of key points arose from the discussions:

- In the last five years, USAID has been the main donor assisting the fruit and berries sector through the Agribusiness Project. Providing technical assistance and grants, it has sought to increase sales and exports by Serbian agricultural firms and create new employment. The F&B implementing team has already held detailed discussions with USAID, a MoU, setting out the na-

ture of the cooperation, has been negotiated and is awaiting formal signature. This suggests that a high degree of cooperation among donors is possible in Serbia.

- The EC Delegation is currently funding three major sector studies, including a one on the fruits and vegetables sector; these will assist the preparation of the IPARD programme for agricultural and rural development to be implemented when Serbia becomes a Candidate Country. The sector studies will be utilised in the IPARD programming process and the EC sees a significant need for others, such as Denmark, to contribute through technical assistance to the MAWFM. The EC Delegation recognises that Serbia is at a critical stage of development and that EU resources are simply insufficient to support the agricultural sector in numerous different areas.
- GIZ's agribusiness activities are focused on organic production. Donor budgets are under threat and it is unclear how much funding will be directed at agricultural development in the future. However, the Serbian agricultural sector is and will continue to be under significant pressure to raise its standards and competitiveness for the foreseeable future.
- World Bank has made agribusiness a priority because of its potential for development and its important role in relation to poverty reduction. The International Finance Cooperation, a member of the World Bank Group, is providing Société Générale Banka Serbia with a DKK 289 million loan to increase access to finance for agribusiness, which should help generate significant exports and employment opportunities in Serbia. It recognises the on-going need to support this sector, which is critical to the future economic performance of the country.
- UNDP is not directly involved in the targeted field of DNP programme, but supports rural economic development through different activities (e.g. private sector-led job creation). It too recognises that more needs to be done to support agricultural/rural development in Serbia. It argues that it may be premature for donors to assume that the GoS and EC development funds are sufficient to support the agricultural sector at the present point in time.

8 Fieldwork Itinerary

Sunday, March 27, 2011: Arrival at Belgrade

Day 1: Monday, March 28, 2011

- 9:00 - 10:30 Meeting with Mr. Peter Lassen, Embassy of Denmark
- 10:30 - 11:30 Meeting with Mr. Ognjen Miric, Deputy Director and Mr. Dejan Gojkovic, Senior Advisor, European Integration Office
- 11:30 - 12:30 Meeting with Assistant Minister Mr. Milan Stegic and Goran Simunović
- 12:30 - 13:30 Lunch
- 13:30 - 15:00 Meeting with Ms. Ana Zegarac, Head of Directorate for Regional Development, National Agency for Regional Development
- 16:00 Departure for Nis
- 18:30 Arrival in Nis, check in at hotel

Day 2: Tuesday, March 29, 2011

- 9:00 - 10:30 Meeting with representatives of F&B and LEDIB programmes
- 10:30 - 11:30 Meeting with agribusiness partners and beneficiaries assisted by LEDIB
- 12:00 - 13:00 Lunch
- 13:00 - 14:00 Meetings with representatives of municipalities (Aleksandra Brzakovic - Nis, Srdjan Stamenkovic - Prokuplje, Timotijevic Mica - Kursumlija, Stanoje Stojanovic - Gadzin Han),
- 14:00 - 15:00 Meetings with representatives from agricultural extension services (Voleta Maklenovic - Nis, Aleksandar Radulovic - Prokuplje, Boban Stankovic - Leskovac, Robert Sirtov - Vranje)
- 15:00 - 16:00 Meetings with representatives of Regional Development Agency (Marko Filipovic and Marko Dosljak).

Day 3: Wednesday, March 30, 2011

- 8:30 - 11:30 Meetings with representatives of cold stores and fruits and berries processors
- 12:00 - 13:00 Lunch
- 13:00 - 13:30 Summary and feedback with representatives of F&B
- 13:30 - 14:00 Summary and feedback with representatives of LEDIB
- 14:00 - 14:45 Visiting LEDIB Cluster House and Show Room Start-up Clusters Union
- 15:00 Departure to Belgrade

Day 4: Thursday, March 31, 2011

- 9:30 - 12:00 Meeting with Mr. Andrew Headey, Head of Operations, Karl-Heinz Vogel, Project Manager, Valerie Covic, Project Manager and Ana Stankovic, Project Manager, EC Delegation

- 12:00 - 13:00 Meeting with Mr. Mr. Andrej Popovic, Private Sector Development Specialist, and Mr. Srdjan Svircev, coordinator, World Bank
- 13:00 - 14:30 Lunch
- 14:30 - 15:30 Meeting with Mr. Louis Faoro, Chief of Party, USAID Agribusiness Project
- 15:30 - 16:30 Meeting with Mr. Jürg Staudenmann, Deputy Resident Representative and Ms. Milena Isakovic, Programme Officer, UNDP

Day 5: Friday, April 1, 2011

- 8:45 Check out of hotel
- 9:00 - 10:30 Meeting with Mr. Uwe Stumpf, GIZ Country Director
- 10:40 - 11:30 Wrap-up session with Mr. Peter Lassen, Danish embassy
- 12:00 - 13:00 Lunch
- 13:00 Departure for airport