Serbia Strengthening Agriculture Sector Capacities for Evidence-Based Policy Making

Terms of Reference

Assessment of the contribution base for the calculation of the pension and tax contributions for the agricultural producers in Serbia

PART A – Modelling and identification of typologies of agricultural holdings

# Background

Serbia requested the support of the World Bank to strengthen its agriculture M&E systems and capacity. Recognizing the limitations in the current M&E framework, the Ministry of Agriculture, Forestry and Water Management (MoAFWM) requested support for improving sector-related data collection and analyses to better inform policy actions and monitor the progress of ongoing (and future) agriculture programs and projects. To this end, Japan’s Policy and Human Resources Development Fund Technical Assistance (PHRD TA) Grants Program under the Performance and Results with Improved Monitoring and Evaluation (PRIME) Window approved a grant to support this request. The improvement of M&E systems and capacity is imperative for Serbia as the country prepares for EU accession. Specifically, the recent CAP reform towards results-based programming requires that future member states have the capacity to formulate indicators and monitor results. 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).

Within the PHRD project, Republic of Serbia identified several studies to be financed. One of the identified studies is the analysis of the current pension and disability insurance system for farmers and potential options for it’s reform.

Given the complexity of the pension system and the fiscal implications that it has on the state budget and income effects on agricultural producers, the MoAFWM has a limited scope in the potential reform of the system. Its functions are limited to proposing a fairer, equitable and implementable system of calculating the contributions to be paid by agricultural producers.

In that respect, the MoAFWM intends to prepare an assessment bringing together local and international knowledge on best practices and models on pension systems for the agricultural segment of the productive population in rural areas to address the specificities of the Serbian legal context and socio-economic situation.

The assessment will be carried out in three sequential parts:

1. Modelling and identification of typologies of agricultural holdings
2. Implementation modalities and changes in the system
3. Cost-benefit and socio-economic analysis

# Institutional structure

MAFWM has a central role in agricultural policy in the Republic of Serbia. Its responsibilities are defined primarily within the Act on Ministries as well as the special acts like Act on Agriculture and Rural Development or Act on Food Safety as well as the other special acts arising and complementing their overall function.

Directorate for Agrarian Payments as a subordinate body to the MAFWM performs it’s functions in line with the Act on Agriculture and Rural Development where it is established that DAP maintains and implements several national level registries one of which is the Register of Agricultural Holdings (hereinafter RAH).

General description and functioning of RAH is also given in the abovementioned Act.

## Other activities and related donor support

In 2010, USAID in association with CLDS and SEGA analyzed the pension system and produced a study “Farmer’s Pension Insurance” which clearly questioned the current contribution base for the calculation of the premiums.

Overall, study (Annex I) should be included in the reference list when describing the system history.

# Objective, purpose and expected results

The requested service is broken down into three separate parts which are connected through the overall objective

## Overall objective

Overall objective of this work is to provide the MAFWM with clear options on potential resolution of historical problems with the farmers pension system based on the Standard Output (SO) framework which could then be formulated and addressed by the government.

Aging of population is recognized on EU level as one of the biggest threats for the livelihood of rural areas where EU is putting a significant resource to mitigate this issue through support of generational renewal. Serbia is no different in this respect where the index of aging of population significantly increased over the years (22,42 in 1950; 111,43 in 2010; 144,05 in 2019) thus giving even more importance on the needed generational renewal in Serbian rural areas. This study should also contribute to slowing down the trends making the pension system fairer and giving - especially for currently younger people in rural areas - more security for their retirements and alleviating one of the reasons for their migrations.

Furthermore, by assessing the functionality of the available registers (i.e. Farm Register) and their subsequent improvement the ‘evidence based decision making’ should significantly improve.

## Purpose

Purpose of this task is:

* to provide the MAFWM with the potential usage of a SO as proxy for calculation of tax and benefits
* to classify the producers into groups (classes) according to SO

# Scope of services

This TOR focuses on the first part (Part A) of the overall pension system assessment. Under the first part of the assessment, the MoAFWM intends to test the potential application of Standard Output (Economic Size of the Agricultural Holdings) as a proxy for pension-related calculations. Currently, the contributions are calculated based on the size of land that each producer owns according to the Cadastral Service. This calculation does not take into consideration actual agricultural and livestock production or use of the land.

On the other hand, Standard Output (SO) is the average monetary value of the agricultural output at farm-gate price (in euro) per hectare or per head of livestock and it can be applied, using the future Land Parcel Identification System (LPIS), on the actual user of the land who is not necessarily the owner of the land.

There is a regional SO coefficient for each product, as an average value over a 5-year reference period. The sum of all the SO per hectare of crop and per head of livestock in a farm is a measure of its overall economic size, expressed in euro. Furthermore, the SO is used to classify agricultural holdings by type of farming and by economic size.

The objective of the first part of the assessment is to identify the most appropriate aggregation level of SO (typologies of holdings) which would be applicable in the national context taking into consideration differences in income in agriculture and other sectors of economy, level of potential exemptions for payments.

## Envisaged activities

The consultant will carry out the following activities:

* Description of the current system with the assessment of weak and strong points in the system
* Develop typologies of RAH using Standard Output (SO) taking into consideration national context and especially statistical differences in income of agricultural producers and other sectors of the economy
* Describe and justify the methodological approach used for the classification
* Describing the general characteristics of each type of farms that is identified
* Categorize typologies according to the possibility of meeting the prescribed fiscal obligations – taxes and social security contributions.
* Analyse and assess the potential number and value of unregistered farmers and/or unregistered production (as a difference of values in the RAH and State Statistical Office)
* Propose the remedial actions for unregistered farmers/production
* Assessment of the agricultural pension systems in other countries which would be applicable in the proposed Serbian context in order to identify potential challenges in the implementation of the changes

# Institutional Arrangement

MAFWM will not provide office space for the consultant.

MAFWM will and can invite the expert for one or more meetings.

Access to RAH will be supplied by the MAFWM, Directorate for Agrarian Payments

# Engagement

The expert will be hired by the MAFWM and work under the supervision of the International Expert hired under separate ToR for Part C of the overall assignment.

The expert will work in close collaboration with the expert hired under the separate ToR for Part B.

It is expected that the expert will use no more than 35 men days over a period of 2 months.

## Expected outputs

The expert will produce a single report covering all the mentioned activities on no more than 50 pages. The Report shall be submitted to the International Expert for validation, and further, to the hiring authority for approval.

All outputs must be delivered in English in hard copy and MS Word or similar.

## Timeline

The hiring authority expects output to be submitted for the approval not later than 2 months after the signature of the contract.

# Qualifications

* University degree attested by diploma in agriculture, management, economics, organization sciences, natural sciences, monitoring and evaluation; Postgraduate Degree in one or more of the above is highly desirable.
* At least 6 years of demonstrated work experience in the application of statistical methods and tools, data collection and manipulation, estimation and approximation of indicators etc.
* Written and spoken fluency in local language is requirement
* Written and spoken fluency in English is required
* Computer literacy is required