

**Standard Summary Project Fiche – IPA centralised programme
Project Fiche: 9**

1. Basic information

1.1 CRIS Number: 2011/023-173

1.2 Title: Strengthening rural development programme under IPARD

1.3 ELARG Statistical code: 2.11

1.4 Location: Montenegro

Implementing arrangements:

1.5 Contracting Authority: Delegation of the European Union to Montenegro

1.6 Implementing Agency: Delegation of the European Union to Montenegro and the World Bank (joint management through an administrative agreement in accordance with Art. 53 d 1(a) of the Financial Regulation

1.7 Beneficiary (including details of the project manager)

The Ministry of Agriculture and Rural Development, the Ministry of Finance, Technical Bodies

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Financing:

1.8 Overall cost (VAT excluded) € 2 773 334

1.9 EU contribution € 1 800 000

1.10 Final date for contracting: Three years from the date of the signature of the Financing Agreement.

1.11 Final date for execution of contracts: Two years after the final date for contracting

1.12 Final date for disbursements: One year after the final date for the execution of contracts.

2. Overall Objective and Project Purpose

2.1 Overall Objective:

Increase the competitiveness of the Agricultural and Rural Development sector of Montenegro.

2.2 Project purpose:

To strengthen the capacity of IPARD Operating Structures to implement IPARD Programme in efficient and effective manner.

2.3 Link with AP/NPAA/EP/SAA

The Stabilisation and Association Agreement (SAA) was signed on 15 October 2007 and entered into force on 1 May 2010. The project is in line with SAA which stipulates as priority transposition of Community acquis in the field of agriculture, as well as veterinary and phytosanitary, modernising and restructuring the agriculture and agro-industrial sector, in particular to reach Community standards. Article 97 of SAA emphasises that cooperation between the EU and Montenegro should include the aim of modernising and restructuring the agriculture and agro-industrial sector, in particular to reach EC sanitary requirements, to improve water management and rural development.

The proposed project is also in line with the European Partnership¹ which identifies as a key priority the need to “Continue strengthening administrative capacity for agricultural and rural development policy formulation and implementation”.

The Commission Opinion on Montenegro's application for membership of the European Union (COM(2010)670) indicates that Montenegro will have to make considerable and sustained efforts to align with the EU acquis and to implement it effectively in the medium term (..) in the field of agriculture and rural development. Considerable adjustments of the legal and institutional framework and significant strengthening of administrative and implementation capacities are needed in these areas.

The analytical report accompanying the Opinion (SEC(2010) 1334) stresses that Montenegro will have to strengthen its administrative capacity and focus preparations for managing the common agricultural policy (CAP) in particular with regards to the setting up of a paying agency and management and control systems such as an integrated administration and control system (IACS), and the capacity to implement rural development measures

The timely establishment of the Operating Structures for implementing pre-accession assistance to Rural Development (IPARD).was identified as an important benchmark.

2.4 Link with MIPD:

The 2011-2013 MIPD includes rural development as one of the main areas of cooperation. The document stipulates as a priority strengthening the administrative capacity in the sector of agriculture and rural development, including food safety, veterinary and phytosanitary issues, and focus preparations on setting up basic instruments and institutions for managing the CAP.

¹Council Decision On the principles, priorities and conditions contained in the European Partnership with Montenegro, signed in 2007

2.5 Link with National Development Plan

N/A

2.6 Link with national/ sectoral investment plans

The project is linked to the National Programme for Integration 2008-2012 which defined specific short and medium term activities for strengthening the capacity of relevant institutions in the normative and institutional sense, compatibility of national legislation with the EU *acquis*.

The project is also in line with the Strategy of Development Food Production and Rural Areas (the Strategy)². The primary objective of this strategy is to define the multifunctional role of agriculture and modernization of the state administration for the purpose of the realization of the strategic commitment of sustainable development. Also the objective is integration of Montenegro into the international community and taken on the European model and conception of agriculture. The Strategy addresses utilisation of the resources in a long-term sustainable manner, to ensuring stable and acceptable supply of food, adequate living standards for rural population. Comprehensive rural development together with preservation of traditional values of rural areas (adequate standards of living and rural development) affect on lasting increase in competitiveness of food producers in the local and foreign market (increase in competitiveness).

The Strategy outlines that key element in reform of agricultural policy is the gradual building of a system of integrated rural development policy that shall be harmonized with the EU principles. The policy is based on the three key areas of rural development: a) increase in competitiveness through various forms of support to agriculture and the processing industry; b) better management of land and environmental resources; c) broader rural development policy which provide the support (together with other programmes of the Government of Montenegro) for diversification of activities and better living for rural population².

The National Programme for Food Production and Rural Areas Development for the period 2009 – 2013, which follows a development strategy for agriculture and rural areas is also focusing on the central role of agriculture, provides the basis for further major reforms and the legislative work required for modernising agriculture.

The first draft of IPARD Programme has been unofficially submitted to the Commission for comments end April 2011.

3. Description of project

3.1 Background and justification

Montenegro has a surface area of about 13,812 square kilometers with agricultural land accounting for 38% (516,067 hectares) of the total territory. The greatest share of agricultural land resources consists of pasture and grassland (88%; 454,138 hectares), which is used extensively. Covering a relatively small area and benefiting from a Mediterranean climate, Montenegro's agriculture is quite diversified — from growing olives and citrus fruits in the costal region, through early season vegetables and tobacco in the central parts to extensive livestock breeding in the north. Agriculture is by far the largest activity of the rural population

²Montenegro's Agriculture and European Union Agriculture and Rural Development Strategy, July 2006

— more than 60,000 households obtain their income partly or entirely from agriculture. Food production and agriculture play an important role in Montenegro's economy, with the primary sector alone providing more than 10% of total Gross domestic product (GDP). Agricultural employment stood at 8.3% in 2007.

The main challenges for Montenegrin agriculture relate to increasing competitiveness and stronger integration within the food chain.

Framework of Montenegro's agricultural policy is based on the Law on Agriculture and Rural Development, adopted in 2009³. The Law sets the objectives of agriculture policy and provides the general framework for the development of and support to agriculture and rural areas, grouped under four main strands: market price, rural development policy, activities of public interest and social transfers to the rural population. In the field of market-price policy, the most important form of support to production are direct payments per head, which is in accordance with the principles of the WTO; this concept follows the newest reforms of CAP in EU.

The Ministry of Agriculture and Rural Development (MARD) has the overall responsibility for rural development policy implementation. Annually, all the measures for support to rural development are approved and implemented by the Plan for Use of Funds for Support to Agricultural Development (Agrobudget). For the year 2011 provided funds through the Agro budget for the measures of Rural Development amounted to mil € 6.615. Measures implemented with support from the Agrobudget relate to the improving competitiveness of primary agriculture and processing, as well as to environmental protection and the improvement of living conditions in rural area.

In the institutional support to the agriculture sector in Montenegro, the Biotechnical Faculty in Podgorica (plays a major role, since it provides three types of activities: a) Research, b) Higher education and c) Services (the extension and laboratory services). The Biotechnical Faculty is the main partner of the Ministry of Agriculture and Rural Development of Montenegro in performing official tasks related to quality control, food safety, as well as in defining and implementing agricultural policy, drafting of legal documents etc. Biotechnical Faculty legally is a part of University of Montenegro and they are financed from his own budget, but Livestock Selection Service and Plant Production Extension Service are legally part of Biotechnical Faculty but they are financed from Ministry of Agriculture and Rural Development.

Livestock Selection Service, established in 2000 and organized in 6 regional centres performs four main groups of activities: a) animal breeding and herd improvement programme (identification and registration of breeding animals of cattle, performance of cattle recording, selection of cattle replacements, organising livestock exhibitions and so on); b) advisory services (nutrition, housing, breeding, rearing of offspring, milking, etc) and providing different kind of information to the livestock producers, etc.

Plant Production Extension Service, established in 2003, function in similar way to LSS. And also performs three main groups of activities: a) advisory services to the variety group of the producers (fruit and vegetable growers, wine producer, cereal producer, olive oil producer; b) implementation of support measures to the plant producers from budget for agriculture; and c) carrying out program AMIS (Agrarian Marketing Information System).

³ "Official Gazette of Montenegro", no. 56/09, 14.08.2009.

Following the Decision of European Council in December 2010 that gave Montenegro the status of a Candidate Country, Montenegro shall intensify its work on preparation for implementation of IPARD. In order to assist Montenegrin authorities for timely preparation and ability to benefit from the support under IPARD, the implementation of Twinning project “Establishing IPARD system in Montenegro, Programming and Implementation”, supported through IPA 2008 has been initiated in March 2009. The project supports the setting up and capacity building of IPARD Operating Structure -Managing Authority (MA) and IPARD Paying Agency, as well as the preparation of IPARD Programme. At present the MA staff numbers 6 employees, while in the Paying Agency-7 employees. Capacity building activities aim to prepare the Operating Structure for National Accreditation (foreseen by the fourth quarter of 2012)⁴. The submission of the draft IPARD Programme was expected to take place by the end of 2011.

The prepared action plan for IPARD foresaw IPARD Programme approval by the EC in July 2012, while the national accreditation for conferral of management powers was expected to take place in the second part of 2013.

Experiences of other Candidate Countries and Member States show that the preparation for entrustment of budget implementation tasks/conferral of management power is a complex and time consuming process. Successful implementation of projects depend not only on the knowledge/skills/ established procedures of implementing bodies, but also on absorption capacity of final beneficiaries –farmers and SMEs, as well as the general awareness of IPARD, enabling overall environment, etc.

The project will address important issues related mainly to harmonisation of legislation with EU requirements related to CAP, developing capacity of institutions in agriculture for the purpose of efficient implementation of the new legislation and principles of the EU Rural Development Policy and designing more efficient mechanisms for providing support to agriculture.

Through a grant scheme based on the measures envisaged under Axis 1 (M 101) of the draft IPARD programme (1), the project will support upgrading to community standards of the agricultural holdings in key priority sectors as well as provide practical and on the ground training for IPARD operating structure (Managing Authority, IPARD Agency) extension services).

Wine production (117 179 hl in 2011) is an important sector in Montenegro with a share of 0.87% of GDP. Montenegro is a net exporter of wine 28,54% of total agricultural products in 2012. Wine is the biggest export commodity in the food sector. A dual structure exists: on the one hand, there is "Plantaže" with a capacity of 140,000 hl of wine, the largest in the country; "Plantaže" exported on average 68000 hl in 2012. On the other, there are a number of small wineries with the capacity of up to 100,000 bottles per year amounting to 750 hl and a number of small scale producers producing for their own needs. According to data from 2011, there were 2001 holdings growing grape vine on a total area of 2535 ha. Grapes are used for the production of wine and spirits.

A register of grapes and wine producers has been set up in accordance with the Law on Wine (Official Gazette No 36/07). In accordance with current Law on Wine, authorization is needed for grape vine growing but each producer producing grapes on an area above 0.05 ha or

⁴The current twinning project end date is October 2011 (with a possible extension to the first quarter of 2012)

having more than 200 vine plants has the obligation to be registered in the Register. There were 380 such producers in 2012. The Register also keeps track of changes in vineyard areas, grape variety structure and planting density. Production of grapes and wine is monitored through the Register. Such grapes may only be traded and used as raw material for wine production intended for the market. Montenegro stated that classification of wine is done according to quality, which is not in line with the EU wine classification.

Montenegro needs to review its legislation with a view to aligning with the *acquis*, in particular rules on labelling of wine. A vineyard cadastre also needs to be developed.

3.2 Assessment of project impact, catalytic effect, sustainability and cross border impact

The main impact of the project relates to increased capacity and improved control mechanisms of key stakeholders involved in rural development; proper management of national and EU funds, better awareness about IPARD and EU rural development policy.

The impacts of the project will be manifested in the increased demand for projects' support, due to enhanced awareness of beneficiaries about economic advantages and opportunities offered by IPARD programme; skills for applying and higher number of processing companies harmonised with EU standards in food-processing sector as well as with the increased competitiveness of agricultural outputs, following implementation of projects under the national "IPARD-like" schemes.

The project sustainability will be guaranteed through the set up structures, developed legal framework and procedures that will directly contribute to more efficient and effective implementation of IPARD Programme. The project will develop a system of training/coaching within the bodies of Operating Structure to ensure knowledge management and institutional stability of the structures. Establishing the necessary synergy including the information flow among all the actors involved in the implementation of IPARD-like measures, i.e.: farmers and businesses (beneficiaries), Operating Structures, technical bodies and advisory services will mainly contribute to project results sustainability.

The project is expected to have a strong catalytic impact as grants usually have leverage effect and will bring substantial private co-financing. Moreover, after the project completion, the key elements of the system for management of pre-accession assistance under IPA Component V are expected to be in place and operational, which in turn is expected to have a positive impact on development of the agriculture sector, stimulating growth, diversification and exports.

3.3 Results and measurable indicators:

Result 1. Manuals of procedures (MoP) of the Managing Authority, IPARD Agency, National Fund, NAO are aligned with IPARD accreditation criteria, following lessons learned, experience and recommendations of the auditors after implementation of National IPARD like schemes (Twinning)

Indicator:

- MoP in line with the IPARD accreditation criteria

Result 2. IPARD staff conversant with Manual of Procedures, and with sufficient practical experience, gained through implementation of National IPARD like schemes to properly manage IPARD(Twinning and national service)

Indicators:

- Number of staff trained in all issues related to IPA Accreditation criteria

- 30 projects successfully completed by PA (Sector for Payment)

Result 3. Technical bodies and extension services expertise strengthened (Twinning and national service)

Indicators:

- Number of agriculture extension officers and private consultants trained to deliver either technical or financial advice
- Public extension and agriculture information services adequately equipped to meet the awareness campaign and programme promotion needs
- Number of potential applicants having been assisted both by the project and extension services in preparing applications for the grants.

Result 4. "IPARD Like" type of grant schemes are successfully implemented in compliance with IPARD requirements (national service, twinning, national schemes with MIDAS funds, IPA grant scheme and private contributions)

Indicators:

- Number of applications received
- Number of applicants approved
- 95% of projects successfully completed
- number of agricultural holdings and processing industries are in line with EU standards and ready to export to EU(IPA Grant scheme)-

Result 5. Accreditation package for Entrustment of budget implementation tasks/Conferral of management power is submitted to EU (Twinning)

Indicator:

- National accreditation achieved
- EC Decision for Entrustment of budget implementation tasks/Conferral of Management Power

Result 6. Awareness on IPARD Programme increased (Twinning and national service)

Indicators:

- 10 seminars for extension advisors/consultants/ professional organisations, banks carried out
- Information events for the general public organised - 3 press conferences, 10 radio and TV talk shows, 20 workshops
- 2000 leaflets/information materials and 500 posters printed and distributed
- 15% of total population knowledgeable about IPARD
- Annual plan for the information campaign/Communication plan for IPARD developed

Result 7: Delimitation of viticultural zoning of Montenegro for production of wines with a "designation of origin" or a "geographical indication"

Indicators:

- Harmonization of national legislation with the existing European legislation
- Setting-up of a system of "designations of origin" (PDO) and "geographical indicators" (PGI) in the wine sector
- Classification of wines in line with the EU rules (with PDO, with PGI, without PDO/PGI), varietal without PDO/PGI, other wines, e.g. for production of spirits)
- Completed vineyard cadastre

- Defined zoning borders (Delimitation of geographical areas suitable for production of wines with a "designation of origin" or a "geographical indication")
- Rulebook for viticultural PDO/PGI zoning in Montenegro

3.4 Activities

In order to achieve the above mentioned objectives and results, the activities of the project will be organized in 7 groups complementing each other. Activities 1, 2, 3 and 5 will be implemented through a twinning contract financed by IPA. Activity 4 will be implemented through joint management with the World Bank and will be financed by IPA and national contribution (public and private). Activity 6 will be financed by national contribution. Activity 7 will be implemented through a service tender and be financed by IPA contribution.

Activity 1: Support to IPARD Operating structure, NAO/NF to complete the MoP, legal frame and all necessary documents to effectively implement duties

- 1.1 Revision of legal frame and the Manual of Procedures following lessons learned from IPARD like measures

Activity 2: Support to IPARD OS staff to implement duties according to designed MoP

- 2.1 Training/coaching /of OS, NAO/ NF staff, to execute duties

Activity 3: Support to Technical bodies (Phytosanitary Directorate, Veterinary Directorate, Extension service, Occupational Safety Inspectorate, Environment Agency, banks, etc)

- 3.1 Increase knowledge on national minimum standards and EU standards in respective area
- 3.2 Training on execution of on the spot checks to issuing the certificate for compliance with the national minimum standards, EU standards
- 3.3 Raising awareness on IPARD of the other national serviced that will be not directly involved in the implementation of IPARD (services in charge of issuing certificates concerning building permissions, debts, banks, etc)
- 3.4 Training for the extension services on the advisory role relating the implementation of IPARD

Activity 4: Support to MARD/IPARD Operating Structure to implement “IPARD like grant scheme” (financed under MIDAS/National &IPA funds).

- 4.1 Development of the guideline for grant applications
- 4.2 Revising call for applications
- 4.3 Assistance with applications evaluation
- 4.4 Assistance with Execution of on the spot checks-ex ante/ex-post
- 4.5 Assistance with Financial management
- 4.6 Assistance with monitoring and reporting, etc.
- 4.7 Awareness rising of the banks in order to facilitate access to credits (private co-financing) by the potential beneficiaries of the grant scheme
- 4.8 Strengthening the capacity of extension services /consultants/ professional organisations to provide information and assistance in the preparation of applications to applicants/general public, etc.

The IPA funded grant scheme will be implemented under this group of activities in order to provide on the ground and practical training with IPARD implementation. This Grant scheme will be developed on the basis of the Measure and eligible expenditure envisaged under Axis

1 (M 101) of the latest IPARD programme available in order to support upgrading to community standards of the agricultural holdings in key priority sectors.

For the implementation of the grant scheme, an Administrative Agreement will be signed with World Bank. Existing IPARD procedures and structures will be used to a greater extent, as long as they are in line with the responsibilities of the contracting authority under IPA Component I.

Activities to establish such a mechanism will be finalised prior to the launch of the call for proposals and in cooperation with the Twinning project.

As a general rule, the national authorities together with EU will co-finance 50% of total eligible costs (public expenditure) of each eligible investment. EU contribution will make up to 75% of the public expenditure. The national authorities will contribute with the 25% of the public co-financing share. The remaining 50% of the total eligible costs will be financed by the private beneficiaries.

Activity 5: Support to the preparation of the Accreditation package for request of conferral of management power, including reflection of recommendations, following the Compliance Assessment Report)/EC auditors comments, etc

Activity 6: Support to increase awareness of potential beneficiaries /technical bodies/general public about IPARD programme

- 6.1 Organisation of public opinion poll surveys – for establishment of baseline level of information and at the end of the action (exit)
- 6.2 Preparation of Annual plan for the information campaign/Communication plan for IPARD
- 6.3 Organisation of training seminars/workshops for extension services and banks
- 6.4 Preparation and organisation of info events
- 6.5 Preparation and distribution of information material/programmes
- 6.6 Preparation of the Evaluation report and assessment of lessons learned from the information campaign to be taken on board for implementation of IPARD

Activity 7: Viticultural zoning of Montenegro for production of wines with a "designation of origin" or a "geographical indication"

1. Development of the vineyard cadastre
2. Climate data elaboration
3. Soil zoning - mapping of the ground
4. Clarification and defining of the zoning borders for production of wines with a "designation of origin" (PDO) or a "geographical indication" (PGI)

Preparation and development of the PDO/PGI zoning regulations **3.5 Conditionality and sequencing:**

Before contracting, the project has to meet the following conditions:

1. The Government of Montenegro provides the necessary funding and engages at least 15 permanent employees in future IPARD Paying Agency and 5 permanent employees in future Managing Authority, and the adequate number of staff in the National Fund necessary to implement duties.
2. The relevant national legal framework to implement IPARD is set up and enforced (for example Law on Agriculture and Rural Development).
3. Sufficient working space (10 offices for MA and PA, NF) /necessary IT and all equipment and other facilities are available before the project starts (PC and working place for each employee).

4. List of the national minimum standards is identified
5. The delegated/technical bodies in charge of making checks with respect to the national minimum standards and EU standards are appointed.
6. IPARD draft programme prepared and submitted to DG Agri.
7. Inter-institutional coordination has been established.
8. The national authorities will initiate accompanying measures in order to facilitate access to private co- financing by the potential beneficiaries of the rural grants before the call for applications is launched.
9. An assessment of the results reached through IPA 2008 Twinning project will contribute to revise and adjust the activities to be implemented to the progress made
10. Administrative Agreement with the World Bank is signed by Q4 2013.
11. The terms of reference for the execution of Viticultural zoning in Montenegro are ready and the budget necessary for the study is confirmed.

3.6 Linked activities

The sector has received assistance from CARDS and IPA programmes as well as from bi-lateral support. Currently the on-going assistance from an IPA 2008 Twinning project in close collaboration with MIDAS (WB) project helps to adjusting the domestic agricultural policy to the principles of the EU CAP, reform institutions and build expertise to implement rural development policy and manage pre-accession assistance under IPARD.

IPA 2008 “Support to Establishing of an IPARD System in Montenegro“ (Feb, 2010 – Oct.2011) with a budget mil. €1.8. The overall project objective is to strengthen the rural development policy with regard to the SAA and to harmonize the legislation with the European Union. Project purpose is to provide a strategic and legal framework to MARD with a view to implementing the rural development policy with regard to requirements arising from the requests for pre-accession assistance (IPARD). The project has III components, as follows:

- Component I “Preparation of IPARD programme in accordance with the rules of the European Commission”
- Component II “Establishing of a Montenegrin IPARD Agency accredited at the national level”
- Component III “Dissemination of information and transfer of experience to staff of institutions of the Beneficiary country”.

IPA 2008 "Technical Assistance to Improve the Business Environment for Small and Rural Enterprises" (March 2010-March 2012)

This €1.2 million project aims at supporting the strengthening of business environment, business support institutions in rural areas and access to finance. Under the component 2, the first credit guarantee scheme shall be established in Montenegro thus supporting improving access to finance for agriculture and rural enterprises.

MIDAS (WB) Project Montenegro Institutional Development and Agriculture Strengthening Project (MIDAS (June 2009- June 2014), WB loan amounting tomil. €11 and GEF Grant- \$4 million and national co-financing of €2,95 million. The Project development objective is to improve the delivery of Government assistance for sustainable agriculture and rural development in a manner consistent with the EU pre-accession requirements. Key outcome indicators are: (i) MARD capacity to disburse and track the use of rural development funds and to evaluate their impact in line with EU IPARD requirements; (ii) EU IPARD

compatible rural development measures fully integrated in MARD support programs; and (iii) a food safety system upgraded in an EU compliant manner.

The project **Global Environment Objective** is to mainstream sustainable land use and natural resource management into MARD's policies, programs and investments. These efforts will be particularly critical for the north of Montenegro, where there are sensitive mountain ecosystems of global importance, and where poor rural residents are largely dependent on the natural resource base for their livelihoods. Key outcome indicators are: (i) agri-environmental measures integrated into MARD's rural development program; and (ii) improved capacity of extension and advisory services to introduce agri-environment measures.

MEDNEM II Phase II-Milk Enterprise Development in Northeast Montenegro (Luxembourg), implemented in the period 2005-2009), amounting to €5,1 million. The project supported the development of the dairy sector 'from the farmer to the consumer'. At the core of the project was the establishment of a dairy processing plant, support for Market Studies to establish specific product and packaging/design, working capital to strengthen the ZORA operational efficiency and market position.

Organic Agriculture Development Project supported by Danish Government (Jan.'09- Dec. 2011) amounting to €2 million aims to support the development of organic agriculture and consumption of organic products at the domestic market, through the tourism sector and export of organic products. The Programme's strategy covers the whole organic food production chain.

3.7 Lessons learned

Experiences with similar projects implementation show that success depends very much on Government commitment to provide adequate funding to implementing bodies, as well as to retain trained staff.

Cooperation among various stakeholders involved directly or indirectly in the project is crucial for building common understanding and commitment to achieving project results.

In order to enable a smooth and efficient absorption of funds available under IPARD and national Schemes for Rural Development, the Managing Authority and Paying Agency should undertake all necessary actions aiming at timely and carefully preparing for implementation of National schemes.

Special attention should be assigned to setting up of programme's comprehensive monitoring and evaluation systems, a comprehensive information/training programme to beneficiaries and general public.

Crucial for the success of such type of projects is the provision of enabling environment for co-financing the IPARD like projects.

The Twinning project "Establishing the IPARD system in Montenegro, Programming and Implementation" started in February of 2010 encountered many problems during implementation because of the limited absorption capacity given by the limited staff available from the beneficiary.

4. Indicative Budget (amounts in €)

			TOTAL EXP.RE	SOURCES OF FUNDING								
				IPA COMMUNITY CONTRIBUTION		NATIONAL CONTRIBUTION					PRIVATE CONTRIBUTION	
ACTIVITIES	IB	INV	EUR (a)=(b)+(c)+ (d)	EUR (b)	%	Total EUR (c)=(x)+(y) +(z)	%	Central EUR (x)	Region al/ Local EUR (y)	IFIs EUR (z)	EUR (d)	%
Contract 1 (activities 1,2,3 and 5-IPA Funds)	X		1,000,000	1,000,000	100							-
Contract 2 (activities 4 and 6 -national co-financing)	X		140,000			140,000	100					
Contract 3 (grant contracts under activity 4)		X	1,333,334	500,000	37.50	166,667	12.50				666,667	50
Contract 4 (service)	X		300,000	300,000	100							
TOTAL IB			1,440,000	1,300,000	90	140,000	10					
TOTAL INV			1,333,334	500,000	37.50	166,667	12.50				666,667	50
TOTAL PROJECT			2,773,334	1,800,000	64.90	306,667	11.06				666,667	24.04

Contract 1 is expected to be a Twinning contract (Activities 1, 2, 3 and 5)

Contract 3 is expected to be an administrative agreement with the World Bank

Contract 2 and 4 are expected to be service contracts (contract 2 is expected to be procured by national authorities)

5. Indicative Implementation Schedule (periods broken down per quarter)

Contracts	Start of Tendering	Signature of contract	Project Completion
Contract 1 (IPA Twinning)	Q3 2012	Q2 2013	Q2 2014
Contract 2 (NC Service contract)	Q3 2013	Q4 2013	Q2 2014
Contract 3 Administrative Agreement with WB (IPA + NC Grants)	Q1 2013	Q4 2013	Q4 2015
Contract 4 (Viticulture zoning in Montenegro)	Q1 2014	Q2 2014	Q4 2015

6. Cross cutting issues

The mainstreaming of the cross cutting issues is regarded on two different levels:

- 1) Ensuring that the internal policies, structure or operating procedures of the IPARD OS will conform to and promote the relevant principles outlined per section below.
- 2) Ensuring that the project outputs (e.g. laws, regulations, policies, procedures) will conform and promote the relevant principles outlined per section below.

6.1 Equal Opportunity

The proposed project will be equal opportunity sensitive and ensure access of women, disabled and elderly, particularly with regard to access to training and increasing opportunities for business expansion, employment and career advancement. The advertising of job vacancies and agriculture support measures will be by fair and open competition.

Gender, disability and old age needs will be considered as an integral part of the programme and especially under the National Rural Development Programme, with regular monitoring to ensure these issues are given due prominence. In particular the trainings will ensure that equal opportunity issues are properly addressed. Equal opportunity will also be taken into account during training needs analysis.

6.2 Environment

This proposed project will have a major environmental impact. Better land use as well as rational use of inputs in agriculture will ensure a more sustainable use of natural resources, thereby contributing to environmental protection. In particular, harmonisation with the EU Rural Development system will bring two important elements of improvement in the protection of the natural environment:

- The cross-compliance principle, which has become an inherent feature in the EU Rural Development policy, guarantees, through a specific set of obligations, that Rural Development measures comply with the requirements of the *Aquis Communautaire* on the environment;
- A significant part of the Rural Development Programme will encompass the so-called agro-environmental measures that will push farmers into operating not only as producers of agricultural goods, but also as protectors of the environment.

6.3 Minorities

The project will be sensitive to minority issues and will ensure access of all ethnic groups to resources and services. The needs of minorities will be considered as an integral part of the IPARD programme. There will be regular monitoring to ensure these issues are given due prominence. Minorities will also be taken into account during information campaigns.

ANNEXES

- 1 - Logical framework matrix in standard format
- 2 - Amounts contracted and disbursed per quarter over the full duration of the programme
- 3 -Description of Institutional Framework, Reference to laws, regulations and strategic documents, National Support Schemes
- 4 - Details per EU funded contract

ANNEX I- Log frame in Standard Format

Project Logframe	Programme name and number: Strengthening rural development Programme under IPARD	
	Contracting period expires Three years after conclusion of the Financial Agreement	Disbursement period expires One year after the final date for the execution of contracts
	Total budget : 2,773,334 €	IPA budget: 1 800 000 €

Overall objective	Objectively verifiable indicators	Sources of Verification	
Increase the competitiveness of the Agricultural and Rural Development sector of Montenegro.	Rural development statistics and indicators showing higher competitiveness of domestic agriculture, improvement of rural infrastructure and rural living conditions. Amount of IPARD and World Bank funds disburse number of programming objectives met Increase the employment in Rural Development sector Increase the incomes in Rural Development sector	National statistics data EC reports on Montenegro Reports of international agencies MARD annually report	
Project purpose	Objectively verifiable indicators	Sources of Verification	Assumptions
To strengthen the capacity of IPARD Operating Structures to implement IPARD Programme in efficient and effective manner.	IPARD programme and agency receive accreditation before the end of the end of the project EC Conferral of Management Power 95 % of funds WB and National funds committed in line with IPARD accreditation criteria 90 % of fundsWB and National funds disbursed	EC decision without blocking findings Paying Agency (Sector for Payment) database EC reports	MARD new organization in line with IPARD requirements approved. Adequate resources made available to staff and to guarantee operations of the public instruments for Rural Development. Government commitment to Rural Development

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
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Result 1: Manuals of procedures (MA, PA, NAO) aligned with IPARD accreditation criteria, following lessons learned experience and recommendations of the auditors after implementation of National IPARD like schemes	EC Decision on Conferral of Management Power	Audit Accreditation Report EC Decision	Staff retained Legal framework for IPARD adopted Necessary resources made available
Result 2: IPARD staff conversant with Manual of Procedures, and with sufficient practical experience, gained through implementation of National IPARD like schemes to properly manage IPARD	EC decision on Conferral of Management Power 20 persons trained in all issues related to IPA Accreditation criteria 30 projects successfully completed by PA (Sector for Payment)	Paying Agency (Sector for Payment) database Project reports MA Annual Report on implementation EC progress reports Audit Accreditation Report EC Decision	Stable staffing Budgetary resources available Farmers interested to apply/avail with resources to co-finance
Result 3: Technical bodies expertise strengthened	Applications rejected to non compliance with National minimum standards is very low (10%) 5% of non eligible costs due to non compliance with EU standards	Audit Accreditation report Paying Agency Database Project Progress reports	Government institutions assure resources for technical bodies Potential applicants able to co-finance and interested to apply NMS
Result 4: <u>"IPARD Like" type of grant schemes are successfully implemented in compliance with IPARD requirements</u>	20 potential applicants supported 95% of projects successfully completed - at least 3 agricultural holdings and processing industries supported against the number of eligible application (IPA Grant scheme) - at least 2 agricultural holdings and processing industries exporting to EU(IPA Grant scheme)	Project Reports Paying Agency database WB database	Government commitment to IPARD requirements Potential applicants able to co-finance and interested to apply IPARD Programme accepted by DG AGRI and recommendations provided IPAR ProgrammeEx ante evaluation done in due time
Result 5: Accreditation package for conferral of management power is submitted to EU	EC Decision for Conferral of Management Power	Commission Decision	MA, PA staff in place Basic IT system operational Resources available
Result 6: Awareness on IPARD Programme increased	10 seminars for extension advisors/consultants/ professional organisations carried out Information events for the general public organised - 3 press conferences, 10 radio and TV talk shows, 20 workshops	Project reports Public opinion poll surveys Feedback from seminars/events Leaflets and seminar materials Media Content analysis	Government institutions assure stakeholders involvement in consultation Interest from beneficiaries to participate in the programme

	2000 leaflets/information materials and 500 posters printed and distributed 15%of total population knowledgeable about IPARD		
Result 7:Viticultural zoning of Montenegro	Harmonization of national legislation with the existing European legislation Completed vineyard cadastre Defined zoning borders for PDO/PGI Rulebook for viticultural zoning in Montenegro	Project reports Public opinion poll surveys Feedback from beneficiaries	Stable staffing Available dates for climate and soil Vineyard and wine database
Activities	Means	Costs	Assumptions
See section 3.4 of the PF	Twinning contract, related to achievement of results 1, 2, 3 and 5 Administrative Agreement with the World Bank to implement the grant scheme related to result 4 Service contracts for activities related to achievement of results 4, 6 and 7 - 15 months	IPA € 1.8 million National co-financing mil. € 0,307 million Private contribution mil. € 0.667 million (available after the amendment of the Financing Agreement)	Budgetary resources available to provide counterpart funding to EU support

Indicators: baseline data to be produced in the light of the results of the agricultural and population census.

ANNEX II: Amounts contracted and disbursed per quarter over the full duration of the programme (€)

Contracted	Q2/ 2013	Q3/ 2013	Q4/ 2013	Q1/ 2014	Q2/ 2014	Q3/ 2014	Q4/ 2014	Q1	Q2	Q3	Q4
								2015			2015
Contract 1: Twinning contract	1,000,000										
Contract 3 – AA with WBank			500,000								
Contract 4 -service contract					300,000						
Cumulated Total	1,000,000		1 500 000		1 800 000						
Disbursed	Q2/ 2013	Q3/ 2013	Q4/ 2013	Q1/ 2014	Q2/ 2014	Q3/ 2014	Q4/ 2014				Q4
											2015
Contract 1: Twinning contract (activities 1,2,3 and 5-IPA Funds)	700,000					200,000	100,000				
Contract 3 – AA with WBank				250,000							250,000
Contract 4 -service contract					210,000						90,000
Cumulated Total	700,000			950,000	1,160,000	1,360,000	1,460,000				1,800,000

ANNEX III: Description of Institutional Framework, Reference to laws, regulations and strategic documents

Institutional Framework

Employment structure of MARD

In relation to the implementation of agriculture policy, the MARD had 58 employees at the end of 2010. MARD intends to increase the number of employees over the upcoming years in order to enhance its institutional capacity.

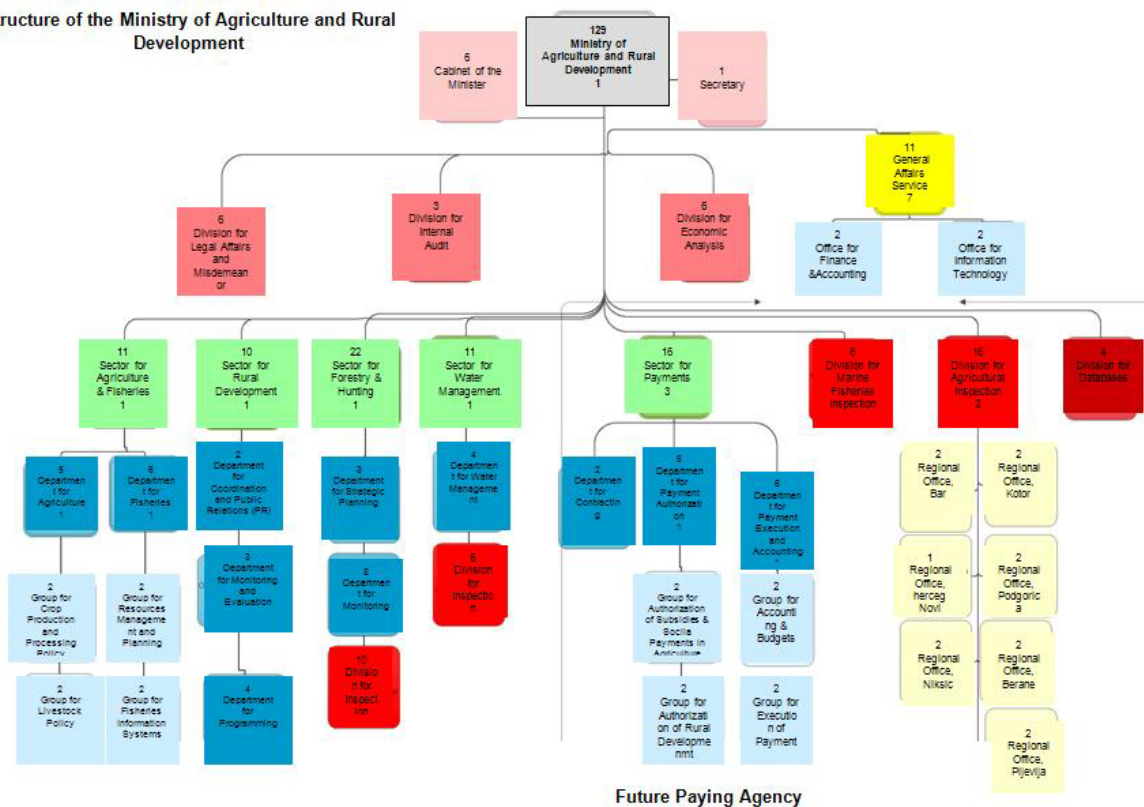
Plan for MARD New Recruitment:

	2011	2012
Direct payments and market of intervention	1	0
Rural development	3	2
Paying Agency and horizontal measures	8	5
Support to the process of EU adjustments	4	4
Total number of employees in the MARD	114	125

Most of the employees are assigned to the Sector for Agriculture and fisheries that has the following structure:

- Department for agriculture (6 employees for the following areas: cattle breeding, orchards and vineyards, vegetable and fruit production, organic agriculture and agro-industry, international cooperation, fishery and beekeeping) and
- Department for control that have 27 employees; this department is responsible for control of the borders, internal control and control in the area of fishery.

Structure of the Ministry of Agriculture and Rural Development



Other employees are working in the area of economic and general affairs of the MARD. The Minister has a Deputy for Agriculture and Agro-industry, Forestry, Water Management and Rural Development and 3 advisors for the following areas: economy, law and veterinary. Livestock selection service and Extension Service in plant production are present in 7 municipalities and currently (March 2011) have at least 42 employees.

Reference to laws, regulations and strategic documents

EU Regulations:

IPA Regulations

- Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA)
- Corrigendum to Council Regulation (EC) No 1085/2006 of 17 July 2006 establishing an Instrument for Pre-Accession Assistance (IPA) (OJ L 210, 31.7.2006)
- Commission Regulation (EC) No 718/2007 of 12 June 2007 implementing Council regulation (EC) No 1085/2006 establishing an Instrument for Pre-Accession Assistance (IPA)

Budget regulations:

- Regulation (EU, EURATOM) no 966/2012 of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002
- Commission Delegated Regulation (EU) No 1268/2012 of 29 October 2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union

Rural Development and Structural fund Regulations:

- Council Regulation (EC) No 1290 of 21 June 2005 on financing the common agriculture policy

- Council Regulation (EC) No 1698 of 20 September 2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD)
- Commission Regulation (EC) No 883 of 21 June 2006 laying down detailed rules for the application of the Council Regulation (EC) No1290/2005 as regards keeping of accounts by the paying agencies, declarations of expenditures and revenue and the conditions for reimbursing expenditures under the EAGF and EAFRD
- Commission Regulation(EC) No 885 of 21 June 2006 laying down detailed rules for the application of the Council Regulation (EC) No1290/2005 as regards accreditation of paying agencies and other bodies and the clearance of the account of the EAGF and of the EAFRD
- Council Regulation (EC) 1083/2006 of 11 July 2006 laying down of general provisions of European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999
- The Council Regulation (EC) No 1198 of 27 July 2006 on the European Fishery Fund
- Commission Regulation (EC) No 1481/2006 of 6 September 2006 laying down form and content of the accounting information to be submitted to the Commission for the purpose of the clearance of the accounts of the EAGF and EAFRD as well as for monitoring and forecasting purpose
- Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out the rules for the implementation of Council Regulation (EC) 1083/2006 laying down of general provisions of European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No1080/2006 of the European Parliament and of the Council of the European Regional Development Fund
- Corrigendum to the Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out the rules for the implementation of Council Regulation (EC) 1083/2006 laying down of general provisions of European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No1080/2006 of the European Parliament and of the Council of the European Regional Development Fund (OJ L 371, 27.12.2006)
- Commission Regulation (EC) No 1974/2006 of 15 December 2006 laying down detailed rules for the application of Council Regulation (EC) No 1698/2005 on support of rural development by the European Agriculture Fund for Rural Development (EAFRD)
- Commission Regulation (EC) No 1975/2006 of 7 December 2006 laying down detailed rules for implementation of the Council Regulation (EC) No 1698/2005 as regards the implementation of control procedures as well cross-compliance in respect of rural development support measures
- Council Regulation (EC) No1944/2006 of 19 December 2006 amending Regulation (EC) No 1698/2005 on support of rural development by the European Agriculture Fund for Rural Development (EAFRD)
- Commission Regulation (EC) No 1848/2006 of 14 December 2006 concerning irregularities and the recovery of sums wrongly paid in connection with the financing of the common agricultural policy and the organisation of an information system in this field and repealing Council Regulation (EEC) No 595/91.

National Schemes in Support of Agriculture

AGRO-BUDGET EXECUTION IN 2010

Market Price Policy
• Direct payments (7 programs)
• Market stabilisation (2 programs)
Rural development policy
• Strengthening competitiveness(11 programs)
• Sustainable resource management(3 programs)
• Improving the quality of life, support to economic activities in rural areas
General services (8 programs)
Social transfers (1 program)
Fishery (3 programs)

SUPPORT TO INVESTMENTS

- Support provided for supply of 49 tractors and 71 moto-cultivators and 348 agricultural facilities and equipment: mowers, trailers, rotary cultivators, ploughs, atomizers, pumps, hay bale collectors, planting machines, sowers, milking machines, lacto freeze, tanks, etc.

SUPPORT TO INVESTMENTS

- Support provided for construction of 111 new and reconstruction of 48 existing farms with cattle, sheep, goats, pigs, fattening cattle and poultry farms, as well as for supply of primary herd/flock (cows, sheep, goats...)

SUPPORT TO INVESTMENTS

- Support included also the construction of 55,000 m² of greenhouses

RURAL DEVELOPMENT POLICY

Processing of animal products

- Dairy sector – construction, equipping and modernization of 9 dairies – cheese plants
- Meat processing sector – construction and modernization of 4 slaughterhouses, equipping of 3 plants for processing of meat and meat products, adaptation or reconstruction of 7 meat drying establishments
- Fish processing – Reconstruction and modernization of 2 fish processing plants

SUPPORT TO INVESTMENTS

Storage, packing and processing of plant products

- Wine-making sector – Construction, reconstruction and equipping of 4 wine cellars.
- Olive growing sector – Adaptation and equipping of 2 olive processing plants.
- Medicinal herbs sector – Construction and equipping of 1 establishment for medicinal herbs processing.
- Other – Adaptation of one establishment for mushroom production, equipping of one plant for small packaging of plant products

MEASURES FOR STRENGTHENING COMPETITIVENESS

Support to setting up perennial plantations

- Support provided for vineyards 4,000€/ha, pomes and stone fruit 3,000€/ha, strawberries 3,500€/ha, raspberries 5,000€/ha. Support to supply of olive tree seedlings and revitalization of olive groves 5€/tree
- 195 ha of new vineyards and 119 ha of orchards set up
- 17,703 olive trees revitalized
- 10,104 olive trees planted
- New 300 vine growers registered (1,200 in the register)

- 325 olive growers registered (637 in the register)
- 61 producers entered in the register of grape and wine producers (93 in the register)
- 33 wine cellars included in the wine paths project (initially 16)

MEASURES FOR STRENGTHENING COMPETITIVENESS

Support to investments in processing on family farms

- With a view to strengthening the competitiveness, preservation of traditional products, the support given to 17 family holdings (3 wine cellars, 8 cheese plants, 1 meat drying barn, 2 fruit processing, 1 olive processing and 2 medicinal herbs)

MEASURES FOR STRENGTHENING COMPETITIVENESS

Support to quality policy

- Support for introduction of HACCP system (support to 3 operators, now 21 operator implements HACCP - 16 certified and 5 expect certification)
- Support to 22 plants for traditional production (reconstruction of establishments, implementation of good hygiene practice, implementation of good manufacturer practice and other general and hygiene requirements)
- Support to work of the Dairy Laboratory and the Wine Laboratory
- Support to the work of „Monteorganica“

MEASURES FOR STRENGTHENING COMPETITIVENESS

Promotional activities

- 362 medals (202 gold), 30 supreme quality awards and 3 absolute champion awards at the Novi Sad fair
- Significant results achieved at the Levantine Fair in Bari, agriculture and food fair Klik Expo in Tirana, food fair in Zenica, Adriatic Fair in Budva...
- Project of the Chamber of Commerce „Dobro iz Crne Gore“ (Good from Montenegro).

6 companies in agro-industry became eligible for using this prestigious trademark for 50 products.

- Support to 34 events throughout Montenegro, of national, regional and local significance.

Measures for sustainable management of natural resources

- Support to preservation of genetic resources in livestock and plant sector
- Support to organic agriculture – 34 producers entered in the register of producers in organic agriculture, and 54 within the group certification – 88 producers in total
- 1,922 farmers received premiums for transhumance

Measures for improvement of the quality of life and support to economic activities in rural areas

- 79.5 km of rural roads made, covered with gravel and cleared
- Construction of rural waterworks, supply of pipes, construction and rehabilitation of rain collecting tanks ‘bistijerna’, exploration works
- Adaptation of schools in rural areas (Trešnjevo, Slatina and Timar)

DIVERSIFICATION OF ECONOMIC ACTIVITIES

- Support to agricultural activities in order to generate additional income, preserve cultural heritage and tradition
- Support given to 16 beneficiaries
- Handicraft – local wood and wool products – 13 beneficiaries, rural tourism – 2 beneficiaries, stone carving – 1 beneficiary

ANNEX IV: Details per EU funded contract

The 1st contract is a Twinning, which will cover activities related to achievement of results 1, 2, 3 and 5 and will be supported through IPA.

18 months (duration of the implementation of the Twinning project)

- RTA,
- Key experts and
- 40 STE's

The 2nd contract will be service contract related to achievement of results 4 and 6 (National schemes implemented in compliance with IPARD requirements and awareness on IPARD Programme increased) and is to be national co-financing.

The 3rd contract will be obtained through an Administrative Agreement with the World Bank to implement a grant scheme based on the measures envisaged under Axis 1 (M 101 & 103) of the draft IPARD programme. The project will support upgrading to community standards agricultural holdings and processing industry in key priority sectors as well as provide practical and on the ground training for IPARD operating structures (MA,; IPARD, extension services). Farmers will have to co-finance 50% of the eligible costs.

The 4th contract will be service based for Viticulture zoning in Montenegro to support the creation of a vineyard cadastre, climate data elaboration, soil zoning and defining zoning borders.