

Standard Summary Project Fiche – IPA centralised programme

National Programme for Montenegro under the IPA Transition Assistance and Institution Building Component for the years 2012 and 2013 - Part 2 (2013 allocation)

Project Fiche: 2

1. Basic information

1.1 CRIS Number: 2013/25-020

1.2 Title: Strengthening Montenegrin agriculture through IPARD like measures

1.3 ELARG Statistical code: 2.11

1.4 Location: Montenegro

1.5 **Implementing arrangements:Contracting Authority:** Delegation of the European Union to Montenegro

1.6 **Implementing Agency:** Delegation of the European Union to Montenegro and the World Bank

1.7 Beneficiary (including details of the project manager)

The Ministry of Agriculture and Rural Development

Project manager to be nominated

Mr. Nemanja Katnić

Chief of the Cabinet/ SPO

Ministry of Agriculture and Rural Development

Rimski trg 46

81 000 Podgorica, Montenegro

Phone: +382 20 482 175

Fax: +382 20 234 306

E-Mail: nemanja.katnic@mpr.gov.me

Financing:

1.8 Overall cost (VAT excluded) €13.052.940,3

1.9 EU contribution €5.285.467

1.10 Final date for contracting: 31.12.2015

1.11 Final date for execution of contracts: 30.04.2017

1.12 Final date for disbursements: 30.09.2017

2. Overall Objectives and Project Purpose

2.1 Overall Objective:

Overall objective of the project is to increase the competitiveness of the agricultural and rural sectors in order to support quality of life in rural areas in Montenegro.

In this context, this project is designed to address a dual objective. On the one hand, targeted funds will reach farmers and agro-processing industry and should contribute to improving the quality of life in rural

areas by increasing the competitiveness of the agricultural and agro-food sector. The measures of the IPARD Programme will be used as a framework for prioritising and selecting individual investments. Furthermore, through implementing IPARD measures in an IPARD-compliant way, the staff of the management and control system, potential applicants, advisory services and lending institutions will gain awareness on and experiences in prospective implementation of IPARD measures.

At the same time, the project will also seek to increase awareness and capacity of actors involved in rural development and agriculture on quality farming. Finally, the project shall also support the further preparation of the sector towards a IPARD Programme 2014-2020.

Experience with implementation of IPARD in other countries demonstrates that good preparation prior to implementation is crucial. This preparation should not only cover the staff of the management and control system, but also the potential beneficiaries (farmers and agribusinesses), extension services (public and private), financial institutions engaged in agricultural lending.

2.2 Project purpose:

The main purposes of the project are:

- Modernisation of farms toward EU standards;
- Improving the quality of agricultural products;
- Preparation of farmers for EU funds;
- Strengthening the management and control system of operational structure;
- Strengthened connection between the financial and agricultural sectors in terms of financial support to farmers.

2.3 Link with AP/NPAA/EP/SAA

The European Council of December 2010 granted the status of candidate country to Montenegro. Accession negotiations with Montenegro were opened in June 2012. The Stabilisation and Association Agreement between Montenegro and the EU entered into force in May 2010.

Screening meetings for all negotiating chapters were completed at the end of June 2013. Opening benchmarks have been set for six chapters including agriculture and rural development; food safety, veterinary and phytosanitary policy.

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.

Montenegro continued to broadly implement its obligations under the Stabilisation and Association Agreement (SAA). A Protocol to the SAA to take account of Croatia's accession to the EU has been agreed between the EU and Montenegro. The Protocol is currently under ratification and is being applied on a provisional basis from 1 July 2013. Regular political and economic dialogue between the EU and Montenegro has continued through the SAA structures. The Stabilisation and Association Council met in December 2012 and in June 2013 and various sub-committee meetings have been held since October 2012. Montenegro participates in the multilateral economic dialogue with the Commission and the EU Member States to prepare the country for participation in multilateral surveillance and economic policy coordination under the EU's Economic and Monetary Union.

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

According to Progress Report 2013 conclusion, there has been some progress as regards agriculture and rural development policy. The Agriculture and Rural Development national strategy needs to be prepared and additional capacity building is required to ensure future implementation of the IPA rural development programme. Overall, alignment with the acquis is at an early stage. 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.

2.5 Link with National Development Plan (Montenegro Development Directions 2013-2016)

In the context of implementing the strategic objective of economic policy of Montenegro by the MDD, agriculture and rural development has been identified as one of the four development sectors. According to the MDD, strategic documents for the area of agriculture and rural development will define long-term directions for the agricultural policy development aimed at overcoming the relevant problems. Core objectives for development of the agricultural and rural areas are:

- Secure an acceptable and stable supply of food by developing a competitive primary agricultural production;
- Improve rural infrastructure and rural living conditions to provide an adequate standard of living;
- Improve market efficiency and adapt to demanding standards based on the Community legislation (harmonization with the Acquis Communautaire);
- Sustainable management of natural resources, nature conservation and protection of animals, as well as improvement of the product quality;
- Improve the economic power of rural areas by developing new income potentials and diversification;

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

- Improve planning, management and use of agricultural land, as well as reduce environmental impacts; and
- Alignment with the Common Agricultural Policy (CAP)

Implementation of development objectives and carrying out of the agricultural policy imply a need to continue with legislative reforms i.e. to further align the national legislation with the EU *acquis*, which will take place through amendments of existing laws and enabling regulations. In order for the agricultural policy to be implemented efficiently and in line with the EU principles, especially the rural development policy being the most-demanding component, a harmonised system of implementation, control and monitoring will be established gradually.

Proposed measures In line with the above-mentioned, the development objectives may be achieved through:

1. Investments in primary agricultural and food-processing industry;
2. Investments for implementation of agricultural land policies (development, use and improving the agricultural land quality, expanding size of family agricultural holdings and preventing fragmentation of holdings);
3. Improvement and development of rural infrastructure and diversification of economic activities in rural areas;
4. Implementation of agricultural-environmental measures; and
5. Investments in education, research, and analytic activities.

Building a human capacity in the agricultural sector, including the rural development, comprises all involved institutions and will be concentrated on improving the knowledge in the field of the legal framework, as well as the overall administrative procedures, and funding of different investment measures.

Through implementation of this project MARD will contribute fulfilment of MDD, by implementation of one of proposed measures, as well as institutional and human capacity building

2.6 Link with national/ sectorial 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.

3. Description of project

3.1 Background and justification

Montenegro has a surface area of about 13,812 square kilometres 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 coastal 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 — more than 49,000 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 5.7% in 2012.

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 Agrobudget 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.

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

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

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).

Ministry of agriculture and rural development has made significant progress in regard to establishing Operating structure, preparing procedures and writing all necessary documents for IPARD implementation. Despite this, MARD still have major concerns when it comes to disbursement of IPARD funds. These concerns comes from the previous experience gained through implementing MIDAS project (implemented in cooperation with World Bank), where concrete facts and real situation amongst the agricultural producers have given us reasonable cause for concern that implementing IPARD measures would not be successful at this moment.

Because the fact that agriculture producers are not ready to fulfil all prescribed requirements from IPARD programme MARD has requested reallocation of funds from IPA component V to IPA component I for 2013. This request is also supported by the fact the IPARD accredited regional countries have problems in implementing IPARD measures. Montenegro agriculture is still in early stage of development, and it would be counterproductive to start with implementing IPARD measures at this moment. Ministry of Agriculture and Rural Development of Montenegro and DG AGRI have agreed to terminate the process of adoption of the IPARD Programme 2013, due to the newest decision for reallocation of funds from IPARD 2013 to IPA I component, but to go ahead and start preparing the IPARD programme 2014-2020.

Experiences of other Candidate Countries and Member States show that the preparation for 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 measure 103 of the draft IPARD programme, the project will support upgrading to community standards of processing industry in key priority sectors as well as provide practical and on the ground training for IPARD operating structures (MA, IPARD, extension services).

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 and final beneficiaries; 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 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.

"IPARD Like" type of grant schemes are successfully implemented in compliance with IPARD requirements

Indicators:

- 40% of applicants approved
- 70% of projects successfully completed
- 60% of successfully supported beneficiaries, agricultural holdings and processing industries are in line with EU standards (IPA Grant scheme)

Result 2.

Awareness on the IPARD procedures increased:

- Establishment of a baseline level of information
- 12 of information campaign and events to the attention of various stakeholders
- 8 of training seminars/workshops for various stakeholders

3.4 Activities

In order to achieve the above-mentioned objectives and results, the activities of the project will be organized in 2 groups. Activity 1 will be implemented through grants after a call for proposal and will be financed by IPA and national contribution (public and private). Activity 2 will be financed through Technical assistance by IPA and national contribution.

Activity 1: Implementation of "IPARD like grant scheme" financed under National & IPA funds:

- Development of the guideline for grant applications
- Announcement of call for applications
- Evaluation of applications and payment claims
- Execution of on the spot checks-ex ante/ex-post
- Financial management: Execution of payments and accounting
- Monitoring and reporting

Activity 2: Increasing awareness on IPARD procedures and requirements:

- Strengthening the capacity of MARD / extension services /consultants/ professional organisations to provide information and assistance in the preparation of applications to applicants/general public, etc.

- Awareness rising of the banks in order to facilitate access to credits (private co-financing) by the potential beneficiaries of the grant scheme.
- Design and preparation of information campaign and events to the attention of various stakeholders
- Design and preparation of information material/programmes

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 Measures and eligible expenditure envisaged under Axis 1 (M 103 – Investment in the processing and marketing of agriculture and fishery products to restructure those activities and to upgrade them to EU standards) of the latest IPARD programme available in order to support upgrading to community standards of the agricultural holdings and processing industry 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 its greater extend, as long as not contradicting nor jeopardizing with the responsibilities of the contracting authority.

According to the new Act on Organization and Systematization of Ministry of agriculture and rural development, Sector for payment will be promoted in Directorate for payment (IPARD Agency).

For carrying out of its tasks, the Directorate is structured to consist of the following organisational units:

1. Department for publicity and authorisation of projects
2. Department for payment authorisation
3. Department for Payment Execution
4. Department for Accounting and Budget
5. Department for On-The-Spot Control
6. Department for Databases

Activities to establish such a mechanism will be finalised prior to the launch of the call for proposals.

For the grant scheme 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 private beneficiaries will finance the remaining 50% of the total eligible costs.

As a general rule, for technical assistance 80% will be contribution of EU.

3.5 Conditionality and sequencing:

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

- IPARD Agency staffed in accordance to minimum requirements from Sectoral Agreement;
- Efforts towards retention of staff in overall public sector administration in order to ensure institutional memory and sustainable capacity building throughout the process of reforms and development;
- Cooperation and coordination in a horizontal way with all relevant institutions;
- Technical bodies prepared for implementation IPARD like measures.

3.6 Linked activities

The sector has received assistance from CARDS and IPA programmes as well as from bi-lateral support. Assistance from IPA 2008 and currently the on-going assistance from an IPA 2011 twinning project in close

collaboration with MIDAS (WB) project help 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 was to strengthen the rural development policy with regard to the SAA and to harmonize the legislation with the European Union. Project has provided 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 had 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”.

MIDAS (WB) Project Montenegro Institutional Development and Agriculture Strengthening Project (MIDAS (June 2009- June 2014)),

World Bank loan amounting to mil.€ 11 and GEF Grant- mil.\$ 4 and national co-financing of mil. € 2,95. 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 Global Environment objective of this MIDAS project 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.

The Department of Payments of MARD (future IPARD Agency) has been involved in the implementation of MIDAS grants. From April 2011 onwards four public calls for MIDAS grants have been announced. The first and fourth public call was for measure "Investments into agricultural holdings" and the second and third public call were for agro-environmental measures: "Agri-environmental investment on mountain agricultural holdings" and "Manure management and prevention of erosion".

For each public call an Operational manual was prepared. The Operation manual defines which measures are supported, who is beneficiary, what eligibility criteria, ranking criteria are and what are eligible investments. The Department for Rural Development is responsible for the preparation of the operational manuals and the Department of Payments for the implementation of the grant (open call, evaluation applications, delegate on-the-spot checks, reporting and payment check etc). Efforts are made to improve procedures and documents and align these with IPARD criteria, as well as to increase staff capacity.

Organic Agriculture Development Project supported by Danish Government (Jan.'09 - Dec. 2011) amounting to mil. € 2 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.

IPA 2011 “Strengthening the Capacity to Implement Rural Development Programme under IPARD” (expecting period May 2012 – October 2014)”

This project with a budget mil. € 1 aims to strengthen the capacity of IPARD Operating Structures to implement IPARD Programme in efficient and effective manner and to increase the competitiveness of the Agricultural and Rural Development sector of Montenegro.

The main results of this Twinning projects are:

- Manuals of procedures (MoP) of the Managing Authority, IPARD Agency, National Fund, NAO are aligned with IPARD accreditation criteria (as laid down in the Sectoral Agreement for Component V), following lessons learned, experience and recommendations of the auditors after implementation of National IPARD like schemes;
- IPARD Agency, Managing Authority and NF staff conversant with Manual of Procedures and with sufficient practical experience, gained through implementation of National IPARD like schemes to properly manage IPARD
- Technical bodies and extension services expertise strengthened as regards implementation of the IPARD assistance
- "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)
- Accreditation package for Conferral of management power is submitted to EU
- Awareness on IPARD Programme increased

IPA 2012 – Trust fund

The agreement between MARD, EU and WB will be signed in the fourth quarter of 2013 where funds allocated for 2012 will be used in form of IPARD like measures. MARD already implements MIDAS project and this Trust fund will be in a way continuation of the MIDAS project. This fund is consisted of funds from 2012 together with the funds from 2011 which are programmed into one Trust fund (Indicative mil 4 €). Being a continuation of MIDAS project, this Trust fund will implement measure 101 (Investments in agricultural holdings). Once the agreement is officially signed between three parties MARD will notify DG ELARG about complete details for this trust fund.

3.7 Lessons learned

Experiences with similar project implementations shows that success in absorbing the funds very much depended on readiness of final beneficiaries to meet required criteria. Institutionally, Montenegro has made significant progress in order to be ready to implement IPARD (submission of the Accreditation Package to NAO at the end of July 2013).

However through IPARD like measures that have been implemented in Montenegro, experience is shown that final beneficiaries are not in line to meet the IPARD requirements yet. There is a big reason for concern that in case of full implementation of IPARD, absorption rate would be very low.

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)	Regional/ Local EUR (y)	IFIs EUR (z)	EUR (d)	%
Grant Contract		X	12.307.957,3	4.615.484	37,5%	1.538.494,66	12,5%				6.153.978,66	50%
Technical assistance	X		375.000	300.000	80%	75.000	20%					
World Administrative Bank and supervision costs	X		369.983	369.983	100%							
Total IB			744.983									
Total INV			12.307.957,3									
TOTAL PROJECT			13.052.940,3	5.285.467	40,5%	1.613.494,66	12,4%				6.153.978,66	47,1%

Contracts will be obtained through an Administrative Agreement with the World Bank. All grants contracts with the beneficiaries will be signed by the end of 2015, to avoid possible overlapping with the IPARD II.

The co-financing part has been aligned with IPA component I provisions (Commission regulation No 718/2007).

The administrative and supervision cost is based on the following assumptions: 5% indirect administrative costs plus 2% supervision costs estimated on the value of an administrative agreement with the World Bank amounting EUR 5.285.467

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

Contracts	Signature of contract	Project Completion
Contract AA with WB	Q2 2014	Q4 2016

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, and 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 Log frame	Programme name and number: Strengthening Montenegrin agriculture through IPARD like measures	
	Contracting period expires 31.12.2015	Disbursement period expires 31.12.2016
	Total budget: €13.052.940,3	IPA budget: €5.285.467

Overall objective	Objectively verifiable indicators	Sources of Verification	
Increase the competitiveness of the Agricultural and Rural Development sector of Montenegro.	<p>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</p> <p>Increase the employment in Rural Development sector</p> <p>Increase the incomes in Rural Development sector</p>	<p>National statistics data</p> <p>EC reports on Montenegro</p> <p>Reports of international agencies</p> <p>MARD annually report</p>	
Project purposes:	Objectively verifiable indicators	Sources of Verification	Assumptions
<ul style="list-style-type: none"> • Modernisation of farms toward EU standards; • Improving the quality of agricultural products; • Preparation of farmers for EU funds; • Strengthening the management and control system of operational structure; • Strengthened connection between the financial and agricultural sectors in terms of financial support to farmers. 	<ul style="list-style-type: none"> - Number of supported farms - Number of agricultural holdings and processing industries with certificate proofing quality (HACCP etc.) - Conferral of management for Operational structure - Number of supported farms from financial institutions 	<ul style="list-style-type: none"> -MARD annually report/ Agency reports - Reports from Ministry / Directorate for inspection - EC decision on conferral of management powers - Reports from financial institutions, farmers feedback 	<p>MARD new organization in line with IPARD requirements approved.</p> <p>Adequate resources made available to staff and to guarantee operations of the public instruments for Rural Development.</p> <p>Government commitment to Rural Development</p>

Results	Objectively verifiable indicators	Sources of Verification	Assumptions
Result 1: "IPARD Like" type of grant schemes are successfully implemented in compliance with IPARD requirements	<ul style="list-style-type: none"> - Number of applicants approved - Number of projects successfully completed - Number of agricultural holdings and processing industries are toward with EU standards (IPA Grant scheme) 	IPARD agency , MARD, Delegation of EU	Availability of human resources, their sufficient technical knowledge Adequate retention policy Good information champagne Good cooperation with financial sector
Result 2: Awareness on the IPARD procedures increased	<ul style="list-style-type: none"> - Establishment of a baseline level of information - Number of information campaign and events to the attention of various stakeholders -Number of training seminars/workshops for various stakeholders 	Project report, IPARD Agency, MARD	Availability of human resources Availability of necessary assets
Activities	Means	Costs	Assumptions
See section 3.4 of the PF	Administrative Agreement with the World Bank to implement the grant scheme related to result 1	IPA mil. € 5.2 National co-financing mil. € 1.6 Private contribution mil. € 6.1 (available after the entry into force 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	Q2/2014
Contract – AA with World Bank	6.898.961
Cumulated Total	6.898.961
Disbursed	Q2/2015 – Q4/2016
Contract – AA with World Bank	6.898.961
Cumulated Total	6.898.961

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

Institutional Framework

Employment structure of MARD

Ministry of agriculture and rural development, from the beginning of 2013 has made a significant institutional improvement in order to be ready for IPARD. Sector for payment currently has 35 employees, while Sector for rural development has 6 employees.

Ministry is in the process of adopting the new organizational chart and as soon as it is adopted it will be sent to EU.

Other employees are working in the area of economic and general affairs of the MARD. The Minister has an Assistant for Agriculture and Agro-industry, Payments, 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 have 42 employees.

Reference to laws, regulations and strategic documents

National Regulations:

- Law on Agriculture and Rural Development (Official Gazette No. 56/09);
- Law on public administration (Official Gazette No. 38/03; 22/08 and 42/11);
- Law on Civil Servants and State employees (Official Gazette No. 39/11);
- Law on Budget of Montenegro for current year (Official Gazette No, 66/12);
- Law on Public Internal Financial Control System (Official Gazette No 73/08 and 20/11);
- Law on General Administrative Procedure (Official Gazette No. 60/03 and 30/11);
- Law on obligations (Official Gazette No 47/08);
- Decree on Organization and Method of Operation of State Administration (Official Gazette No 5/12);
- Program for Agriculture and Rural Development of Montenegro under IPARD 2013.
- Guidelines on the form of treasury operations (Official Gazette 80/08);

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.

ANNEX IV: Details per EU funded contract

The 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 (M103) 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).

For grant scheme farmers will have to co-finance 50% of the eligible costs