

**EN  
ANNEX**



**Montenegro  
Ministry of Agriculture, Forestry and Water Management**

**PROGRAMME FOR THE DEVELOPMENT OF AGRICULTURE AND  
RURAL AREAS IN MONTENEGRO  
UNDER IPARD III 2021-2027**

**May 2022**

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*Picture 2: Distribution of volume of stems and distribution of ownership*

## Glossary of terms used in the Programme:

AA	<i>Audit Authority</i>
ADA	<i>Austrian Development Agency</i>
AFSVPA	<i>Administration for Food Safety, Veterinary and Phytosanitary Affairs</i>
ANC	<i>Areas of Natural Constrains</i>
ATCG	<i>Accreditation Body of Montenegro</i>
ATS	<i>Certificate of Accreditation</i>
AWU	<i>Annual Working Units</i>
B&H	<i>Bosnia and Herzegovina</i>
BIP	<i>Border Inspection Station</i>
BRDN	<i>Balkan Rural Development Network</i>
CAP	<i>Common Agricultural Policy</i>
CARDS	<i>Community Assistance for Reconstruction, Development and Stabilization</i>
CEFTA	<i>Central European Free Trade Agreement</i>
CETI	<i>Centre for eco-toxicological tests</i>
CLLD	<i>Community-Led Local Development</i>
CPF	<i>Country Programming Framework</i>
CRBE	<i>Central Register of Business Entities</i>
DANIDA	<i>Danish International Development Agency</i>
DG AGRI	<i>Directorate-General for Agriculture and Rural Development</i>
DRM	<i>Disaster Risk Management</i>
EC	<i>European Commission</i>
EIA	<i>Environmental Impact Assessment</i>
EIB	<i>Europe Investment Bank</i>
ELARD	<i>European LEADER Association for Rural Development</i>
EMERALD	<i>Ecological Network</i>
EMEP/EEA	<i>European Monitoring and Evaluation Programme/European Environmental Agency</i>
EU	<i>European Union</i>
EPCG	<i>Electric Power Company of Montenegro</i>
FAO	<i>Food and Agriculture Organization</i>
FSS	<i>Farm structure survey</i>
FFPA	<i>Framework Agreement</i>
GAP	<i>Code of good agricultural policy</i>
GDP	<i>Gross Domestic Products</i>
GEF	<i>Global Environmental Fund</i>
GHG	<i>Global Heating gases</i>
GWh	<i>Gigawatt hours</i>
GMO	<i>Genetic modified organism</i>
Ha	<i>Hectare</i>
HACCP	<i>Hazard Analyses and Critical Control Points</i>
HDI	<i>Human Development Index</i>
hl	<i>Hectolitre</i>
IA	<i>IPARD Agency</i>
IACS	<i>Integrated Administration and Control System</i>
IBRD	<i>International Bank for Reconstruction and Development</i>
IDF	<i>Investment Development Fund</i>
IFAD	<i>International Fund for Agricultural Development</i>
IHSM	<i>Institute of Hydrometeorology and Seismology of Montenegro</i>
IPA	<i>Instruments for Pre-accession Assistance</i>
IPA MC	<i>IPA Monitoring Committee</i>
IPARD	<i>Instruments for Pre-accession Assistance for Rural Development</i>
IPCC	<i>Inter-governmental Panel on Climate Change</i>
ISP	<i>Indicative Strategy Paper</i>
km <sup>2</sup>	<i>Square kilometres</i>
LAG	<i>Local Action Group</i>
LAU	<i>Local Administrative Unit</i>

<i>LEADER</i>	<i>French acronym, standing for- Liaison Entre Actions de Developement de l'Économie Rural – meaning – Links between the rural economy and development actions</i>
<i>LEE</i>	<i>List of Eligible Expenditure</i>
<i>LU</i>	<i>Livestock Units</i>
<i>LUCF</i>	<i>Land Use Change and Forestry</i>
<i>m<sup>2</sup></i>	<i>Square meter</i>
<i>m<sup>3</sup></i>	<i>Cubic meter</i>
<i>M&amp;E</i>	<i>Monitoring and Evaluation</i>
<i>MA</i>	<i>IPARD Managing Authority</i>
<i>MAFWM</i>	<i>Ministry of Agriculture, Forestry and Water Management</i>
<i>MC</i>	<i>Monitoring Committee</i>
<i>MIDAS</i>	<i>Montenegro Institutional Development and Agriculture Strengthening</i>
<i>mil.</i>	<i>Million</i>
<i>MNE</i>	<i>Montenegro</i>
<i>MONSTAT</i>	<i>Statistics Office of Montenegro</i>
<i>MW</i>	<i>Megawatt</i>
<i>NRDM</i>	<i>Network for Rural Development of Montenegro</i>
<i>N2000</i>	<i>Natura 2000</i>
<i>NAO</i>	<i>National Authorizing Officer</i>
<i>NF</i>	<i>National Fund</i>
<i>NGO</i>	<i>Non- governmental organization (s)</i>
<i>NIPAC</i>	<i>National IPA Coordinator</i>
<i>NIS</i>	<i>National Forest Inventory</i>
<i>NMS</i>	<i>National Minimum Standards</i>
<i>NMVOC</i>	<i>Non-methane volatile organic compounds</i>
<i>NRDS</i>	<i>National Agriculture and Rural Development strategy</i>
<i>NRL</i>	<i>National Reference Phytosanitary Laboratory</i>
<i>NUTS</i>	<i>The Nomenclature of Territorial Units for Statistics</i>
<i>OECD</i>	<i>The Organization for Economic Cooperation and Development</i>
<i>OS</i>	<i>Operating Structure</i>
<i>PDO</i>	<i>Protected Designation of Origin</i>
<i>PGI</i>	<i>Protected Geographic Indication</i>
<i>PRAG</i>	<i>Practical Guide to Contract Procedures for EU External Actions</i>
<i>RAS</i>	<i>Recirculating Aquaculture Systems</i>
<i>RBD</i>	<i>River basin districts</i>
<i>RCTP project</i>	<i>Cluster development and rural transformation project</i>
<i>RD</i>	<i>Rural development</i>
<i>RED</i>	<i>Real Estate Directorate</i>
<i>SA</i>	<i>Sectoral Agreement</i>
<i>SHPP</i>	<i>Small hydropower plants</i>
<i>SIDA</i>	<i>Swedish International Development Agency</i>
<i>SO</i>	<i>Standard Economic Output</i>
<i>SWG RRD</i>	<i>Regional Rural Development Standing Working Group</i>
<i>SWOT</i>	<i>Strengths, weaknesses, opportunities, threats analysis</i>
<i>T</i>	<i>Tons</i>
<i>TA</i>	<i>Technical Assistance</i>
<i>TAIEX</i>	<i>Technical Assistance and Information Exchange instrument</i>
<i>TF</i>	<i>Trust Fund</i>
<i>UN</i>	<i>United Nations</i>
<i>UNDP</i>	<i>United Nations Development Programme</i>
<i>UNFCCC</i>	<i>United Nations Framework Convention on Climate Change</i>
<i>USAID</i>	<i>United States Agency for International Development</i>
<i>VR</i>	<i>Vineyard Register</i>
<i>WB</i>	<i>World bank</i>
<i>WBC</i>	<i>Western Balkan Countries</i>
<i>WFD</i>	<i>Water Framework Directive</i>
<i>WTTC</i>	<i>The World Travel and Tourism Council</i>

## 1. TITLE OF IPA RURAL DEVELOPMENT PROGRAMME

Programme for the development of Agriculture and Rural areas in Montenegro under IPARD III 2021-2027

## 2. BENEFICIARY COUNTRY

Montenegro

### 2.1. Geographical area covered by the Programme

According to the relevant Law on Territorial Organization of Montenegro, the territory of Montenegro is divided into 24 municipalities, including the Capital city Podgorica, municipality within the Capital city and the Old Royal Capital Cetinje.

According to the Statistics Office of Montenegro – MONSTAT Montenegro is a single statistical region at all three NUTS levels. Further division onto local administrative units: LAU1 (Local Administrative Unit 1) is equivalent to Montenegrin municipalities (24 in total), and LAU2 to settlements, 1,307 in total.

## 3. DESCRIPTION OF THE CURRENT SITUATION, SWOT AND IDENTIFICATION OF NEEDS

### 3.1. General socio-economic context of the geographical area

#### Montenegrin demographic trends

Montenegro is situated in the southeast of Europe, with a surface area of 13,888<sup>1</sup> km<sup>2</sup>, which represents 0.31% of the area of EU-27. The total length of the land borders is 614 km. The neighbouring country to the west and partly to the north is Bosnia and Herzegovina (225 km or 36.6% of total land border), to the north and northeast, Serbia and Kosovo\* (203 km or 33.1%), to the southeast, Albania (172 km or 28%) and to the southwest, Croatia (14 km or 2.3%). The Adriatic Sea coastline is 293.5 kilometres long.

According to the last Census carried out in 2011, by the Statistical Office of Montenegro, the population of Montenegro is 620,029, while according to the data from the mid-year approximation done by Statistical Office of Montenegro in 2020 the population of Montenegro was 621,306. The population density is 44.76 people per km<sup>2</sup> on average, making Montenegro one of the most sparsely populated countries in Europe (except for the Nordic countries). According to the Constitution of Montenegro, the Capital city is Podgorica with a population of 190,488 while the Old Royal Capital is Cetinje with a population of 15,046.

Table 1: Population in Montenegro, total and by regions, 2003-2020<sup>2</sup>

Region	Population, Census 2003		Population, Census 2011		Population, 2020 midyear approximation	
	Total	%	Total	%	Total	%
Coastal	145,847	23.52	148,683	23.98	155,050	24.96
Central	279,419	45.06	293,509	47.34	304,946	49.08
Northern	194,879	31.42	177,837	28.68	161,310	25.96
<b>Total</b>	<b>620,145</b>	<b>100.00</b>	<b>620,029</b>	<b>100.00</b>	<b>621,306</b>	<b>100.00</b>

Source: Statistical Office of Montenegro, Census 2003, Census 2011 and 2020 midyear approximation

<sup>1</sup> Statistical Yearbook 2019

\* This designation is without prejudice to positions on status, and is in line with UNSCR 1244/1999 and the ICJ Opinion on the Kosovo declaration of independence.

<sup>2</sup> Negative population trend for the period 2003-2011 due to different methodology applied during the Census 2011 and 2020 midyear approximation.

There is an obvious trend related to the massive migration from the Northern part of Montenegro to the Central and Coastal according to the data from the last three decades as showed in the Table 2.

*Table 2: Net migration by regions, 2011-2020*

Year	Northern	Central	Coastal
	Net migrations		
2011	-1,407	768	639
2015	-1,189	671	518
2020	-907	541	366

*Source: Statistical Office of Montenegro*

Montenegro belongs to the category of countries with a very old population and over the last fifty years, the natural population increase fell by 60%.

*Table 3: Population by age structure, %*

Year	Age group		
	Age 0-14	Age 15-64	65 and above
2003	20.7%	67.2%	12.1%
2011	19.0%	68.0%	13.0%
2020	17.9%	66.3%	15.8%

*Source: Statistical Office of Montenegro*

Concerning the gender structure of Montenegro, the difference is in favour of women, but that difference is reducing from census to census.

*Table 4: Montenegro's population by gender*

Census year	Total	Male	Female	Gender ratio (%)	
				Male	Female
2003	620,145	305,225	314,920	49.2	50.8
2011	620,029	306,236	313,793	49.4	50.6
2020	621,306	307,210	314,096	49.4	50.6

*Source: Statistical Office of Montenegro, Census 2003, 2011 and 2020 midyear approximation*

### **Definition of rural area**

By the OECD methodology, the entire territory of Montenegro could be considered as rural. However, having in mind the disparity between territorial units at the local level (municipalities) and taking into account other specificities of Montenegro, it is suggested to use the approach described in Annex II - Rural and mountain areas in Montenegro, to define rural areas.

The most frequently used methodology for defining rural areas is OECD methodology, according to which a community is considered rural if its population density is lower than 150 inhabitants per km<sup>2</sup>, while a community is considered urban if population density is above 150 inhabitants per km<sup>2</sup>.

Rural areas are classified further at the regional level as follows:

1. Predominantly rural region – more than 50% of the population lives in rural local communities,
2. Intermediate regions – between 15% and 50% of a region's population lives in rural local communities,
3. Predominantly urban regions – less than 15% of a region's population lives in rural local communities.

Analysing the three regions (Northern, Central and Coastal) of Montenegro according to the OECD methodology, the Northern region, covering 15 municipalities, belongs to predominantly rural regions (59.7% of the population lives in rural local communities), while the Coastal (41.7%) and the Central (20.4%) belong to intermediate regions.

Table 5: Display of urban/rural areas at the regional level, according to the OECD methodology

Region	Number of Inhabitants	Urban population		The rural population	
		Number	%	Number	%
Coastal	148,683	86,707	58.3	61,976	41.7
Central	293,509	233,640	79.6	59,869	20.4
Northern	177,837	71,673	40.3	106,164	59.7
<b>Total</b>	<b>620,029</b>	<b>392,020</b>	<b>63.2</b>	<b>228,009</b>	<b>36.8</b>

Source: Statistical Office of Montenegro - Census 2011

### Economic and social significance of agriculture

Sectors of tourism, energy and agriculture are playing an important role in the Montenegrin economy. Significance of the agriculture sector is noticeable in its high participation in overall GDP. In 2020, the agriculture, forestry and fisheries sector in the structure of GDP amounted to 7.6%, which is 1.2% higher compared to 2019. This increase of the agriculture, forestry and fisheries sector share was caused by the COVID 19 virus pandemic, which led to reduced activity of certain industries (tourism, trade, etc.). Thanks to the EU export number, more and more Montenegrin companies are putting their products on the EU market.

Table 6: Share of agriculture, forestry and fisheries in GDP for the period 2014-2020 (in 000 EUR)

Indicator	2014	2015	2016	2017	2018	2019	2020
Gross value production	451,061	483,662	476,353	483,654	515,240	519,596	451,061
GDP in agriculture, forestry and fishery (000 EUR)	280,086	294,597	295,310	294,655	313,933	316,541	316,214
Share of agriculture, forestry and fishery in GDP (%)	8.1	8.1	7.5	6.9	6.7	6.4	7.6

Source: Statistical Office of Montenegro

### Employment

According to the Statistical Office of Montenegro data (Labour Force Survey) for 2020, the total labour force in Montenegro consists of 267,200 of the active population. From this number 219,400 person were employed while 47,800 were unemployed. The group most affected by unemployment is age range 15-24 (36%).

In accordance with the FSS 2016 data on employment in 43,791 family agricultural holdings, there are 99,236 working persons in family agricultural holdings. The total 43,791 of agricultural holdings possess 255,845.8 ha of total utilised agricultural land, i.e. average agricultural holding possesses 5.84 ha of agricultural land.

Table 7: Agricultural holdings by utilised agricultural land, economic size, and labour force

	Number of holdings	Utilised agricultural land ha	Average area of agricultural utilized land per holding (ha)	Labour force on agricultural holdings
Agricultural holdings	43,791	255,845.8	5.84	99,236

Source: FSS - Farm structure survey 2016 (Statistical Office of Montenegro)

By the beginning of 2021, about 13,900 agricultural farms have been entered in the Register of Agricultural Holdings, which have the opportunity to apply for the support of the Ministry of Agriculture, Forestry and Water Management through measures to support the Agrobudget. The rest of the existing agricultural farms that are not in the Register of Agricultural Holdings, are farms not using the national subsidies and producing for their own consumption.

In total, members of the holding (holder and other working members) have 0.47<sup>3</sup> AWU (Annual working units) of farm work on average (Labour force on family agricultural holdings AWU/Total labour force on the holding).

*Table 8: Labour force at family agricultural holdings by age groups, and annual work units (AWU<sup>4</sup>)*

Category	Total number of employees				AWU	
	Agricultural Census 2010	%	FSS 2016	%	Number	%
Up to 24 years	6,717	6.8	7,381	7.43	2,304.9	5.0
Between 24 and 34 years	11,340	11.5	10,562	10.64	4,838.6	10.4
Between 35 and 44 years	15,675	15.9	14,816	14.93	7,606.8	16.4
Between 45 and 54 years	21,562	21.9	20,689	20.84	10,447.9	22.5
Between 55 and 64 years	19,849	20.2	22,495	22.66	10,001.6	21.5
65 years and over	23,198	23.6	23,293	23.47	11,273.3	24.3
<b>Montenegro, total</b>	<b>98,341</b>	<b>100.0</b>	<b>99,236</b>	<b>100.0</b>	<b>46,473.0</b>	<b>100.0</b>

*Source: Statistical Office of Montenegro, Agricultural Census 2010 and FSS 2016*

The number of 46,473 annual working units in family agricultural holdings is one of the best proofs how the agriculture is important not only for the economy but for the whole Montenegrin society.

The structure of total working persons on family agricultural holdings by educational attainment is the following:

- No education 3.89%,
- Unfinished primary education 5.81%,
- Primary education 27.93%,
- Any secondary school finished 53.26%,
- Post-secondary or higher education is 9.09%.

### 3.2. Performance of the agriculture, forestry and food sectors

#### Characteristics of agriculture, forestry and food sector

**Structure of agricultural land** is unfavourable in terms of the size of agricultural holdings compared to the size of farm holdings in Member States and countries in the region. Comparing the data from the Survey on the Structure of Agricultural Holdings (Statistical Office of Montenegro), the average area of used agricultural land per farm in Montenegro is 5.84 ha. However, it should be taken into account that 58% of agricultural holdings own up to 2 ha of land, which means that the used agricultural land is very fragmented, which additionally negatively affects the full utilization. The graph below shows the number of farms by size of agricultural land.

*Table 9: Number of farms by size of agricultural land*

Farm size (ha)	No. of agricultural households	Farm size (ha)	No. of agricultural households
No land	311	6.00≤8.00	2,164
<0.10	1,560	8.00≤10.00	1,082

<sup>3</sup> The labour force on the family agricultural holding comprise holder of the holding; other family members working on the holding, and other regularly employed persons (nonfamily members).

<sup>4</sup> As described by Statistical Office of Montenegro, full-time engagement was counted by using Annual work unit (AWU) as an employment equivalent. The time spent for the work on the holding is actually spent time for the work in agriculture, excluding the holding work. For full-time employment 1,800 hours are taken to be the minimum for Montenegro (225 working days of eight hours each). The farm work is separated from the additional activities.

0.10≤0.50	10,590	10.00≤15.00	1,584
0.50≤1.00	5,815	15.00≤20.00	1,042
1.00≤2.00	7,363	20.00≤30.00	1,029
2.00≤3.00	3,895	30.00≤50.00	900
3.00≤4.00	2,511	50.00≤100.00	587
4.00≤5.00	1,600	More than 100.00	296
5.00≤6.00	1,462		

*Source: Statistical Office of Montenegro, 2016*

**Meadows and pastures** covered areas are slightly increasing in the period 2016-2021. Natural meadows have relatively low yields, because agro-technical measures of any kind are not applied to large parts of these meadows. Natural meadows and pastures, with the greatest potential for fodder plant production, are increasingly exposed to degradation processes, which are reflected in unfavourable changes in botanical composition, increased participation of worthless and harmful plant varieties, etc.

**Unused agricultural land**, both privately and state-owned, represents a significant potential for increasing agricultural production.

**Land market** is poorly developed. Unresolved property relations (unfinished probate proceedings, hereditary right to use pastures and pastures, land subject to restitution, etc.) are a major problem for farmers, especially when applying for support programmes.

**Low level of organization, i.e. association of agricultural farms** (negative experience with socialist cooperatives), the absence of the process of including them in larger forms of organization and other forms of cooperation directly affect the level of competitiveness and market positioning.

The structure of farms and the average size of farms indicate a low investment potential, and thus a low level of technical and technological equipment, which determines further modernization in combination with diversification measures, in order to raise the level of economic sustainability.

**Distance and disunity of the village** is one of the structural shortcomings. According to the physiognomic structure, rural settlements on the territory of Montenegro are classified into villages of the broken type, which is characterized by the fragmentation of residential buildings. The configuration of the land further complicates the connection of neighbouring villages, thus the establishment and maintenance of infrastructure requires significant attention.

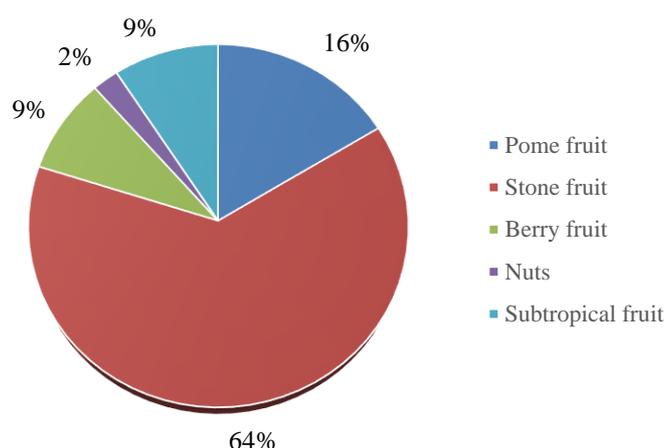
**Plant production** it is characterized by a combined type of production mainly on small family farms. Since it is clear that land resources are small, the basic focus of development must be on quality competitiveness. This is a very understandable concept that involves a large number of synchronized reflections, actions and efforts of both the institution and the producers themselves.

### **Fruit growing**

According to FSS 2016, the total used agricultural land in Montenegro was 255,845.8 ha, and arable land 14,512 ha. Of that, fruit is produced on about 2,551 ha, which is 17% of arable land. Parcels are often small, ungrouped and difficult to access, and represent a rather limiting factor related to this type of production.

About 20,000 t to 30,000 t of various fruits are produced annually in Montenegro, mainly plums, apples, peaches, pears and mandarins, and the average production growth is 6.8% per year. Fruit production is dominated by plums and apples, which makes an average of about 80% of the total quantities of fruit produced in Montenegro.

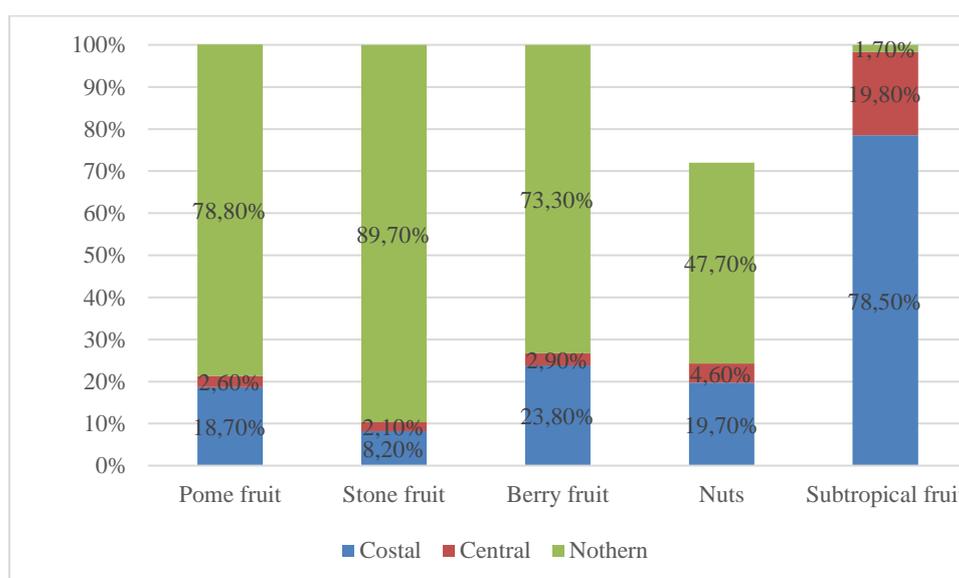
Graph 1: Fruit production structure



Source: MAFWM - Register of Agricultural Holdings

In the structure of areas under fruit, in all groups, the Northern region dominates with over 70% share, except in subtropical fruits (citrus, pomegranate, figs) where the dominant share is the Coastal region.

Graph 2: Structure of areas under fruit groups by regions



Source: MAFWM - Register of Agricultural Holdings

## Vegetables

Vegetable production in the last ten years in Montenegro is on average based on about 3,800 ha, which is about 28% of total arable land. Areas under vegetables have an average annual growth of 2.8%, and the total average vegetable production in the last 10 years is 72,000 t with an average annual growth rate of 4%.

Non-perishable vegetables (potatoes, onions, carrots, cabbage, beans and peas) dominate in the total area under vegetables in Montenegro with a share of 67%, in the structure of production is 59%, while in the structure of imports it accounts for 42% of vegetable imports.

Perishable vegetables (watermelons, tomatoes, peppers, melons and cucumbers) account for 33% of total vegetable production. In 2019, perishable vegetables were grown on nearly 1,000 ha, which makes up 22.6% of the area under vegetables, and a total of 30,800 t was produced.

Table 10: Vegetable production (t)

Year	2014	2015	2016	2017	2018	2019
Onion	2,151.40	2,341.60	2,473.40	2,667.90	2,739.60	2,532.10
Tomato	3,533.30	3,935.80	4,464.10	4,767.70	4,865.90	4,444.10
Pepper	4,042.90	4,499.60	5,643.80	5,479.20	5,546.00	5,180.30
Bean	837.50	855.50	931.70	931.10	232.90	251.10
Melon	1,279.70	1,368.90	1,744.80	1,724.60	1,817.20	1,861.10
Watermelon	15,260.00	20,194.00	17,413.00	17,538.00	18,107.00	17,406.00
Cucumber	1,511.60	1,821.70	1,962.50	1,894.70	1,972.50	1,964.10
Potato	31,096.00	35,445.00	39,504.00	36,631.00	34,888.00	35,462.00
Cabbage	10,442.00	10,623.00	12,258.00	12,440.00	12,509.00	11,381.00
Other vegetables	5,037.20	5,464.10	6,685.20	6,545.20	6,869.10	6,868.80
<b>Total</b>	<b>75,191.60</b>	<b>86,549.20</b>	<b>93,080.50</b>	<b>90,619.40</b>	<b>89,547.20</b>	<b>87,350.60</b>

Source: Statistical Office of Montenegro

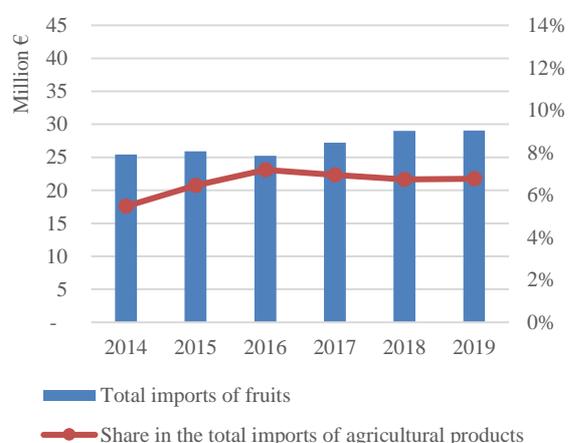
In the regional distribution of perishable vegetables, the dominance of the Central region and a significant part of the Coastal region is expressed, while in the non-perishable vegetables the Central and Northern regions have approximately equal shares.

The lack of adequate storage capacity in the vegetable sector limits sales opportunities. Professional producers, even though they do not have large land holdings, extract the maximum from the available resources.

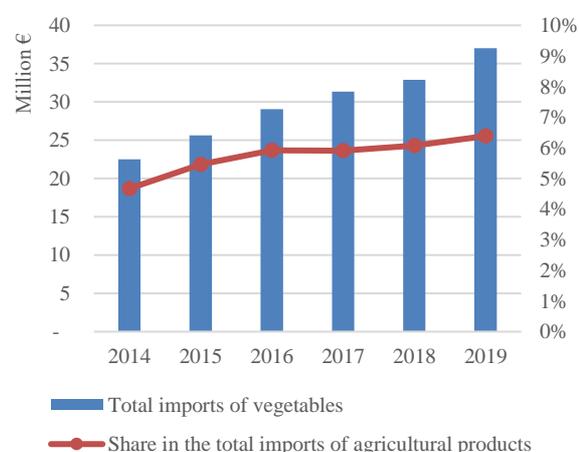
By adding value to primary production through processing, producers extend the sales season, stabilize revenues, and take a place in the domestic market. In the Central Register of Registered Facilities of AFSVPA, 65 agricultural farms engaged in fruit processing and 7 agricultural holdings engaged in vegetable processing are registered (production of small quantities of primary products of non-animal origin produced on a family farm).

Montenegro is a net importer in the fruit and vegetable sector. The reasons for that are limited resources, a small number of professional producers who apply modern production technologies and relatively low average yields of dominant fruit and vegetable crops.

Graph 3: Total imports of fruit (left in EUR mil. ) and share in the total imports of agricultural products (right) in period 2014-2019



Graph 4: Total imports of vegetables (left) and share in total imports of agricultural products (right) in the period 2014-2019



Source: UN Comtrade

The improvement of production should primarily be directed towards increasing the utilization of areas per unit of measure, through investments in new technology and equipping production plantations and capacities. It is necessary to modernize greenhouse production by using better quality inputs, modern greenhouses, modern irrigation systems with fertigation, etc. The introduction of hydroponics as a standard in high-intensity production is the next step in development, with significantly higher yields and product quality. In the case of perishable vegetables, the improvement of production in the coming period is focused on the complete mechanization of the production process, the use of high-yielding hybrids, adequate irrigation and the use of quality inputs, primarily fertilizers.

Increasing the quality of products can significantly increase the chances of their placement, especially through tourism and quality labels, where consumers are willing to pay a higher price than usual.

By concentrating on the tourist season with premium products, attractive assortment, adequate packaging and presentation of products on the market, it is possible to largely substitute imports and improve the placement of domestic products on the domestic market.

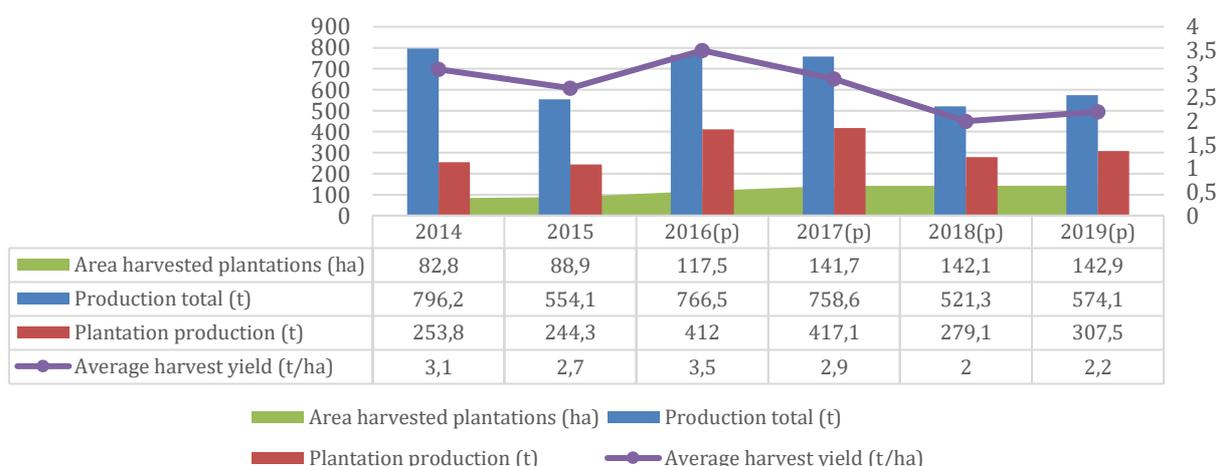
The development of new agricultural products is essential for Montenegrin agriculture. Sustainable agriculture and food value chain are recognized as a priority sector in the Smart Specialization Strategy of Montenegro 2019 - 2024<sup>5</sup>, development of new agricultural products as one of the priorities. In order for fruits and vegetables produced and sold by producers to be recognized as a finished product, it is necessary to invest in many production segments, such as production technology, variety, quality, quality label, packaging, labelling and promotion, etc. Food safety and quality standards are just a condition for bringing fruits and vegetables to market, but market positioning is much more complex.

### Olive growing

In Montenegro, olive growing sector occupies a significant place, not so much in the importance of the total value of production, but in its specificity and the importance of tradition. Olive growing as a branch predominates in the Coastal area of Montenegro, where about 500,000 olive trees are planted on about 3,400 ha of total area, average age over 200 years. These parcels are mostly under old, extensive plantations, most often on less accessible terrains and fragmented parcels.

With a large number of ancient olive trees and old olive groves such as Valdanos with 80,000 trees and Luštica with about 20,000 trees, the olive sector has unique competitive advantages, which could be used for marketing, promotion and development unique products and services.

Graph 5: Olive production, area harvested and average harvest yield period 2014 - 2019<sup>6</sup>



Source: Statistical Office of Montenegro, 2020

<sup>5</sup> [https://www.s3.me/sites/default/files/2019\\_12/Strategy\\_smart\\_specialization\\_of\\_Montenegro2019-2024.pdf](https://www.s3.me/sites/default/files/2019_12/Strategy_smart_specialization_of_Montenegro2019-2024.pdf).

<sup>6</sup> The average yield (t/ha) in the above graph refers to production on plantations.

There are 616 olive growers registered in the Register of Agricultural Holdings, whose average size of olive groves is 0.42 ha. Out of the total number of olive growers in the register, 409 are producers with less than 0.5 ha, while only 9 olive growers with over 3 ha are registered. The largest registered olive grove is 4.87 ha. The average harvest yield in the olive growing sector is very modest and ranges between 2 and 3 t/ha, which reflects, among other things, the high age of native olive groves and the incomplete yield of the new plantings.

Currently, there are 8 registered olive oil mills in Montenegro, production capacity of 250-500 kg/h. The olive fruit is mostly processed into oil (90%), and a small part is canned for home use. Consumption of olive oil in Montenegro is relatively low, 0.5 l per capita.

Montenegrin olive growing is characterized by variations in annual yields, which is most often a consequence of irregular and incomplete implementation of agro-technical measures. Yields vary from 300 t of olives per year in poor harvest years, to 2,600 t of olives in record yield years (2012).

There is no olive oil whose name is successfully protected by this quality scheme in Montenegro, despite the apparent existence of the key basic parameters necessary for such registration.

There is a significant increase in the number of olive oil samples analysed, and an increasing share of oils rated as extra virgin, reflecting olive growing producers understanding of the importance of properly analysing and labelling their products.

Olive growers in Montenegro are mostly gathered in eight olive growers' associations (almost 4.000 members). Their numerous activities focus on: educating and informing farmers about modern primary production, processing and storage, sensory analysis, labelling and other aspects of olive oil sales/marketing, liaising with the MAFWM and other relevant institutions, cooperation with the advisory service in the implementation of pest/disease control programmes, participation in various development projects and programmes, etc.

Most olive groves in Montenegro provide excellent opportunities for synergy with tourism; engaging in various efforts to diversify olive oil production, combining agriculture with the development of tourism, offering catering services, including olive oil tastings, olive grove tours, gastronomic events, souvenir making, etc.

### **Viticulture and winemaking**

If compared with surfaces under vineyards of the world's leading wine countries, surfaces under vineyards in Montenegro are not large. However, when compared with surfaces under other agricultural crops or surfaces under vineyards in neighbouring countries, Montenegro has significant surfaces under vineyards, considering the total surface of the country and the needs of the population and tourists. Based on information from the Statistical Office of Montenegro, total surfaces under vineyards, including both the modern vineyard plantations and croft vineyards, were 2,991.5 ha in 2019. In the past ten years, the area under vineyards in Montenegro has increased by 285.6 ha, which is an annual increase of nearly 1%. Given that the new regionalization of wine-growing geographical production areas in 2017 has expanded the area where it is possible to successfully grow vines and produce high quality grapes and wine, there are conditions for more intensive raising of vineyards, especially in areas where they cannot cultivate other agricultural crops.

*Table 11: Total areas under vineyards by years (ha) 2014–2019*

Year	2014	2015	2016	2017	2018	2019
Area under all vineyards	2,847.4	2,852.1	2,976.8	2,966.3	2,954.5	2,991.5

*Source: Sectorial analyses*

The main feature of the viticulture and winemaking sector of Montenegro is that the one subject - winery Company "13. Jul - Plantaže" owns nearly 90% of the area of vineyards (vineyard plots) entered in the Vineyard Register (VR), with an annual production of 89,411 hl, which is 95.32% of total average production, which is the main factor in the development of viticulture and winemaking sector of Montenegro. The second part of the sector consists of producers, mainly family farms with small vineyards and small wine production

capacities. According to the MAFWM, a total of 313 winegrowers who produce grapes for commercial purposes are registered in the VR, while the average area under the vineyard is quite low, i.e. 0.51 ha.<sup>7</sup>

There are 88 wine producers registered in Montenegro, of which 31 wineries are located in the municipality of Podgorica, which indicates the need to more actively develop the wine sector through support measures in other wine-growing areas.

The average total yield of grapes per ha in Montenegro in the last ten years (2010–2019) was 8.44 t/ha. Such a moderately low yield, with favourable ecological conditions, enables the production of high-quality grapes and wine.

The varietal structure of seedling production in recent years has been dominated by the production of seedlings of the autochthonous Montenegrin variety Vranac, which represents more than 80% of seedling production.

According to the data from the Vine Register, the areas under vineyards with table varieties intended for the production of table grapes occupy 7.29% of the total area of all registered vineyards. Although the areas under vineyards with table varieties have not changed in the last three years, there is certainly the possibility and need to increase these areas.

Viticulture geographic production areas in Montenegro are divided into four regions for production of grapes and wine, in particular:

1. Wine-growing region *Crnogorski Basen Skadarskog Jezera*, within which there are seven subregions: *Kučki*, *Crmnički*, *Riječki*, *Podgorički*, *Piperski*, *Katunski*, and *Bjelopavlički*;
2. *Crnogorsko-Primorski* wine-growing region, within which there are four subregions: *Bokokotorski*, *Budvansko-Barski*, *Ulcinj* and *Jadransko Zaleđe*;
3. Wine-growing region *Nudo*; and
4. Wine-growing region *Crnogorski Sjever*, within which there are four subregions: *Dragaljsko Polje*, *Nikšićki Subregion*, *Šćepan Polje*, and *Bjelopoljski Subregion*.

Montenegro has harmonized the legislation for quality policy, i.e. geographical origin with the PDO/PGI system in the European Union. Currently, seven designations of wine origin are protected in Montenegro: "Crmnica", "Podgorica subregion", "Ulcinj subregion", "Boka Kotorska", "Nudo", "Katunska nahija" and "Bjelopavlići", as well as two geographical indications wines, namely: "*Crnogorski Basen Skadarskog Jezera*" and "*Crnogorsko primorje*".

Total zoned surface of wine-growing regions in Montenegro is 180,700 ha, which represents 13.08% of the country's territory.

The foreign trade of grapes has a negative balance, while the trade of wine has positive foreign trade balance. The importance of the viticulture and winemaking sector is evidenced by the fact that in the past five years, 26.04% of the average annual value of exported products was wine.

The main problems that make it impossible to raise vineyards in the conditions of weaker economic power of grape and wine producers are high investment costs for raising vineyards and their maintenance. Also, the expansion of areas under vineyards prevents the impossibility of renting or purchasing larger plots for the construction of larger vineyard complexes in mountainous wine-growing areas.

The lack of heavy machinery for land preparation, i.e. for rigging, undermining and deep ploughing, and in some cases the impossibility of their use due to the configuration of the terrain, slows down the significant raising of vineyards.

The main problems with most producers in grape processing, i.e. wine production are poor equipment and lack of modern technology in processing capacities, storage of waste and wastewater management. These problems are most expressed among producers and processors with small capacities.

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<sup>7</sup> Excluding the areas of the Company "13 Jul Plantaže".

## Livestock production

If we compare the average area of used agricultural land and the number of livestock units (LU), we come to the conclusion that in Montenegro the relatively small land load with LU/ha, only 0.53 LU/ha, while the average load of LU/ha in the EU-27 is 0.8 LU/ha.

Out of a total of 43,791 agricultural holdings, according to MONSTAT, as many as 31,260 have some kind of livestock production<sup>8</sup>, which makes up 71% of all agricultural holdings, where is 89,269 cattle, 191,922 sheep, 31,458 goats, 55,854 pigs, 8,350,705 poultry and 3,947 horses, donkeys and mules.

Regarding to Register of Agricultural Holdings, from the total number of registered agricultural holdings, 7,881 agricultural holdings in Montenegro is engaged in livestock production, which is 66.45% of the total number of farms. In some municipalities such as Šavnik and Plužine, these percentages are extremely high, i.e. 93% and 84%. It is obvious that keeping cattle, whether for the needs of milk or meat production, is the most important agricultural activity in Montenegro.

The dominant way of raising and feeding cattle in Montenegro is pasture extensive, which reflects the specific natural conditions of Montenegro - significant areas under pastures and meadows and small areas of arable land for the production of animal feed for stable farming.

Additionally, the fragmentation of the property, i.e. small plots, further complicates the intensification of agricultural production, therefore the land market should be further developed in order to promote the development of the livestock sector.

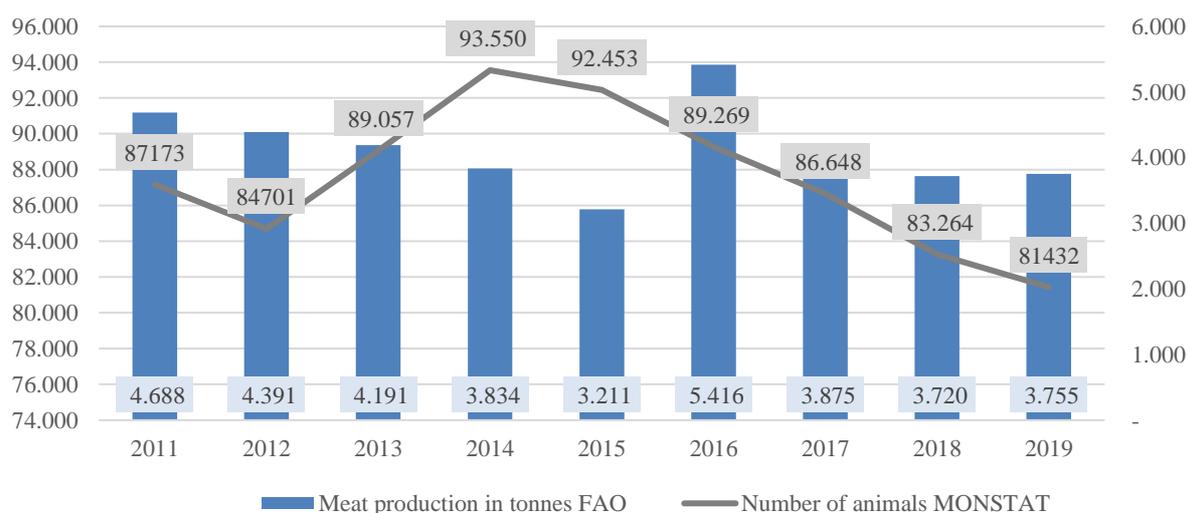
## Cattle breeding

According to the Register of Animals AFSVPA, the largest number of farms has 2-5 heads, while 168 farms have over 30 cattle. In addition to them, 3,731 farms keep 6-30 heads, with the average of their farm being just over 10 heads.

The dominant way of breeding and feeding cattle in Montenegro is pasture extensive fattening, which reflects the specific natural conditions of Montenegro - significant areas under pastures and meadows and small areas of arable land for the production of animal feed for stable farming. This production guarantees quality meat.

Inadequate racial composition, especially the low share of fattening breeds in the total fattening of cattle, was recognized by the sector analysis.

Graph 6: Cattle and beef production



Source: Statistical Office of Montenegro, FAO

<sup>8</sup> FSS, Statistical Office of Montenegro, 2016.

A small number of producers are exclusively engaged in fattening using specialized fattening breeds. That is why the racial composition is bad and crossbreeds predominate, namely the breed for milk production. In the controlled population, it is 29%, while in the total it is significantly higher. When it comes to pure breeds, breeds for milk production predominate, primarily Holstein Friesian with 26% in the controlled population. The breeds brown and Simmental, as dual-breed breeds, are well adapted to the growing conditions in Montenegro, so they are widespread. The share of the brown breed, which is more grazing and which was the favourite breed of small producers with an extensive way of keeping, with the change of the structure of agricultural holdings in the direction of professionalization decreases at the expense of the Simmental breed.

Beef production in Montenegro is market-oriented. The main drivers of growth are the growth of demand in processing and the growth of tourist and local demand. Market production is predominantly located in the north of Montenegro due to better land conditions, less employment opportunities in other, mainly service industries and the existence of a processing industry.

The processes of enlargement and professionalization of producers, specialization in fattening breeds, branding the quality of fresh and processed meat, growth of industrial processing and demand for traditional processing are challenges in this sector, which with adequate investment and support will give a satisfactory result.

### Sheep breeding

Sheep meat production is based on semi-extensive and extensive farming methods, which are carried out mainly in the higher parts of Montenegro. There are breeds that have a triple purpose - meat, milk and wool. Keeping specialized, typical breeds for milk production is not represented, so the purchase of milk is poorly organized.

The basis of sheep production in Montenegro is the production of lamb and sheep meat with breeds and strains of sheep with combined production characteristics. The most common type is Pramenka, which has more strains and populations with a significant share of crossbreeds, which is estimated at over one third of the total number. In general, the racial composition is adapted to the conditions, type of breeding and knowledge of livestock breeders and does not represent an obstacle to development, although there should be a greater introduction of new breeds. According to FAO data, over 1,000 t of lamb are produced annually in the period from 2013 to 2018. In the same period, the quantity of slaughtered animals in approved slaughterhouses ranged from 563 t to 824 t, indicating that slaughter outside slaughterhouses is still widespread and that production and trade are carried out by direct sale.

*Table 12: Sheep meat and sheep population*

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Meat production (t)-FAO	995	1,043	1,145	1,801	928	1,067	1,991	1,180	1,056	1,147
Number of sheep's-MONSTAT	198,165	208,771	207,047	190,843	204,403	194,636	191,992	189,008	187,021	182,127

*Source: Sectorial analysis for meat*

Montenegro has good natural conditions for sheep meat production, however this production is stagnant or slightly declining and is expected to continue to decline. The reasons are social in nature because there are fewer and fewer people who are willing to spend time tending sheep no matter how profitable this production has been. That is why sheep breeding in the world, and especially in the countries of the Western Balkans, is moving from mountain grazing and extensive farming to stable farming. Poor results of Montenegro on the list of competitiveness of sheep meat are the result of constant growth of imports, reduction in the number of heads, high prices, lack of exports, and lack of specific genetics and a large number of fattening breeds are well competitive.

In the long run, it is important to insist on increasing investment for new highly productive herds, storage facilities, electronic guards and other necessary investments. It is also necessary to promote quality in a way that emphasizes the introduction of new breeds, artificial insemination and the production of hybrids. It is also important to provide support for processing and connecting with tourism as a supplementary activity. There

are good experiences from the region when funds are directed to young shepherds. Programmes for the protection of old indigenous races should also find their place.

### Goat breeding

According to the Register of Animals, in 2020 there were 23,331 goats on 375 agricultural holdings. This traditional extensive and semi-extensive production in areas where natural conditions do not allow the cultivation of other species of ruminants (cattle or sheep) is increasingly being replaced by modern dairy farms where the main driver of growth is the production of quality cheeses for tourism and domestic supply. Market demand for goat products, which can be considered local specialties, is on the rise. This production has potential. As a complementary production, the sale of goat meat can also occur, where there is also potential if the customer is well targeted, achieving continuity of quality and supply.

### Pig breeding

Montenegro is uncompetitive in pork production. Consumption of pork has the largest share in the total consumption of meat in Montenegro, given that for the production of the most famous meat product - prosciutto, pork is used, so there is interest in high quality raw materials. Pig production is small and varies. That is about 23-25,000 heads, of which over 50% are piglets, about 12% are sows (slightly over 2,000 sows) and boars, and the rest are animals for fattening.

*Table 13: Total number of pigs and pork production*

Year	2011	2012	2013	2014	2015	2016	2017	2018	2019
Meat production (t) -FAO	4,446	3,780	540	2,793	3,308	3,531	3,899	3,436	2,831
Number of animals -MONSTAT	21,398	18,451	20,572	22,053	24,951	55,841	25,043	23,651	23,089

*Source: Sectoral analysis 2021<sup>9</sup>*

The main potential in the growth of this sector should be sought in adding value and marketing domestic products.

The goal of increasing production is essentially related to increasing the value of products, through processing and production of traditional products.

### Poultry

Since 2016, there has been an increase in the production of poultry meat and eggs. The number of poultry in this period varies from 666,000 to 788,000, where 75% are laying hens, and about 20% broilers.

Montenegro imports more than it produces poultry meat. It is a sector in which consumption is growing and where Montenegro has the opportunity to become recognizable in the production of high quality poultry meat and thus reduce import dependence. The possibility of stable placement of poultry meat from domestic production is conditioned by the establishment of domestic quality label or high quality poultry meat, through breeding in conditions that are significantly above the prescribed animal welfare standards, in order to attract consumers to choose the same price group.

Poultry producers in Montenegro face numerous difficulties in order to be price competitive with producers in the region, such as small-scale production, low level of equipment of production and processing capacities, limited access to inputs, lack of quality nutrients and high prices, lack of adequate space for manure storage, weak support for subsidies from the Agrobudget, and investment in this sector should be directed towards overcoming these problems.

Statistics show a steady increase in the amount of eggs that has almost doubled over the past ten years.

<sup>9</sup> The reason for the significant jump in the number of heads in 2016 is the change in the methodology of data collection in the middle of the implementation of the FSS (Farm Structure Surveys).

Table 14: Production of poultry meat and number of poultry and eggs

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Meat production (t) - FAO	3,500	3,500	3,500	3,350	3,400	3,355	3,600	3,650	3,532	3,769
Number of animals - MONSTAT	506,520	470,047	732,090	620,354	595,675	606,225	730,000	788,309	666,000	635,882
Numbers of eggs (000) MONSTAT	64,198	75,804	68,060	89,720	85,525	101,016	120,195	118,214	128,142	106,752

Source – Sectoral analysis

## Beekkeeping

The total number of beekeepers that are registered in the Register of Beekeepers of the AFSVPA in Montenegro is 1,598.

The number of hives in Montenegro according to the database of the Register of the AFSVPA is 65,398.

According to MONSTAT data, the production of honey in 2019 amounted to 604 t.

Although the cooperation between beekeepers, Association of Beekeeping Organizations and the MAFWM has led to successful programmes (examples are support for young beekeepers, branding of Montenegrin honey produced in the Honey House („Kuća meda“) and significant investments in the sector, sector analysis recognized the need for further investment in hives and bee societies, facilities for beekeeping, education of beekeepers, improvement of quality and packaging, labelling and sale of honey and other bee products.

## Fisheries

Fisheries are a small segment of the Montenegrin economy, but with recognized exceptional potential for growth and development. This traditional industry in Montenegro is represented in the form of fishing (economic in the fishing waters of Montenegro, in the fishing area of the coast and on Skadar Lake; sports-recreational, scientific-research, rehabilitation and selective fishing), aquaculture (freshwater aquaculture and mariculture), fish processing and fishery products.

Preconditions for the development of this sector are reflected in: the existence of rivers and lakes of exceptional beauty, access to the Adriatic Sea, the possibility of supplying aquaculture facilities with quality water, developed tourism and product placement through the tourist offer,

The marine fisheries and aquaculture sector needs to be strengthened in many segments in the coming period in order to be competitive.

One of the problems is the non-existence of fishing ports and the place of the first landing, as well as the organized purchase of the catch and its further processing.

The main types of economic fishing in the sea are sardines (*Sardina pilchardus*) with a share of 26.2% in the total landing, then anchovy (*Engraulis encrasicolus*) with 15.7%, tuna (*Thunnus thynnus*) with 6.8%, line (*Trachurus trachurus*) with 5.5%, and from demersal species of shrimp (*Parapenaeus longirostris*) and hake (*Merluccius merluccius*) with 3.7 and 3.9% and mullet (*Mullus barbatus*) with 3.6% share in the total landing 2017-2019).

Growing in mariculture is performed by 23 license holders at several locations in the Bay of Kotor, in the area of three municipalities: Kotor, Herceg Novi and Tivat.

Fish species that are farm in Montenegro are sea bass (*Dicentrarchus labrax*), gilthead sea bream (*Sparus aurata*), mussels (*Mytilus galloprovincialis*) and oysters (*Ostrea edulis*). Out of a total of 23 breeders, two breeders raise fish (in addition to shellfish), while the other 21 breeders raise only shellfish (one or two species).

Mariculture farms can be divided (based on the area of the farm) into large, with an area of over 10,000 m<sup>2</sup>, medium, with an area of 7,000 to 10,000 m<sup>2</sup> and small up to 7,000 m<sup>2</sup>.

*Table 15: Division of marine fish and shellfish farms by surface*

<b>Trout farm size</b>	<b>Farm area (m<sup>2</sup>)</b>	<b>Number of farms</b>	<b>Percentage in total area</b>
Big	> 10,000	2	18.3
Medium	7,000 - 10,000	15	66.7
Small	<7,000	6	15

*Source: Sectoral analysis 2021*

Of the total amount of farmed fish and shellfish, the largest part is mussels, and the smallest share in the total amount of farmed shellfish is oysters. The cultivated amount of mussels in the period from 2014 to 2019 ranges between 179 t (2016) and 228 t (2018).

The total number of farms of freshwater fish species in 2019 was 25, of which 20 farms with pools and 5 cage systems. Fish farming is intensive. The total area under trout farms, according to Statistical Office of Montenegro, is 29,247.4 m<sup>2</sup>.

Depending on the area of the farm (which is mainly monitored by the amount of farmed fish), we could divide the producers into large, medium and small.

When it comes to trout farms, large farms are those that have an area of over 30 acres, or 3,000 m<sup>2</sup>, medium from 10 to 30 acres and small up to 10 acres (up to 1,000 m<sup>2</sup>). The group of large farms includes 2 farms, the group of medium farms 5, and the other 18 belong to the group of small farms.

Trout farms are located along rivers or lakes in the Northern and Central region of Montenegro.

Although an intensive farming system is applied, the amount of farmed fish per unit surface is relatively small - about 25 kg/m<sup>2</sup> of water.

Of these farms, most of them grow from 5 to 20 t of trout, while only 5 farms grow over 50 t. The largest farm (cage system) is on Piva Lake with the amount of farmed fish from 100 t to 130 t per year.

The positive growth trend of the amount of farmed trout opens the possibility for the construction of new farms, especially those on family farms, which would contribute to the development of rural areas, fish-ecological tourism and keep the population in rural areas.

The negative trend in freshwater aquaculture is reflected in the poor utilization of natural resources for farm construction, low representation of higher levels of farmed fish processing, small number of farmed species, and insufficiently equipped production capacities, which results in higher production costs and higher fish prices compared to prices in the countries of the region.

Although there is a relatively significant number of fish species (from aquaculture, but primarily from fishing by commercial fishermen), which could be processed, in order for processing, i.e. processing products to be competitive on the domestic and foreign markets, a much larger amount of raw material (fish) is needed. that is, significantly higher primary production. The processing sector (where there are currently only two processing plants) needs to be strengthened. To this end, it is necessary to use favourable conditions for business development such as good waterways for fish exports to EU customers, competitive labour force, market growth both in the EU and in the world, growth in demand for fish products, etc.

By raising consumer awareness of the nutritional value of fish, through education and marketing, primarily by bringing domestic brands closer to domestic and foreign customers, it is possible to increase higher fish consumption per capita, as well as total fish consumption, and create a quality market that will increase demand.

The existing bad trends in the development of this sector can be overcome by encouraging the use of existing resources and capacities, developing organic production, increasing the diversity of aquaculture production systems, increasing the number of farmed species and creating a more diverse product range.

## Meat products

Industrial meat processing is concentrated in several larger companies whose development is reflected in production oriented to the domestic market, use of export potentials, good productivity, high quality products, modern production processes, but also a large number of employees compared to competitors. The dynamic development of this sector is the result of investment in new meat slaughtering and processing technologies and construction of modern facilities, and results in increased production of processed meat per capita, reduced import dependence, successful implementation of flexibility systems, including many small producers in a modern market chain. Their income is enough to stay in the sector and invest constantly.

The challenges facing meat processing in Montenegro today are related to conquering new markets, finding new growth drivers, providing quality support programmes and sources of funding that will enable further investment in processing facilities in accordance with standards, especially food safety standards, protection environment and animal welfare, branding, promotion of trademarks, as well as a stronger connection with the tourism sector, which is recognized as a channel for the placement of products of exceptional importance.

The lack of sufficient storage capacity prevents a certain amount of meat from being removed from the market during periods when the price is favourable, which would increase demand and prices for producers and provide raw materials during periods of high prices.

Sectoral analyses have identified poor compliance with animal welfare standards at slaughter in a significant number of slaughterhouses.

Inclusion of small processors on the farm in a modern market chain and their interconnection is one of the biggest challenges for the meat industry of traditional Montenegrin producers, primarily due to the fact that a high percentage of unregistered production on farms and backyard slaughter has been recorded.

Disposal and destruction of animal waste is still not adequately addressed at the level of individual (and even large industrial) facilities, as well as at the level of the whole of Montenegro.

Facilities for performing the business of food of animal origin for which the assessment in the categorization procedure determined that they meet all the prescribed EU requirements have been issued permanent approvals for performing the activity. They can place their products on the market of Montenegro, third countries and the EU after the EC procedure.

For each facility that does not meet the prescribed EU requirements, AFSVPA has issued temporary approvals for activities after previously submitted and approved improvement plans, and such facilities are subject to future investments in order to meet the requirements and requirements of the legislative framework related to this area.

*Table 16: Registered facilities in AFSVPA by sectors and EU approval status*

ACTIVITY	March 2017			January 2019		
	EU harmonized	Inconsistent	Total	EU harmonized	Inconsistent	Total
Slaughterhouses - ungulates	2	20	22	4	16	20
Slaughterhouses - poultry	2	2	4	2	2	4
Meat products	0	2	2	1	1	2
Meat processing	2	26	28	5	21	26
Bowel processing	1	1	2	1	1	2
Milk processing	6	23	29	10	15	25
Fishery products	5	2	7	4	1	5
Shipping centres - shells	0	2	2	2	0	2

Packing eggs	2	4	6	3	3	6
Food storage	23	31	54	31	14	45
<b>TOTAL</b>	<b>43</b>	<b>113</b>	<b>156</b>	<b>63</b>	<b>74</b>	<b>137</b>

*Source: AFSVPA*

In addition to quality orientation and other ways, it is possible to add value to Montenegrin meat products. The most important are: (1) the introduction of standards - the product has a value for which he is willing to pay more; (2) geographical indications confirming that the specificity of the product has arisen in a unique combination of local natural resources (climate, soil, animal or plant varieties) and traditions, knowledge and skills passed down through generations, all in a given territory; (3) detailed preparation of products for sale, which includes a wide range of various activities from packaging, advertising, branding, positioning, promotion, publicity and other techniques, etc.

## **Dairy**

Milk production is the most dominant activity and product of livestock production, which is typical for Montenegrin agriculture.

The available natural resources for the production of bulk food and reliance on the grazing system have historically defined the dairy sector as a pillar of the economic and social life of rural areas.

Livestock farms are mostly family agricultural holdings of small and medium capacity, with only a few business entities - companies and cooperatives in goat or cattle breeding. The trend of dairy reconfiguration is also noticed in livestock production in Montenegro. Agricultural holdings in mountainous areas suffer greater pressures due to small herd size and production costs, while their importance is exceptional due to the preservation of traditional ecosystems and biodiversity, especially if they are in an extensive management mode. The process of geographical shift to regions where it is possible to maintain more profitable production is part of the general structural changes in the dairy sector. Thus, significant capacities of dairy agricultural holdings have been built in the lowland area of Central region of Montenegro in previous years. Producers in mountainous areas operate in difficult business conditions.

Pasture-extensive method of production causes significantly lower milk yield compared to stable breeding, but also excellent parameters of milk quality, animal welfare and environmental impact, quality meat and relatively low production costs.

Therefore, it is extremely important to consider resource management through agricultural policy measures and capacity building, and maintaining long-term ecosystem functions (land, water, biodiversity), while increasing productivity (quality, quantity and diversity) of dairy production.

From the aspect of rural development, livestock and the dairy sector are labour-intensive and provide continuous employment of the population, as well as additional employment of female labour, which is especially important in conditions of high unemployment that affects rural areas.

Relatively stable milk production is maintained by two opposing trends - reducing the number of small agricultural holdings, which so far largely compensates for the growth of production of larger farms, all in the combined effect of increasing the number of heads but primarily through higher milk yield, racial composition and improved nutrition. The trend of professionalization can best be noticed and proven by comparing data from the 2010 Census of Agriculture and FSS from 2016, where we see a decline of 22% of farms with one or two cattle, stagnation of the number with 3-9 head, while the number of farms with ten or more cattle increases, and in the case of farms of 20-29 cattle, even doubled.

The deficit in production, which is particularly seasonal, is compensated by the import of not only products but also raw milk. Yoghurt and fermented milk products in the total import of milk and dairy products in the observed period are in third place in terms of quantity and value of imports. The share of yoghurt is about 15% and other fermented products about 9%.

Seasonal variations affect the turnover of raw milk and the biggest deficit in this category is long-term UHT milk for which there are no processing capacities.

### Fruit and vegetable processing

In addition to on-farm processing, there are 28 industrial facilities in Montenegro that process fruits and vegetables or are registered for this activity in the Central Register of Registered Facilities of AFSVPA. The largest number is in the sector of fruit and soft drinks processing.

### Forests

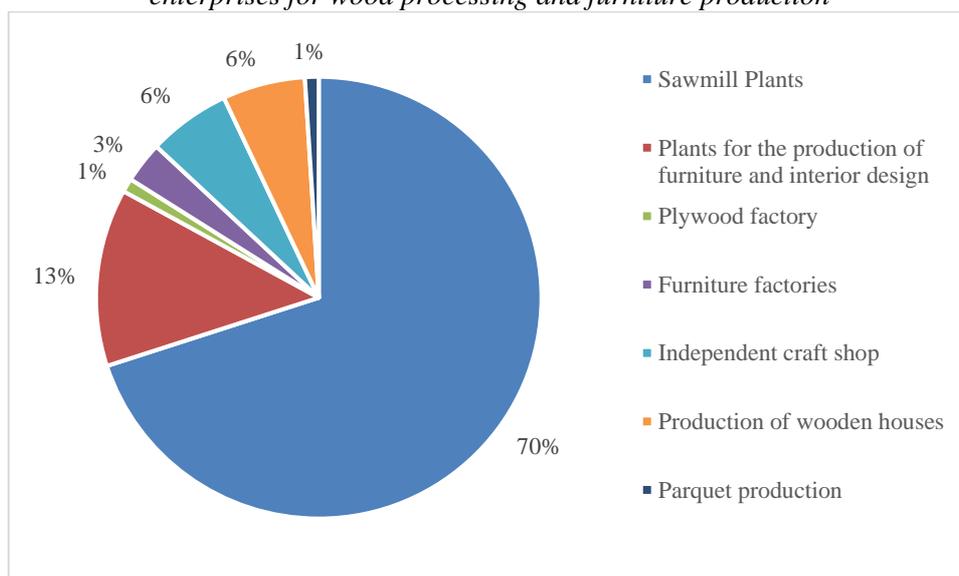
Forests together with mountains and waters create an important part of the Montenegrin brand in the field of sustainable or green tourism. Forests are of vital economic importance to the population in rural areas, where forests are one of the main sources of income and energy for heating. In addition, forestry has always been one of the basic industries, employing a large part of the rural population.

According to the results National Forest Inventory (NIS) 2010, forests and forest land cover 60% total area of Montenegro, while un-forested forest land makes 9.7%. The total wood stock of all forests is 133 mil. m<sup>3</sup> trees, of which 104 mil. m<sup>3</sup> is in forests that are available for use (they are accessible outside protected areas or other protection regimes).

According to the share in the area, beech (*Fagus moesiaca*) dominates 19.8%, followed by spruce (*Picea abies*) 8.5%, fir (*Abies alba*) with 4.1%, 2.0% sessile oak (*Quercus petraea*) and black pine (*Pinus nigra*) with 1.6%. The share in the volume of dominant species is as follows: 42.6% of beech (*Fagus moesiaca*), 20% of spruce (*Picea abies*), fir (*Abies alba*) 12.5%, make up 75.1% of the cut wood mass. They are followed by black pine (*Pinus nigra*) with about 2.8% and oak cer (*Quercus cerris*) with a share of approximately 3.9%. Balkan endemic species of munica (*Pinus heldreichii*) and molika (*Pinus peuce*) have a significant share in the area of 1.1%. (*Pinus heldreichii*) and (*Pinus peuce*) have a share of 0.6% in volume.

In the wood industry in mid-2012, 152 companies were active (including companies and entrepreneurs engaged in the production of furniture). The most represented activity of the company, observed by their number, is sawmill wood processing, followed by plants for the production of furniture (mostly panel) and interior design and production of wooden houses. In the structure of companies engaged in wood processing, the representation of small companies is dominant. Six large companies processed a total of 97,380 m<sup>3</sup> of technical wood in 2011, which represents 29.8% of the total processed technical wood in Montenegro.

Graph 7: Representation of enterprises by individual types of production in relation to the total number of enterprises for wood processing and furniture production



Source: National Forestry Strategy

Out of a total of 107 active sawmills, the largest number is located in the municipality of Rožaje (51 of which 9 are engaged in the production of sawn timber and wooden houses), followed by Berane (14), Bijelo Polje (8) and Pljevlja (7).

The results of the conducted research show that the largest quantities of wood raw materials (technical roundwood) are used for the production of sawn timber and plywood. These two products are predominantly represented in the primary wood processing in Montenegro.

About half of Montenegro's forests are state-owned and half are privately owned.

*Table 17: Ownership structure*

Ownership	Forest area for use (ha)	%	Wood stock (m <sup>3</sup> )	%	Wood stock (m <sup>3</sup> /ha)	Annual increment (m <sup>3</sup> )	Increase (m <sup>3</sup> /ha)
State	334,781	49.6	75,162,069	73.2	224.5	1,762,223.3	5.3
Private	340,608	50.4	29,812,676	26.8	87.5	763,027.7	2.2
<b>Total</b>	<b>675,389</b>	<b>100</b>	<b>104,974,746</b>	<b>100</b>	<b>155.4</b>	<b>2,525,251</b>	<b>3.7</b>

*Source: National Forestry Strategy*

Climate change will negatively affect the distribution of most of the most important tree species in Montenegro. It is reasonable to expect that climate change will have a negative impact on the distribution of these species over large areas, primarily in the extreme eastern part of Montenegro, in all mountains north of Berane and Rožaje. Also, the susceptibility of these species can be expected in all regions of the lower mountains around Pljevlja.

Potential threats to forest ecosystems are epidemics of diseases and pests, which have been particularly pronounced in recent decades due to increasing anthropogenic pressures and inadequate farming measures. The increase in the number of potential species of harmful insects has caused significant economic losses and accumulation of flammable materials (dead biomass) in forests, especially coniferous ones. Therefore, it is important to improve the monitoring of systemic disturbances caused by biotic agents and to ensure adequate sanitation (periodic removal of infected trees) and general inspection. Another significant threat to forest ecosystems is forest fires, as well as the increased risk of forest fires due to rising temperatures, especially in the summer months, which requires preventive measures to increase forest fire protection capacity.

### **Lending opportunities**

Financing of farmers' investments is available through the Investment and Development Fund (hereinafter IDF), commercial banks and microfinance institutions.

The IDF was established in 2009 with the adoption of the Law on the Investment and Development Fund of Montenegro, which is still in force. Broadly defined activities and goals of the fund enable their concretization in several areas of activity, of which it should be emphasized: encouraging and accelerating the economic development of Montenegro through support to small and medium enterprises (credit and guarantee support); support for women and young people in business; support for business beginners; encouraging balanced regional development; improving the competitiveness of domestic enterprises; support for job creation; support for the creation of new products and technologies; financing of environmental and infrastructure protection projects and encouraging exports.

In particular, intended for the development of agriculture are:

- Support programme for agro-industry and food production
- agricultural development support programme - IPARD
- agricultural development support programme – Agrobudget
- agricultural development support programme - purchase of agricultural products

The IDF provides support through direct lending to loan beneficiaries; and lending to end-users through commercial banks, with which the IDF has established cooperation.

The beneficiaries of the loan are micro, small and medium enterprises and entrepreneurs, in all forms of organization in accordance with the applicable Law on Companies, as well as persons who perform activities in a manner defined by the rules of activities (craftsmen, agricultural producers, etc.)

*Table 18: IDF lending*

Type of lending	Activity	Loan amount of IDF, EUR	Grace period	Repayment	Interest <sup>10</sup>
Direct lending	Agriculture and food production support programme	10,000 -3,000,000 (Entrepreneurs and agricultural producers up to 50,000)	Up to 4 years	Up to 12 years (including grace period)	3.5% <sup>11</sup>
Through commercial banks	Agriculture and food production support programme	10,000 -5,000,000 (Entrepreneurs and agricultural producers up to 50,000)	Up to 4 years	Up to 12 years (including grace period)	5% per year

*Source: IDF, Financial Support for 2020*

Credit lines through and with the guarantee of banks will be realized according to the scheme of cooperation with commercial banks, and in accordance with the rules of the IDF.

The IDF identified agricultural producers and companies participating in the IPARD grant scheme programme as a special target group, and defined stimulating financing conditions.

Beneficiaries of loans under this credit line are agricultural producers, micro, small and medium enterprises (which have an agricultural activity within their activities) and who have received a decision from the MAFWM that they are beneficiaries of the IPARD project.

*Table 19: IPARD II credit line*

Activity	Loan amount of IDF, EUR	Grace period	Repayment including the grace period	Interest
IPARD II	The maximum loan amount is up to the level of the maximum allowed investment in accordance with the IPARD rules increased by the amount of VAT	up to 4 years	up to 12 years	3.0% <sup>12</sup> per year

*Source: IDF, Financial Support for 2020*

IDF accepts bills of exchange, mortgages for real estate, bank guarantees, guarantees of local self-government units, guarantees of the Government of Montenegro, guarantees of creditworthy legal entities, pledges of receivables, administrative prohibitions on receiving at least one credit guarantor (depending on loan amount and income), premiums, subsidies, grants and direct payments provided by the MAFWM and other common security instruments in banking in accordance with the acts of IDF and decisions of the competent authorities of IDF.

Financing through commercial banks is characterized by high interest rates (8.45%) and unfavourable conditions for farmers, short repayment period and low level of available funds. The level of collateral depends on the type of investment: mortgage without encumbrances and restrictions according to the terms of the bank (the value of the mortgage must be at least, 1.5 times the loan amount). Additional collateral is possible

<sup>10</sup> Loans granted under this credit line, financed by the European Investment Bank (EIB), will be approved at an interest rate of 0.5% to 0.7% [\[1\]](#) lower than the interest rate defined below.

<sup>11</sup> For entities that implement projects in the municipalities of the northern region and in municipalities that are below the average value of the development index in Montenegro or entities that employ 3 or more new people (entrepreneurs and agricultural producers 3 or more new people) will be granted special incentives in the form of reduction interest rates by 0.50%.

<sup>12</sup> For entities implementing projects in the municipalities of the northern region and in municipalities that are below the average value of the development index in Montenegro, the interest rate is 2.50% per annum with a proportional interest calculation system.

(guarantee of other legal and natural persons, pledge...) depending on the assessment. Very few commercial banks have credit lines for agriculture.

*Table 20: Number of projects financed by IDF with total amounts and average amounts per year*

Credit line	2017		2018		2019		2020		2021	
	EUR	No	EUR	No	EUR	No	EUR	No	EUR	No
IPARD	0	0	250,000	1	4,440,900	80	2,242,432	38	4,517,349.97	31
Average per year (approx.)	0		250,000		55,511		59,000		145,720	

*Source: IDF*

*Table 21: Structure of agricultural loans (all) in IDF*

Sector	Total EUR	No of projects	Average
Beekeeping	23,848.29	2	11,924
Processing	15,573,254.31	15	1,038,217
Fisheries	53,000.00	2	26,500
Livestock	2,478,383.53	61	40,629
Winemaking	1,336,709.23	9	148,523
Fruits and vegetables	1,553,771.62	16	97,111
Together, mechanization	2,152,903.69	78	27,601
<b>In total</b>	<b>23,171,870.67</b>	<b>183</b>	<b>126,622</b>

*Source: IDF*

### 3.3. Environment and land management

The institutions of Montenegro will provide further support to reducing the climate change risks - particularly reducing the risks of forest occurrence which contribute substantial Gg emissions; raising the quality of water by application of good agriculture practice standards to investments in agricultural production and agricultural processing, and with investments in waste management and communal infrastructure in rural areas.

#### Biodiversity

The territory of Montenegro is characterized by extraordinary genetic and ecosystem diversity of species, which makes it one of the most important centres of biological diversity not only in Europe, but in the entire Palaearctic. Although biodiversity in Montenegro is not fully explored, given the available data of institutions, it can be claimed that biodiversity of Montenegro is still preserved substantially, but there is also a growing trend of numerous direct pressures on biodiversity values. Some of the most important are: urbanization, pollution, infrastructure development, changing land purpose, excessive use of resources and climate change. The national targets set in the previous period for biodiversity protection have not been achieved entirely.

Mapping of distribution of plant and animal species on the Balkan Peninsula indicates that almost the entire territory of Montenegro can be treated as the centre of biological diversity (Stevanović & Vasić 1995). Also, almost all mountainous regions of Montenegro can be treated as the centre of vascular flora diversity (particularly including Durmitor, the Prokletije Massif, and coastal mountains Orjen, Lovćen and Rumija). The regions with 1200 to 1400 taxa (species and sub-species) are: Durmitor with Bioče, including canyons of the Rivers Tara, Piva and Sušica; Bjelasica, Komovi and Prokletije with Visitor, Žijovo, Hum Orahovski, canyons of the Rivers Cijevna and Mrtvica; Skadar Lake with northern slopes of the Mountain Rumija. The region of the Massifs of Prokletije, Moračke Mountains, Bjelasica and Komovi has been recognized as the centre of endemic vascular flora (Stevanović, 2000, Bulić 2008). The most important centres for birds' biodiversity are the regions of the Skadar Lake and Ulcinj, as well as mountainous regions of Durmitor and Prokletije. The centres of diversity of mammals are mountainous regions of Durmitor, Sinjajevina, western side of Prokletije, Komovi and Bjelasica, with the lowest concentration of species on the eastern side of Prokletije Vasić, V. (1995); Palaearctic (Palaearctic realm): zoographic region covering Europe, North Africa and North and Central Asia. Northern parts of the Boka Bay and Orjen and coastal Dinarides (Lovćen and Rumija, with the Skadar Lake).

It is considered that the coastal zone of Montenegro with the inland, Skadar Lake, Lovćen and Prokletije are the most important centres of diversity of reptiles and amphibians in the Balkans and in Europe.

There is a relatively high diversity of terrestrial and water amphibians and reptiles in Montenegro, including lizards, snakes, turtles, frogs, toads, salamanders and sea turtles. There are currently 56 species (18 species of amphibians and 38 species of reptiles), and 69 registered sub-species from 38 genera, and this list is unlikely to be final. This is especially the case for the green frog (*Rana esculenta*) species complex and the complex of large triturus (*Triturus cristatus*) for which this region is the centre of speciation, and records of more species and sub-species are likely.

Mountainous regions of Lovćen and Prokletije stand out as particular "hot spots" in terms of diversity of amphibians and reptiles, as well as endemism in Montenegro. Aquatic habitats in the Lovćen region are particularly interesting as they host communities of amphibians and reptiles with numerous relict and endemic species. Lakes of the mountainous region Prokletije (Bukumirsko and Hridsko Lakes) are notable for their populations of neotenic Alpine triturus (*Triturus alpestris*), as well as a significant number of Balkan endemic species. Also, islands of the Skadar Lake are important, of which each is populated by different species of lizards, then the region of the National Park Durmitor.

In order to determine and reflect on pressures on the biodiversity, Montenegro in 2016 adopted a National Biodiversity Strategy and Action Plan for the period of 2016-2020. As it is presented in the Strategy and Action Plan, the anthropogenic activities that are carried out every day have different effects on the environment.

The Strategy also adopts a new conceptual approach based on the need to work on education, communication, awareness raising in the field of biodiversity and more efficient integration of biodiversity protection into other sector policies and activities. In relation to the above, the Strategy adopts the approach that it needs to be prepared in a way to allow its easy understanding and acceptance by the widest range of stakeholders who are not, in most cases, professionally involved in the matters concerning biodiversity and nature protection. Information is presented only to the extent necessary to accept the presented strategic targets by the largest part of the society and to fully understand implementation of envisaged measures for achieving such commonly adopted targets.

In that sense, the Strategy strongly emphasises the importance of biodiversity and services it provides for sustainable economic development and well-being of all citizens. Consequently, special attention is also paid to the application of adequate economic incentives for achieving biodiversity targets. It is already clear that the targets set by this Strategy cannot be achieved merely through actions of line institutions, but it requires a broad national mobilisation of resources concerning this matter and involvement of all segments of the society to achieve common success.

Main determined pressures are related urbanization in some areas and changes of the land usage (from agriculture to construction), erosion in certain areas (some also includes agriculture areas), inadequate usage of pesticides that can bring to water pollution. Low level of awareness of the importance of biodiversity is also representing a pressure on biodiversity.

Even though there is a lack of available data and the monitoring of the biodiversity is not implemented to the full extent, the MAFWM so far has supported agricultural producers through several measures, in order to reduce pressure of agriculture on environment in Montenegro.

A certain number of measures are implemented through the national Agrobudget in order to reduce the pressure and extraction of natural resources available in a sustainable way, such as:

- Support for organic production (reducing the negative impact of agriculture on the environment, conservation of biodiversity, increasing the quality of agricultural products and contribution to the affirmation of Montenegro as an ecological state);
- Support for use of mountain pastures (conservation and rational use of natural resources, sustainable management of agricultural land, environmental protection, preservation of biodiversity, maintenance of cultural and natural heritage, preventing the conversion of agricultural land into forest land);
- Support for construction and reconstruction of manure storage capacities; and

- Support for preserving autochthonous genetic resources in agriculture (preservation and sustainable use of endangered autochthonous and local breeds of livestock, plant species that are threatened by genetic erosion, as well as contribution to the preservation of total biodiversity).

IPARD III programme and its implementation will have a positive impact on addressing the pressure to the environment. Enforcement and compliance with National Minimum Standards and EU standards will have a very important positive impact, and it is expected that the overall state of the environment will improve, which will have an indirect positive impact on nature, biodiversity and the landscape. Through measures and investments proposed in the Programme above mentioned pressures are addressed. Also, the pressures will be addressed with usage of the national funds through Agrobudget measures.

A direct positive impact on soil, water, air and climate could be expected through the construction and/or reconstruction of manure storage capacities, including equipment for its handling and use, and through the application of good agricultural and environmental practices. Investment in stonewalls, fences etc. can also positively contribute to above mentioned pressures.

There will be a direct positive impact on water through the construction and/or reconstruction of facilities for wastewater treatment, water purification and utilization of waste products and investment in the modernization and construction of food processing facilities and slaughterhouses.

Overall, IPARD III programme jointly with the national funds and other programmes will have a very positive impact on the environment.

### **Protection of ecosystems, species and genes**

The protection of ecosystems, species and genes is ensured by implementation of relevant legal provisions and policies, and particularly by the existence of a system of national protection areas. The establishment of the national network of protected areas is an integral part of the policy of the Government of Montenegro aimed at ensuring protection of all representative types of habitats, ecosystems and plant and animal species. The extension of the network of national protected areas is linked with the system of spatial planning and its highest planning document - Spatial Plan of Montenegro (SPMNE). In the last several years this matter has become a subject of interest of other national strategies and sector policies as well. In addition to the projection of protected areas of nature in the source of marine resources, as established by the Special Purpose Spatial Plan for the Coastal region of Montenegro (SPSP CZ MNE), the national system of protected areas was also considered through drafting of the National Strategy for Sustainable Development (NSSD) (which set for the first time the target concerning increasing protected areas of nature to 10% of the state territory and placing under protection 10% of the coastal zone over the planning period of 3 years). In that respect, NSSD has highlighted priority areas for protection. Similarly, to NSSD and SPSP CZ MNE, the matter of the network of protected areas on the Montenegrin coast is also considered by the National Strategy for Integral Management of the Coastal region of Montenegro which determines the measures with implementation deadlines up to 2030 with priority actions until 2020.

### **National system of protected areas**

The national network of protected areas currently covers 1763.62 km<sup>2</sup> or 12.768% of the territory of Montenegro, most of which (101,733 ha or 7.77%) consists of five national parks: Durmitor, Skadar Lake, Lovćen, Biogradska Gora and Prokletije. The remaining part is consisted of more than 40 protected areas within the following categories: nature monument, areas of special natural characteristics, (general and special) reserves.

*Table 22: Size and percentage of protected areas at national and international level*

<b>Level</b>	<b>Protected natural resource</b>	<b>Area (ha)</b>
National level of protection	National parks	101,733
	Nature monuments	13,638.54
	Areas of special natural characteristics	354.7
	Other protected areas - protected under municipal regulations	15,000

	Strict nature reserves	650
	Regional park	51,398
	Total under protection	176,362
International protected area	Catchment area of the River Tara, M&B UNESCO biosphere reserve, including NP Durmitor with the River Tara Canyon	182,889
	NP Skadar Lake and Tivat Saline - Ramsar site	20,150
	Kotor - Risan Bay	15,000

*Source: National biodiversity strategy with the action plan for the period 2016 - 2020*

Protected areas, in addition to the function of protection of habitats and species, are areas that encourage the development of sustainable tourism and enable the protection of sustainable use of ecosystem services, which are primarily manifested through climate change and disaster mitigation functions, maintaining water quality and water sources, preservation of cultural values, areas for recreational activities, maintenance of landscape functions space, historical-traditional values, etc.

On the basis of ratified international agreements, the following national areas are subjects to international protection:

- Ramsar Convention (Convention on Wetlands of International Importance especially as Waterfowl Habitat): National Park Skadar Lake (20,000 ha) since 1995 and special flora - fauna reserve Tivat Saline (150 ha) since 2013.
- UNESCO Convention concerning the Protection of the World Cultural and Natural Heritage<sup>23</sup>: National Park Durmitor with the River Tara Canyon (33,895 ha) has been on the UNESCO World Heritage List since 1980, and Kotor-Risan Bay (15,000 ha) since 1979. The river Tara basin (182,899 ha) has the status of the World Biosphere Reserve under the criteria of UNESCO Programme "Human and Biosphere" since 1977.

In addition to the above areas, there are many other parts of nature of important and valuable biological diversity in Montenegro which have met the criteria of other international agreements that Montenegro is a contractual party to (signatory). One of them is, for example, the Convention for the Protection of the Mediterranean Sea (Barcelona Convention) and its Protocol concerning Mediterranean Specially Protected Areas which allows placing under protection marine protected areas, but to date there are no declared protected marine areas in the Montenegrin waters. Combine, regardless of the existence and the form of management, protected natural values (protected parts of nature) under national (176,362 ha) and international (123,594 ha) regulations (excluding doubling and overlapping), the total area placed under protection amounts to 268,558.24 ha, which accounts for 19.44% of the national territory.

Among existing and planned protected areas, there are also areas of cross-border nature. At the moment, only Skadar Lake, which is shared between Montenegro and Albania, is recognized as a cross-border protected areas and as a cross-border development zone (SPMNE 2008). SPMNE includes a proposal for the establishment of new cross-border protected nature areas, primarily through the link of the National Park Durmitor with the National Park Sutjeska in Bosnia and Herzegovina and planned Regional Park Bioče-Maglić-Volujak in Montenegro (the Regional Park Piva has been established in the same area of the territory). Opportunities for new protected cross-border areas has been recognized in the SPMNE and through the establishment of potentially new national parks: (i) NP Orjen in Montenegro which could be connected with areas of Orjen and Sniježnica in B&H and Croatia and (ii) NP Prokletije (established in 2009) which could be connected with neighbouring areas in Albania (Thethi, Bjeshket e Nemuna), Kosovo and Serbia.

The Emerald database was established within the project in which 32 areas of Montenegro of importance for the protection were entered. This project constituted a form of preparation for the future work on the establishment of N2000 sites in accordance with the requirements arising from the process of accession to the European Union and includes the most comprehensive assessment conducted to date.

These and other projects have contributed largely to strengthening of capacities of institutions and non-governmental sector for the implementation of the EU legislation in the field of nature protection, identification of sites and species (primarily of importance for the EU) and the knowledge of their distribution. However,

comprehensive and complete knowledge of important sites in Montenegro which could be used systematically for planning and monitoring of their protection have not been achieved.

As part of the project "Establishment of the NATURA 2000 network", in 2016 the field activities of fish experts and habitat experts began, while experts for other species (except birds) began field research in May 2017. Field research by ornithologists began in March 2017. and take place continuously. The final reference list of bird species in Montenegro has been prepared, and the criteria for the selection of Special Protection Areas (SPAs) in Montenegro have been adopted and developed. PE National Parks also monitor ornithofauna: Skadar Lake National Park: *Pelecanus crispus* (pelican), *Microcarbo pygmeus* (little crow), *Bubulcus ibis* (heron) and others. colonial species; *Alectoris graeca* (partridge) is monitored in Lovćen National Park; NP Prokletije monitoring of *Tetrao urogallus* (black grouse).

During 2017, the GIZ project "Sustainable Management of Prespa, Skadar and Ohrid Lakes" (CSBL project) conducted monitoring for the European otter (*Lutra lutra*), Albanian frog (*Pelophylax shqipericus*), white-bearded tern (*Chlidonias hybridus*), little crow (*Microcarbo pygmeus*), Common pochard (*Aythya ferina*), Ferruginous duck (*Aythya nyroca*) on Skadar Lake. Monitoring protocols were performed for the listed species and preventive conservation measures were defined. However, although there are activities mentioned in this regard, the scope of the activities themselves is still not at the level that comprehensive assessments of the status, prevalence and distribution of legally protected and N2000 species can be given.

### **Genetic resources in agriculture**

According to the National Biodiversity Strategy of Montenegro, although small in area this country is characterized by a great diversity of agro-ecological conditions, and therefore a wide variety of plant species. The Biotechnical Faculty works on gathering, making of collections and research of plant genetic resources in the field of agriculture of Montenegro and it has a rich collection of domestic, domesticated and introduced varieties of grape wine on the Balkans (408 genotype-varieties). Furthermore, the Biotechnical Faculty monitors 6 fruit species in different locations, with about 35 accessions. So far, inventory has been made in several locations as well as an herbarium. The Centre for Sub-tropical fruit in the Municipality of Bar monitors different varieties of fig and pomegranate.

Over more than 20 years, the Biotechnical Faculty has formed a collection of 200 cultivated and wild wheat species. A significant part are autochthonous populations from Montenegro (113 samples), 47 were collected in other parts of former Yugoslavia, while 40 samples were received from Italy.

Unfortunately, due to the irregular regeneration of 20 accessions were lost so that the collection now has 180 of them. In addition to wheat, at the same time 68 local populations of maize, rye 5, barleys 10, oats 5 and buckwheat 6, were collected. So far, collections of 52 genotypes of potato, 2 accessions of tobacco, 11 samples of wild populations of wormwood and 13 species or 45 samples of different vegetables have been collected. Regarding forage plants, a collection of 7 genotypes of *Medicago* species, 23 wild population of red clover and 11 populations of cocksfoot have been made; activities will spread to other forage species.

In a relatively small area, Montenegro has a significant number of populations of almost all livestock species reared in the Balkans. All those populations are, by their essential genetic and phenotypic features, quite specific and many of them small in numbers. Some of them are so few, that there is a real risk of their disappearance. One of them is *Buša*, a small autochthonous bovine breed, accustomed to rough conditions.

### **Land**

Land is one of the most important natural resources. The prevailing soil has modest fertility, acid reaction, lighter texture, often skeletal and shallow, which results in low absorptive complex, and therefore a small retention capacity for moisture and nutrients. The most quality lands are located in river valleys, karst valleys and plateaus.

In general, in accordance with Action programme for preventing land degradation and drought mitigation for 2014 the total territory of Montenegro is classified in 5 Classes as follows:

1. High fertility .....(1.5%)
2. Medium fertility .....(4.3%)
3. Limited fertility .....(25.3%)
4. Low fertility .....(46.2%)
5. Unfertilized soil .....(22.7%)

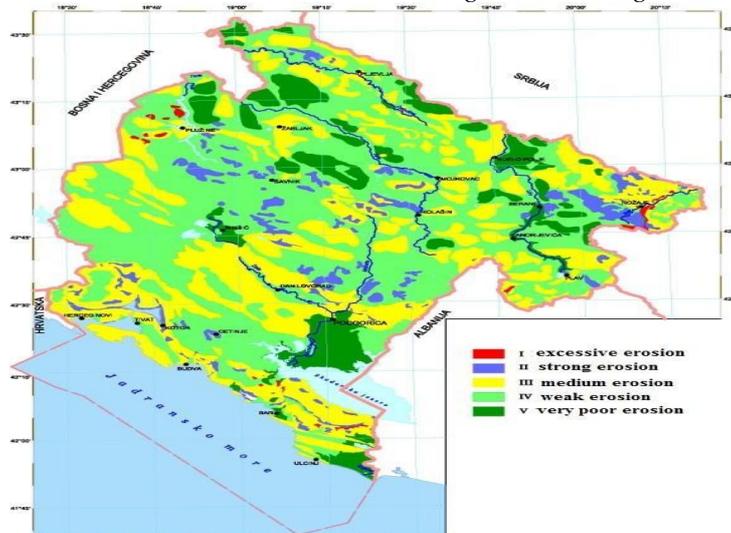
About 6% of the total soil in Montenegro has high and medium fertility, while over 90% of the soil has limited or low fertility. The 95% of total territory soil in Montenegro is naturally acidic.

Results of testing of soil samples from locations determined by the Harmful Testing Programme matter in the soil of Montenegro, in 2019, show satisfactory results when in the content of hazardous and harmful substances, dioxins, toxic and carcinogenic substances.

According to Report of the Agency for Environmental Protection on the state of the environment in Montenegro for 2019 through physical-chemical analysis of triazine, dithiocarbonates, carbamates, chlorophenoxy and organochlorine pesticides samples of agricultural land is seen as possible soil pollution caused by the inappropriate use of pesticides. In none of the analysed sample's presence of the aforementioned group of chemicals is not exceeded the limits of detection for this type of sample.

Characteristics of Montenegrin terrain are such that dominating the terrain slopes above 10° (65%), while gradient between 5-10° make 28%. Only 7% of the territory has a slope of less than 5° where it is possible to intensively use land in agriculture without the significant consequence of erosion processes, while on the part of the bigger slopes are meadows and pastures, which are used in the extensive manner, and where the threat of erosion also is not present to a large extent.

Picture 1: Erosion in current stage in Montenegro



Source: Spatial plan of Montenegro until 2020

Erosion processes attacked 300 registered torrential basins, where the amount of transported sediment is more than 2 mil. m<sup>3</sup> per year. To large occurrences of barren land, there are significant areas of rocky, significantly disrupt the hydrological conditions and the resulting floods. Erosion and devastation of vegetation cover results in land losses, not only in terms of physical area of origin, but also nutrients and soil fertility, which is its most important feature.

### Irrigation

Only 5.73 % of agriculture land in Montenegro is used for plant production (fruit, vegetables and vineyards). Currently, the total irrigated area of 2,364 ha is mainly related to vineyards, fruits and vegetables, which are located around Podgorica mostly in the area of Ćemovsko Polje. Other areas include the Zetsko-Bjelopavlićka valley and Nikšićko polje (around cities Nikšić and Danilovgrad). Further investments are needed in order to

increase the area under the irrigation systems in Montenegro in order to cover additional areas (mostly vineyards, fruit and vegetables).

The plantations are located in places that have abundant underground or surface waters. Having this limited amount of land use for plant production, and water at disposal for irrigation the intention is to increase the areas with irrigation systems. By implementing these systems, the rational usage of water for irrigation is secured. In order to avoid scarcity of water, the holdings have to issue a permit or a concession for use water depending of the daily use.

*Table 23: Irrigation*

	2015	2016	2017	2018	2019
Used volume of water (000 m <sup>3</sup> ):	6,978	6,564	6,965	6,815	6,821
Underground water	6,932	6,532	6,933	6,758	6,750
Surface water	46	32	32	57	71
Consumed water (000 m <sup>3</sup> )	6,633	6,239	6,240	6,615	6,620
Total irrigated area (ha)	2,350	2,345	2,346	2,361	2,364
Superficial irrigation	5	5	5	9	11
Sprinkler irrigation	509	505	505	513	517
Drop irrigation	1,835	1,835	1,836	1,839	1,836
Arable land and gardens	30	26	26	28	30
Orchards	98	98	98	92	90
Vineyards	2,222	2,222	2,222	2,241	2,244
Pump aggregate	41	41	41	44	47
Pipelines (km)	194	193	205	219	244
Main	65	70	72	68	75
Lateral	129	123	133	151	169

*Source: Statistical Yearbook, 2020*

### **Renewable energy sources**

The renewable energy sources have been included as a priority sector in the Energy Development Strategy until 2030, adopted by the Government of Montenegro in July 2014. Montenegro has adopted the National Action Plan for the use of energy from renewable sources by 2020 (December 2014) and assumed the obligation of fulfilling the national target for 2020 in the amount of 33% of the total share of energy from renewable sources in gross final energy consumption in Montenegro. According to the report on achieving the national target for 2018 of total share of energy from renewable sources in gross final energy consumption in Montenegro was 39.75%, and for 2019 was 38.69%.

**Small hydropower plants:** In accordance with decision to optimally exploit available hydro potential in Montenegro, five tender procedures and one initiative have been conducted for awarding concession contracts for usage of hydropower potential for production of electricity in SHPPs.

The implementation of 28 concession agreements is currently being monitored, which envisages the construction of 40 small hydropower plants and two energy permits for the reconstruction of two small hydropower plants. The construction of 32 small hydropower plants that produce energy has been completed.

**Solar energy:** The Ministry of Capital Investments is currently monitoring the implementation of 5 projects related to the construction of solar power plants based on issued energy permits. Their total installed power is around 2.2 MW, while the planned annual production is around 3 GWh.

Ministry of Economic Development and Tourism of Montenegro in 2018 invited interested investors to submit bids for the lease of state-owned land in the Briska Gora locality – Ulcinj Municipality, for the construction of a solar power plant. The subject of the Public Invitation was the lease of state-owned land covering the surface area of 6,621,121 m<sup>2</sup>, for the purpose of designing, constructing, using and maintaining a solar power plant with installed power higher than 200 MW. The procedure was concluded by signing a contract with a

consortium consisting of Electric Power Company of Montenegro (EPCG), Finnish Fortum and Sterling and Wilson, which envisages the construction of a 250 MW solar power plant.

It is planned that the construction of the solar power plant will be realized in two phases, namely:

- Phase I - construction of a solar power plant with an installed capacity of 50 MW, expected annual generation of about 90 GWh and
- Phase II - construction of the second part of the 200 MW solar power plant, with expected annual generation of about 360 GWh.

It is expected that in the coming period, spatial planning preconditions will be created for the realization of this project.

**Biomass:** Montenegro has significant biomass potential that can be used for energy generation: forestry residues, fast-growing plantations, wood-processing industry residuals, viticulture (cutting residual, residual during production of liquor), fruit-growing (cutting residuals, residual during production of olive oil, etc.).

The largest biomass energy potential is in the forestry sector, with potentially available wood quantity in forest fund of Montenegro assessed to 2.6 m<sup>3</sup>/ha/year. Currently forestry production is half of its possible potential, which points out to significant reserves. The growth of fast-growing plantations would be significant improvement in energy potential of biomass. Total estimation of energy value is 4,200 GWh.

**Wind energy:** There are currently two wind parks in Montenegro: Wind Farm Krnovo with installed power of 72 MW (completed in 2017 and on stream since August 2017) and Wind Farm Možura (completed in 2019 and on stream since November 2019) with installed power of 46 MW. The total annual production of these wind farms is about 300 GWh. Total investment value for these two projects is around EUR mil. 227.

In August 2019, the Ministry of Economic Development and Tourism announced a public invitation for long-term lease of state-owned land for the construction of a wind farm at the site of Brajići – the municipalities of Budva and Bar, with a minimum installed capacity of 70 MW. The leasing of land is carried out through a tendering process. The land is leased for a period of 30 years. The tender documentation stipulates that electricity produced in this wind farm may be sold by the investor on the market. The contract on the construction of a 100.8 MW wind power plant at the Brajići site was signed on August 26<sup>th</sup> 2020 with the WPD Brajići Consortium. It is expected that in the coming period, spatial planning preconditions will be created for the realization of this project.

## **Water**

With a total flow of 604 m<sup>3</sup>/s and an average runoff of 44 l/s/km<sup>2</sup>, with a volume of about 19.5 km<sup>3</sup>/year, Montenegro is one of the 4% of the world's territory with the largest average runoff.

Water management is the responsibility of the Government of Montenegro. The Government carries out this activity through the Ministry of Agriculture, Forestry and Water Management and other ministries. The MAFWM is at the head of the management structure for water management, in which a special water management department deals with the policy and organization of operational water management. In accordance with Article 151 of the Law on Waters, the Water Administration Inspection supervision in the implementation of the valid Law on Waters is supervised by the Directorate for Inspection Affairs, through the Chief Water Management Inspector. The quality inspection is performed by the Chief Inspector for Environmental Protection, and the sanitary inspection is performed by the Chief Sanitary Inspector. In accordance with the valid Law on Waters, systematic testing of water quality is performed by the Department of Hydrometeorology and Seismology of Montenegro, which is responsible for hydro meteorological activities and preparation of an annual report on the state and changes in water quality. The current Law on Waters defines procedures and processes in case of emergency situations of water pollution, accidents and hazards.

Taking and use of surface and ground waters for irrigation of agricultural or other land takes place in accordance with the conditions laid down by the water permit issued by the Water administration. Owners or users of irrigation facilities and systems have to bear the cost for their management and maintenance commensurate to their utilization. The concession in a public water resource may be issued for taking waters

for irrigation of agricultural land in a quantity above 175 m<sup>3</sup>/day. Any taking of waters for irrigation of agricultural land in a quantity less than 175 m<sup>3</sup>/day is subject to a permit issued by local self-governances.

When it comes to the implementation of the Water Framework Directive (WFD), the following activities have been carried out so far: identification of river basins and determination of implementation competencies.

As part of the process of implementing the Nitrates Directive, the activities carried out include the following of the Code of Good Agricultural Practice and the setting of restrictions on the use of fertilizers.

Systematic testing of the quantity and quality of surface and groundwater is performed on the basis of programmes adopted by the MAFWM and conducted by the Institute of Hydrometeorology and Seismology in accordance with Article 58 of the current Law on Waters.

The basis for the adoption of the Surface and Groundwater Monitoring Programme is contained in Article 58 of the Law on Waters. In accordance with the WFD and the Law on Waters, the monitoring programme includes monitoring of the chemical and ecological status of surface waters and monitoring of the chemical and quantitative status of groundwater. Surface water monitoring consists of supervisory, operational and research monitoring. Groundwater monitoring consists of supervisory and operational monitoring.

The Water Framework Directive (WFD) changes the policy related to water resources. The basic unit of integrated water resources management is the river basin, within which water resources management is implemented, and the goal is to bring all existing water resources to "good condition", which means to ensure good hydrological-chemical-ecological status of waters.

Accordingly, in order to preserve or achieve good ecological, chemical and quantitative status of waters or their good ecological potential, a proposal of surface water bodies, including individual, artificial water bodies, significantly modified water bodies, as well as groundwater bodies, for the area of Montenegro was given. In this regard, 99 surface water bodies<sup>13</sup> and 30 groundwater bodies or groups of groundwater bodies have been proposed.

In 2019, surface and groundwater monitoring was performed for the first time, according to the WFD, in accordance to the Ordinance on the manner and deadlines for determining the status of surface waters ("Official Gazette of Montenegro", 25/2019) and the Ordinance on the manner and deadlines for determining the status groundwater ("Official Gazette of Montenegro", 52/2019).

The network of surface water quality stations in 2019 included 10 watercourses with 15 measuring points, 3 natural lakes with 6 measuring points, 5 artificial lakes with 5 measuring points, 5 mixed waters with 5 measuring points and the coastal sea with 5 measuring points.

When it comes to groundwater, the network of stations and the work Programme include groundwater and the issued Zeta plains. The network consists of 6 measuring profiles, which cover the area of the Zeta plain.

In addition to the existing network, in the second half of 2019, the first phase of the groundwater monitoring network was established, which will be part of the future monitoring system.

### **Climatic changes and air quality**

The National Strategy on Climate Change until 2030 is a key instrument in the field of public policies for climate change management in Montenegro, and prescribes the obligation of the Government to act against climate change in an integrated and multisectoral manner, respecting international obligations to the UNFCCC. The strategy sets out the vision that by 2030, Montenegro will be able to adapt to the negative effects and promote low-carbon sustainable development. The strategy is largely focused on alignment with the EU legislative framework in the field of climate change. As part of the strategy, it also adopted the Intended Nationally Determined Contribution of Montenegro for the reduction of greenhouse gas emissions. With this

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<sup>13</sup> Surface water body is a special and significant, surface water element such as a lake, reservoir, stream, river or canal, part of a stream, river or canal, mixed water or coastal seawater belt.

document, Montenegro has committed itself to a 30% reduction in greenhouse gas emissions by 2030 compared to the base year 1990.

Montenegro adopted the Law on Protection against the Negative Impacts of Climate Change in 2019. The aim of this act is protection against the negative effects of climate change, reduction of greenhouse gas emissions and protection of the ozone layer. This brings Montenegro even closer to the EU acquis in the field of climate change. The main national entity in charge of environmental policy and climate change is the Ministry of Ecology, Spatial Planning and Urbanism.

Agriculture is one of the sectors most vulnerable to the impacts of climate change, because agricultural products are directly dependent on climatic factors. Agriculture has a big challenge to adapt to the expected effects of climate change.

Montenegro belongs to one of the regions of the world where pronounced negative effects of climatic changes are expected in terms of population health, economic development and availability of natural resources, food production, etc. although, being a developing country, its share in global pollution of atmosphere by greenhouse gasses is not significant. On the contrary, as a result of a relatively high share of area under forests and area covered by vegetation, it contributes to stabilization of the carbon dioxide content in the atmosphere.

The impact of climate change may negatively affect the fertility of the land, as the increased vulnerability of organic matter in the soil and the risk of soil erosion due to higher temperatures and droughts that are more frequent and rainfall.

The GHG emission inventory included calculations of emissions of the following direct greenhouse gases: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrogen suboxide (N<sub>2</sub>O) and synthetic gases (PFC, HFC and SF<sub>6</sub>). The inventory also includes calculations for the following indirect greenhouse gases based on the EMEP / EEA (Air Pollutant Emission Inventory Guidebook) (2009): carbon monoxide (CO), nitrogen dioxide (NO<sub>2</sub>), non-methane volatile organic compounds (NMVOC) and sulphur dioxide (SO<sub>2</sub>). Emission sources and sinks of direct and indirect GHG are divided into six main categories: 1. Energy 2. Industrial production and use of products 3. Use of solvents 4. Agriculture 5. Land conversion and forestry 6. Waste.

The National Inventory of Greenhouse Gas Emissions provides information that energy and industrial production and use of products have the largest share in total CO<sub>2</sub> emissions. The biggest impact on emissions is generated by the production of electricity and heat (including the plant for the production of aluminium). Emissions from transport are on the rise and are expected to continue to grow given the development of tourism in Montenegro. Net emissions sink in the categories of agriculture and land use are the result of forest land in Montenegro acting as a carbon sink. Data on logging and fires in forest areas indicate a significantly lower potential for abyssees in these situations.

Agriculture is a source of methane (CH<sub>4</sub>) and nitrogen suboxide (N<sub>2</sub>O), which come from livestock and the use of artificial fertilizers. The national inventory of greenhouse gas emissions shows that these two gases are the most represented in the agricultural sector, while CO<sub>2</sub> emissions are negligible. This sector accounts for about 10% of total emissions.

Better use of manure management as a fertilizer would also reduce the need for nitrogen fertilizers which contributes to the reduction of ammonia emissions and thus have a positive effect on air quality. In addition, there will be less indirect nitrogen losses from the manure management system, and thus water pollution will be less.

Montenegro is particularly exposed and vulnerable to climate hazards such as droughts, floods, forest fires and heat waves. Climate projections show that these climate extremes will become more frequent and pronounced in the future.

The water, forestry and agriculture sectors are most at risk. When it comes to geographical vulnerability, the coast is very vulnerable to rising sea levels and declining rainfall. Montenegro recognizes the urgent need to address the effects of climate change by promoting effective adaptation measures in key vulnerable sectors.

The water sector shows a decrease in the water balance in all river basins in Montenegro. Reducing the amount of rain and snowfall will drastically affect the availability of surface water. Adaptation measures focus on applying an integrated approach to water resources and systems management and strengthening cross-sectoral planning and activities.

The forestry sector is affected by climate change not only in the current processes of development and growth, but also usually there are cumulative effects that can last throughout the life of the tree. The greatest risk exists for forests located in the coastal and central region, where high air temperatures during the summer period and typical vegetation lead to the necessary preconditions for the occurrence of forest fires. Fires are the main source of greenhouse gas emissions.

The agricultural sector is very vulnerable to climate change due to its dependence on specific temperature conditions and water availability, and is exposed to climate hazards such as droughts and floods. A large part of agricultural areas in Montenegro are located in the plains, which makes them particularly prone to floods. Possible adaptation measures in the agricultural sector include planning and strengthening rural infrastructure, in order to prevent possible abandonment of affected areas and depopulation of rural areas.

Montenegro has shown progress in mitigating and adapting to climate change, continuing such efforts to meet its obligations under the United Nations Framework Convention on Climate Change (UNFCCC), to provide additional investment, technology and capacity. Although these needs can be partially covered by domestic resources (public and private), for Montenegro, as a country in transition, contributions from international cooperation are essential.

Montenegro is prone to a variety of natural hazards, including floods, droughts, heavy rains or snowfall, stormy winds, heat waves, landslides and forest fires.

High-intensity rains can, among other things, cause floods, landslides, overflow of streams and drainage channels, difficult traffic, reduced water quality, pollution of discharged groundwater and reduction of arable land.

Drought can have multiple negative effects on the economy, the environment and human health. Agriculture, forestry and tourism are the sectors most affected by drought in Montenegro. In the future, droughts are expected to occur and their intensity will increase, with a decrease in precipitation and increasing temperatures, especially during summer and autumn. Hydrological droughts occurred during 2017, 2018 and 2019 and significantly affected the water levels of important rivers and lakes, such as the Morača and Zeta rivers, as well as Skadar Lake, which then affected fisheries, agriculture and the energy sector. Changes in the water balance are becoming an increasingly pronounced problem for drought-prone countries, such as Montenegro, and it is therefore necessary to develop adequate capacities for stable irrigation through support for investments in water supply (wells, reservoirs, etc.).

With the expected increase in the frequency and intensity of droughts as a result of climate change, the risk of fires in the future will also increase, especially in the southern forest areas that stretch along the coast and in karst areas (FAO, 2018). There is a danger of fire in these areas due to high air temperatures in summer and certain types of vegetation, especially during July and August, when the amount of precipitation is very small, as well as during February and March, in the case of dry and warmer winters. In addition to direct impacts, fires can also cause indirect damage that can lead to environmental degradation, reduced forest resistance to pests and diseases, and the destruction of authentic landscapes and soil structures.

## **Organic farming**

Organic farming is a holistic system of agriculture and food production that combines best environmental practices, a high level of biodiversity, conservation of natural resources, the application of high standards of animal welfare and production methods that meet the needs of those consumers who prefer products produced with the use of natural substances and processes. Therefore, organic farming has a dual role in society, because on the one hand it satisfies consumer demand for organic products; and on the other hand it provides public goods that contribute to environmental protection and animal welfare. In addition, organic production is of great importance for the development of rural areas, because it gives a chance for the development of family

farms and small producers, contributes to the income of the agricultural holding, and the exploitation of resources in tourism.

The area of organic production is regulated by the relevant Law on Organic. The law was adopted in 2013 in order to harmonize national legislation with Council Regulation (EC) No. Regulation (EEC) No. 834/2007 of the European Parliament and of the Council of 28 June 2007 on organic production and labelling of organic products and repealing Regulation (EEC) No. 2092/91. This was followed by the adoption of bylaws in order to achieve full harmonization with Commission Regulation (EC) No. 889/2008 of 5 September 2008 laying down detailed rules for the application of Council Regulation (EC) No. 834/2007 on organic production and labelling of organic products with regard to organic production, labelling and control.

Currently, only one Montenegrin control body is authorized to perform control and certification. It is a domestic control body "Monteorganica" which is accredited by the Accreditation body of Montenegro to perform control and certification in organic production according to the requirements of the standard MEST EN ISO/IEC 17065:2013. Also, two public laboratories (CETI and the Institute of Public Health) are accredited according to the standard MEST EN ISO/IEC 17025 which perform the necessary analyses in organic production.

According to the data of the MAFWM from 2020, 423 producers are registered in the Register of Entities in Organic Production, of which 181 are with a certificate. In 2020, the number of registered producers increased by 7.6%, and the number of issued certificates by 30.21% compared to 2019. 92% of organic producers are in the northern part, while 8% are in the central and southern part of Montenegro.

As of the end of 2020, 306.33 ha of organic production in perennial plantations were certified, and in the transitional period there were another 257.65 ha, i.e. 220 producers. At the product level, apples and plums are the most certified fruits and potatoes are the most certified vegetables. As far as products are concerned, chokeberry juice and apple juice are the most produced. There is one long-term registered organic producer in the olive growing sector (including olive oil processing), and seven olive growers that are in a transitional period, until certification.

According to the data for the period 2016 - 2020, there is a significant increase in agricultural land and crops in organic farming. Thus, the increase in the area under permanent crops is 36%, while the increase in organic meadows and pastures in the observed period is even 47%.

*Table 24: Organic production 2016 – 2020*

<b>Area of production</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Perennial plantings (ha)	412	426	456	508	564
Arable land (ha)	272	262	309	321	307
Meadows and pastures (ha)	2,680	2,032	3,696	3,925	3,952
Cattle breeding (heads)	-	-	403	39	393
Sheep breeding (heads)	1,428	863	1,092	1,309	1,369
Beekeeping (hives)	506	839	1,103	1,964	3,381
Poultry (hens)	267	390	170	160	300

*Source: MAFWM, 2020*

Support for organic producers is determined through national funds, more precisely through the Agrobudget measure "Support to organic production". It is carried out in the form of direct payments, per hectare in crop production and per conditional head of livestock, poultry and hives, in livestock production.

In addition to national support measures, in previous period (2009-2012), international assistance through two programmes contributes to a growing interest in organic farming in Montenegro. Through the programmes - Organic agriculture in Montenegro - joint support small producers in organic agriculture (FAO) and Programme of development of organic agriculture in Montenegro (Government of Denmark - DANIDA), the MAFWM in association with the Government of Denmark supported 53 investments by organic producers to the amount of EUR 1,721,442.79.

### 3.4. Rural economy and quality of life

#### Rural economy and quality of life, incomes and education

With further examination of the current situation in Montenegro it is becoming apparent that the present and significant regional disparities are a problem in terms of overall economic development. The Development index presents the average of the indicators of economic development, structural changes and the demographic situation at a municipality level. The Development index is calculated every three years, in accordance with the Law on Regional Development, and based on the following indicators:

- 1) Unemployment rates,
- 2) Income per capita,
- 3) Population growth rates of the local self-government unit and
- 4) Rates of education of the local self-government unit.

The valid List of levels of development of local self-governments was updated at the end of 2020.

Table 25: Development level of local self-government units in Montenegro, the average for the period 2016-2018

Local self-government units	Development index (Montenegro = 100)	Development level of local self-government units	Groups (by % of deviation from the average value of the index development level in Montenegro)	
Budva	157.01	1.	Above 125%	The 6 <sup>th</sup> group
Tivat	133.83	2.		
Podgorica	121.12	3.	From 100% to 125%	The 5 <sup>th</sup> group
Kotor	118.91	4.		
Herceg novi	115.33	5.		
Bar	100.53	6.		
Danilovgrad	94.97	7.	From 75% to 100%	The 4 <sup>th</sup> group
Nikšić	93.54	8.		
Cetinje	91.19	9.		
Žabljak	89.98	10.		
Ulcinj	83.47	11.		
Plužine	82.35	12.		
Pljevlja	78.55	13.	From 50% to 75%	The 3 <sup>rd</sup> group
Kolašin	74.11	14.		
Mojkovac	73.48	15.		
Šavnik	66.47	16.		
Bijelo Polje	64.78	17.		
Berane	58.43	18.		
Tuzi	56.35	19.		
Rožaje	52.73	20.	Below 50%	The 2 <sup>nd</sup> group
Plav	47.24	21.		
Gusinje	43.96	22.		
Andrijevisa	41.60	23.		
Petnjica	28.13	24.		

Source: Ministry of Economic Development and Tourism, 2020, Official Gazette of Montenegro, no. 07/19, 113/20

Key objectives in the rural areas are:

- increasing and diversifying income, and
- reduction of the nominal and hidden unemployment within holdings.

Activities to be undertaken include:

- building local institutions,
- development of the rural financial sector,
- development of a non-farm economy,
- agricultural development,
- revitalization of rural infrastructure, etc.

In the EU there are common and generally accepted parameters on the basis of which a personal living quality assessment can be made, from which the following can be singled out: satisfaction with health, energy needed for everyday life, satisfaction with money etc. According to the surveys from the United Nations Development Programme (UNDP) report from 2019, Montenegro's human development index value for 2018 is 0.816 - which put the country in the very high human development category - positioning it at 52 out of 189 countries and territories. According to the Report, the human development index (HDI) in Montenegro amounts to 0.789, with expected life expectancy of 74.8 years and average duration of education of 15.2 years.

### Infrastructure

Based on the data from the Annual statistics of traffic, storage and connections, the total length of roads in 2020 was 9,727 km, which is 5.2% more than in 2019, when it was 9,249 km. Observed by type of road, the largest share in 2020 had a modern road whose length was 6,527 km (67.1%), followed by gravel with 1,885 km (19.4%) and dirt and uncategorized roads with 1,315 km (13.5%).

Table 26: Road traffic in Montenegro

	Year		Index
	2019	2020	2020-2019
<b>Road length by category (km)</b>			
Roads, total	9,249	9,727	105.2
Modern road (asphalt)	6,333	6,527	103.1
Gravel road	1,839	1,885	102.5
Dirt and uncategorized roads	1,077	1,315	122.1
<b>Bridges</b>			
Number of bridges	532	546	102.6

Source: Annual statistics of traffic, Statistical Office of Montenegro, 2020

**The road network of Montenegro** (regional and main roads) consists of 2013 km of roads, of which 143 km belong to regional and 1,870 km to main roads. The length of local roads is 4,270 kilometres.

The density of the main and regional network is 13 km/100 km<sup>2</sup>, with an average travel speed on a total area of 48 km/h. Within the total road network of state roads, there are 532 bridges and 159 tunnels, which is a consequence in terms of traffic, very unfavourable relief.

Insufficiently developed road network in Montenegro is a consequence of limiting factors that hinder or limit the functional connection within Montenegro, as well as its connection with the immediate environment. Namely, unfavourable topography and geological structure of the terrain, mountain passes with difficult crossings, very pronounced seasonal cyclicity in the use of road infrastructure, limited budget funds, complicate the construction and maintenance of traffic infrastructure.

The Global Competitiveness Report 2019, World Economic Forum, ranked Montenegro 129<sup>th</sup> out of 141 places, in terms of the quality of road infrastructure.

The existing railway network in Montenegro consists of single-track lines of normal width:

- Vrbnica - Bar, part of the international railway Belgrade - Bar, which passes through Montenegro;

- Podgorica - Tuzi - state border with the Republic of Albania (part of the railway Podgorica - Shkoder) which is used strictly for freight traffic;
- Podgorica - Nikšić, a regional railway that was completely reconstructed and electrified in the period from 2012 to 2016.

The total length of the railway is 250.51 km, and 327.72 km with station and track connections, of which 225.81 km is electrified. The route of the railway on the railway network is characterized by a large number of facilities, almost 2/3 of the length of the railway include 121 tunnels, 122 bridges and 14 galleries. The density of railway traffic in Montenegro is lower than in EU member states or candidate countries. The railway network includes a large number of station and business facilities. Significant economic entities are connected to the railway network by industrial tracks in Bar, Podgorica, Spuž, Danilovgrad, Kruševo and Bijelo Polje.

Good infrastructure contributes to a better quality of life, reducing migration and depopulation. Road infrastructure is one of the key prerequisites for the development of rural areas, because it improves a better relationship with the market, product placement, and thus providing additional opportunities for income generation. It is also one of the most important prerequisites for the development of rural tourism. There are a lot of rural areas with poorly developed transport, and social and economic infrastructure. For example, the distance food shops and elementary schools, on average, 3-4 km, and secondary schools and banks 10 km. Distance to a bus station is 2.5 km, a post office, on average, about 7.5 km. In addition, the bad and the physical condition of the water network, and electricity are prevalent in many of the villages, and there is no developed telecommunications network including the possibility of using the Internet. Consequently, it is expected that there will be further economic decline and depopulation of remote rural areas, where these areas and national policies do not provide favourable conditions for life and economic environment.

### Tourism in rural areas

Considering the natural potentials of Montenegro for further development of tourism, rich cultural and historical heritage, as well as the multiplicative effect of tourism on almost all economic branches, the tourism sector is one of the priorities for the development of the overall economy. This is supported by the fact that the estimated revenue from tourism in 2019 amounted to EUR 1.140 billion, which is 9.7% more than in 2018. While due to the consequence of the COVID 19 pandemic, according to the Statistical Office of Montenegro data, in 2020, Montenegro had 444,065 tourists in all types of accommodation, i.e. 83.21% less than in 2019, who realized 2,587,255 overnight stays, or 82.10% less compared to 2019.

In the structure of overnight stays per type of tourist destinations, most overnight stays were realized in coastal places (90.4%), the Capital city (3.2%), and mountain places (3.15%).

*Table 27: The share of overnight stays on various tourist areas*

Type of tourist places	Overnight stays (in 000)	The share of the total number (in %)	Index 20/19 (In %)
Coastal places*	2,339,477	90.38	17.05 (-82.95%)
Mountain places**	81,709	3.15	32.13 (-67.87%)
Other tourist places***	57,609	2.22	37.22 (-62.78%)
Capital city	82,701	3.19	26.62 (-72.38%)
Other places****	26,759	1.03	124.64 (+124.64)
<b>TOTAL</b>	<b>2,587,255</b>	<b>100.0</b>	<b>17.89 (-82.11)</b>

*Source: Statistical office of Montenegro, 2020*

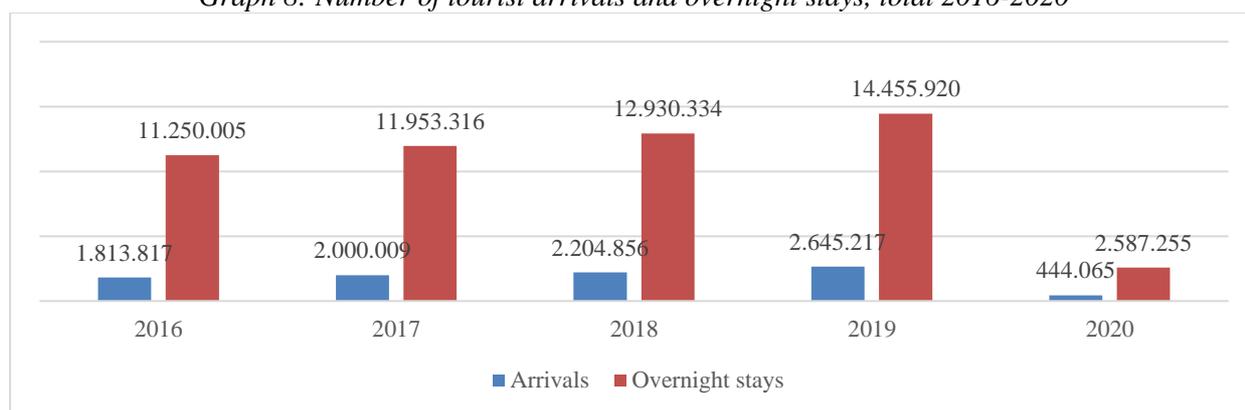
\*Ulcinj, Bar, Budva, Tivat, Kotor and Herceg Novi

\*\* Žabljak, Kolašin, Plav, Plužine, Rožaje and Andrijevica

\*\*\* Bijelo Polje, Berane, Mojkovac, Nikšić, Šavnik, Pljevlja and Cetinje

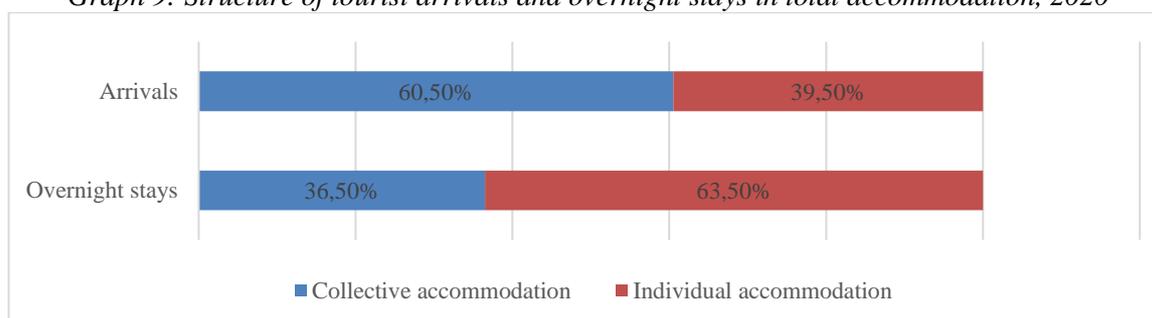
\*\*\*\* Danilovgrad, Tuzi, Petnjica, Gusinje

*Graph 8: Number of tourist arrivals and overnight stays, total 2016-2020*



*Source: Statistical office of Montenegro*

*Graph 9: Structure of tourist arrivals and overnight stays in total accommodation, 2020*



*Source: Statistical office of Montenegro*

The results of the research conducted during the innovation of strategic documents showed that the tourist offer in the central and northern region is still insufficient, especially when it comes to accommodation facilities in rural areas.

Rural tourism is a special form of tourism product that provides conditions to meet the needs of a growing number of tourists who strive for a healthy lifestyle and seek experiences that include pleasure in nature, traditional cuisine, hospitality of households in rural areas, enjoying tradition and preserved customs and others authentic experiences.

Project activities within rural tourism are based on interaction with agricultural production, presentation of traditions and customs, traditional gastronomy and tourist services, in a word, on the use of already existing resources.

The results of research conducted during the implementation of the Master plan for development of tourism until 2020, showed that the tourist offer in the central region and the mountains is still insufficient. Hotels, apart from a few exceptions, in addition to basic food and accommodation are not providing other services. However, potential for the development of tourism and related infrastructure in Northern Montenegro are not still utilized.

Rural tourism is the interaction of agricultural production, presentation of tradition, traditional cuisine and tourist services, in a word, using the existing resources. Therefore, the development of rural tourism is based on principles of sustainable development, through the revitalization of existing, traditional buildings or heritage, which gives a new purpose - the tourist one. Rural tourism, particularly on farm tourism, is therefore an essential part of overall sustainable development.

### **3.5. Preparation and implementation of Local Development Strategies – LEADER**

The LEADER approach can contribute to the improvement of local governments, in terms of transparency, increased stakeholder participation, horizontal and vertical integration, legitimacy, high quality communication as well as high quality learning mechanisms.

Also, the LEADER approach can strengthen the local community, improve the living conditions, quality of life and environment of the rural population and improve the active participation of the rural population in the decision-making process and thus increase the competitiveness of rural areas and overall growth of rural areas and local communities. rural depopulations.

The LEADER approach is based on the understanding that development strategies are much more effective if they are set and implemented at the local level by local actors who know the local conditions and need them best.

### Local rural development strategies

The regional development of Montenegro is planned by the Regional Development Strategy and Strategic Development Plans of local self-government units/municipalities.

The Regional Development Strategy determines the goals, priorities, measures, activities and policies of regional development, radiation of regional inequalities and increasing the level of competitiveness of local self-government units and the region, as well as the manner of providing funds for achieving established goals and other issues of importance for development.

Strategic plans of local governments must be harmonized with the Regional Development Strategy. The strategic plan of local self-government determines the current state of development of local self-government units, general development goal, strategic goals with priorities for their realization, measures and directions for realization of strategic plan, orientation means for implementation of strategic plan, way of their provision and other issues of importance for development.

Some municipalities in Montenegro, such as the municipalities of Andrijevisa and Berane, have in force Rural Development Strategies, which are aimed at the development of rural areas in particular. The municipality of Tivat also had a strong rural development strategy from 2014-2020. Other municipalities, within their Strategic Plans, cover the topic of rural development, define goals, activities and projects that will contribute to the fulfilment of those goals. The municipality of Rožaje is in the process of writing a rural development strategy.

These strategic plans can serve as a basis for the development of other local strategies coherent with national and European principles of rural development (LEADER programme), as well as priority comprehensive policies at the national level.

### 3.6. Table of context indicators socio-economic and rural situation

Table 28: Table of context indicators, socio-economic and rural situation

Context Indicator	Measurement unit	Context indicator value	Last available Year
<b>I: SOCIO-ECONOMIC INDICATORS</b>			
<b>1. Population</b>			
Total	Inhabitants	620,029	2011 Census
Rural	% of total	36.8	2011 Census
Urban	% of total	63.2	2011 Census
<b>Estimated number of populations by municipalities mid-year</b>			
Total	Population	621,306	Estimation mid-year 2020
<b>2. Age structure</b>			
< 15 years	% of total population	19.2	2011 Census
15-64 years	% of total population	68.0	2011 Census
65 and above	% of total population	12.8	2011 Census
<b>Estimated number of populations by municipalities mid-year</b>			
< 15 years	% of total population	17.9	Estimation mid-year 2020
15-64 years	% of total population	66.3	Estimation mid-year 2020

65 and above	% of total population	15.8	Estimation mid-year 2020
<b>3. Territory</b>			
Total	km <sup>2</sup>	13,888	
Rural	% of total area		
Urban	% of total area		
<b>4. Population density</b>			
Total	Inhabitants/km <sup>2</sup>	44.6	2011 Census
Rural	Inhabitants/km <sup>2</sup>		
<b>5. Employment rate (*)</b>			
	*insured person in agriculture	Data from Labour Force Survey (N/A)	
Total	No. and %	No. = 219.4 (total no. persons in employment - in thousands), E% = 43.8%	2020
Male	No. and %	No.=122.6 (in thousands), E% = 50.0%	2020
Female	No. and %	No. = 96.8 (in thousands), E% = 37.9%	2020
<b>6. Self-employment rate</b>			
Share of self-employed persons in total employed persons for the age class 15-64	% of self-employed persons 15-64 years in total employed persons of the same age class	18.5%	2020
<b>7. Unemployment rate</b>			
Total (15-74 years)	%	17.9	2020
Youth (15-24 years)	%	36.0	2020
<b>8. GDP per capita (*)</b>			
GDP per capita	GDP per capita	6 737	2020
Total	EUR/inhabitant Index PPS (EU-27=100)		
<b>9. Poverty rate <sup>14</sup></b>			
Total and by type of area (thinly-populated, intermediate urbanised and densely-populated)	Total and in each type of area: - % of total population	8.6%	2012
<b>10. Structure of the economy (GVA) <sup>15</sup></b>			
Total	EUR million	3,467	2020
Primary	EUR mill/% of total GVA		
Secondary	EUR mill/% of total GVA		
Terciary	EUR mill/% of total GVA		
<b>11. Structure of the employment</b>			
Total	1,000 person	219.4	2020
Primary	1,000 person/% of total	16.5 / 7.5%	2020
Secondary	1,000 person/% of total	162.5 / 74.1%	2020
Terciary	1,000 person/% of total	40.4 / 18.4%	2020

<sup>14</sup> MONSTAT produced poverty rate as part of data on absolute poverty until 2013. Since 2013, MONSTAT produces At Risk of Poverty Rate by Eurostat's methodology. Data from Survey on Income and Living Conditions you can find on our site, link [Statistical Office of Montenegro - MONSTAT](#).

<sup>15</sup> GDP data by activities for 2020 can be found on the website, link: [https://www.monstat.org/uploads/files/Nacionalni%20racuni/BPD/2020/Godisnji%20BDP%202020\\_crn.pdf](https://www.monstat.org/uploads/files/Nacionalni%20racuni/BPD/2020/Godisnji%20BDP%202020_crn.pdf).

<b>12. Labour productivity by economic sector</b>			
Total	EUR/person		
Primary	EUR/person		
Secondary	EUR/person		
Tertiary	EUR/person		
<b>II: SECTORIAL INDICATORS</b>			
<b>13. Employment by economic activity</b>			
Total	1,000 person	176,693	2020
Agriculture	1,000 person	Sector A (NACE REV 2) 1,553	2020
Agriculture	% of total	0.88%	2020
Forestry	1,000 person	(A02 NACE REV2) 0.189	2020
Forestry	% of total	0.11%	2020
Food industry	1,000 person	*production of food 3,822 (C10 – NACE REV 2)	2020
Food industry	% of total	2.16%	2020
Tourism	1,000 person	*accommodation and food services 13,325 (sector I NACE REV2)	2020
Tourism	% of total	7.54%	2020
<b>14. Labour productivity in agriculture</b>			
Total GVA per full-time employed person in agriculture	EUR/AWU	NA	
<b>15. Labour productivity in forestry</b>			
Total GVA per full-time employed person in forestry	EUR/AWU	N/A	
<b>16. Labour productivity in food industry</b>			
GVA per person employed in the food industry	EUR/person	NA	
<b>17. Agricultural holdings (farms)</b>			
Total	No.	43,791	2016
No land	No.	311	2016
Farm size 0,10-<0,50	No.	10,590	2016
Farm size 0,50-<1,00	No.	5815	2016
Farm size 1,00-<2,00	No.	7363	2016
Farm size 2,00-<3,00ha	No.	3,895	2016
Farm size 3,00-<4,00 ha	No.	2,511	2016
Farm size 4,00-<5,00 ha	No.	1,600	2016
Farm size 5,00-<6,00ha	No.	1,462	2016
Farm size 6,00-<8,00 ha	No.	2,164	2016
Farm size 8,00-<10,00 ha	No.	1,082	2016
Farm size 10,00-<15,00 ha	No.	1,584	2016
Farm size 15,00-<20,00 ha	No.	1,042	2016
Farm size 20,00-<30,00 ha	No.	1,029	2016
Farm size 30,00-<50,00 ha	No.	900	2016
Farm size 50,00-<100,00 ha	No.	587	2016
Farm size > 100 ha	No.	296	2010
Farm economic size < 2,000 Standard Output (SO)	No.	31,579	2010
Farm economic size 2,000-3,999 SO	No.	9,527	2010
Farm economic size 4,000-7,999 SO	No.	5,281	2010
Farm economic size 8,000-14,999 SO	No.	1,837	2010
Farm economic size 15,000-24,999 SO	No.	443	2010
Farm economic size 25,000-49,999 SO	No.	146	2010
Farm economic size 50,000-99,999 SO	No.	42	2010
Farm economic size 100,000-249,999 SO	No.	10	2010
Farm economic size 250,000-499,999 SO	No.	1	2010

Farm economic size >500,000 SO	No.	2	2010
Average physical size	Ha UAA/holdings	4.5	2016
Average economic size	EUR of SO/holdings	2,600.0	2010
Average size in labour units (person)	Person/holdings	2	2010
Average size in labour units (AWU)	AWU/holdings	0.96	2010
<b>18. Agricultural area</b>			
Total UAA	ha	257,949.8	2020
Arable <sup>16</sup>	% of total UAA	2.7	2020
Permanent grassland and meadows	% of total UAA	94.3	2020
Permanent crops	% of total UAA	2.2	2020
<b>19. Agricultural area under organic farming<sup>17</sup></b>			
Certified	ha UAA	4,121.87	2020
In conversion	ha UAA	701.04	2020
Share of UAA (both certified and conversion)	% of total UAA	1.87	
<b>20. Irrigated area</b>			
Total irrigated land	ha	5,204.2	2010
Share of UAA	% of total UAA	2.35	2010
<b>21. Livestock units</b>			
Total number	LU	118,410	2010
<b>22. Farm labour force</b>			
Indicator name			
Total regular farm labour force	Person	99,236	2016
Total regular farm labour force	AWU	47,057	2010
<b>23. Age structure of farm managers<sup>18</sup></b>			
Total number of farm managers	No.	48,870	2010
Share of < 35 years	% of total managers	5.60	2010
Ratio < 35/ >=55 years	No. of young managers by elderly managers	17,699	2010
<b>24. Agricultural training of farm managers</b>			
Share of total managers with basic and practical experience only	% of total	95.77	2010
Share of manager <35 years with basic and practical experience only	% of total	5.35	2010
<b>25. Agricultural factor income (*)</b>			
Share of gross value added at factor cost (factor income in agriculture) per annual work unit, over time	EUR/AWU or index	N/A	
<b>26. Agricultural entrepreneurial income (*)</b>			
Standard of living of farmers: agricultural entrepreneurial income (net agricultural entrepreneurial income in real terms) per unpaid (non-salaried) annual work unit	EUR/AWU	N/A	
Standard of living of farmers as a share of the standard of living of employees in the whole economy (based on EUR/hour worked)	%	N/A	
<b>27. Total factor productivity in agriculture (*)</b>			
Ratio between the change in production volumes over a considered period and the	Index values (2005 = 100)	N/A	

<sup>16</sup> MONSTAT - The methodology of the Agriculture Census 2010 is that arable land does not include yards and gardens, which are intended for their own consumption. Share of yards in total used land according to Annual Survey data is 0.8%.

<sup>17</sup> MAFWM data.

<sup>18</sup> MONSTAT - The holder of the agricultural family holdings is identified as a manager.

corresponding change in inputs (or factors) used to produce them			
<b>28. Gross fixed capital formation on agriculture</b>			
GFCF	EUR million	NA	
Share of GVA in agriculture	% of GVA in agriculture	NA	
<b>29. Forest and other wooded land (FOWL) (000)</b>			
Total	1,000 ha	827,5 <sup>19</sup>	2019
Share of total land area	% of total land area	NA	
<b>30. Tourism infrastructure</b>			
Number of bed-places in collective tourist accommodation establishments: total and by type of region (predominantly rural, intermediate and predominantly urban)	Total: - number of bed places in each type of region: - number of bed places - % of total	Table is provided in Annex I	2019
<b>III: ENVIRONMENTAL/CLIMATE INDICATORS</b>			
<b>31. Land cover</b>			
Share of agricultural land	% of total area	37.33	
Share of natural grassland	% of total area	15.21	
Share of forestry land	% of total area	9.95	
Share of transitional woodland shrub	% of total area	NA	
Share of natural land	% of total area	NA	
Share of artificial land	% of total area	NA	
Share of other area	% of total area	NA	
<b>32. Areas with natural constraints</b>			
UAA in the different categories of ANC: - non ANC - ANC, of which: - ANC mountain, - ANC other, - ANC specific.	% of total UAA	N/A	
<b>33. Farming intensity</b>			
UAA utilised for extensive arable crops (UAA with cereals yield < 60% of EU-27 average)	ha and % of total UAA	N/A	
UAA utilised for extensive grazing (UAA with livestock density < 1 LU/ha of forage area)	ha and % of total UAA	N/A	
<b>34. Natura 2000 areas</b>			
Territory under N2000 - UAA under N2000 - Forest area under N2000	% of total territory / UAA / forest areas	N/A	
<b>35. Farmland birds index (FBI) (*)</b>			
Total (index)	Index 2000=100	N/A	
<b>36. Conservation status of agricultural habitats (grassland)</b>			
Total	% of total UAA	NA	
Mountain		NA	
Other		NA	
<b>37. HNV (high nature value) farming (*)</b>			
National conservation status	% of assessments of habitats	NA	
International conservation status	% of assessments of habitats	NA	

<sup>19</sup> MONSTAT - Data from three years' statistical research on the change of forest area (of 2011.).

<b>38. Protected forest</b>			
Class 1: Main management objective „Biodiversity conservation“:	% of FOWL area	NA	
Class 1.1 No active intervention	% of FOWL area	NA	
Class 1.2 Minimum intervention	% of FOWL area	NA	
Class 1.3 Conservation through active management	% of FOWL area	NA	
Class 2: Main management objective „Protection of landscape“	% of FOWL area	NA	
<b>39. Water abstraction in agriculture (*)</b>			
Volume of water which is applied to soils for irrigation purposes	m <sup>3</sup>	6,620,000 <sup>20</sup>	2019
<b>40. Water quality</b>			
Potential surplus of nitrogen on agricultural land	Kg N/ha/year	NA	
Potential surplus of phosphorus on agricultural land	Kg P/ha/year	NA	
Nitrates in freshwater – Surface water: High quality	% of monitoring sites	NA	
Nitrates in freshwater – Surface water: Moderate quality	% of monitoring sites	NA	
Nitrates in freshwater – Surface water: Poor quality	% of monitoring sites	NA	
Nitrates in freshwater – Ground water: High quality	% of monitoring sites	NA	
Nitrates in freshwater – Ground water: Moderate quality	% of monitoring sites	NA	
Nitrates in freshwater – Ground water: Poor quality	% of monitoring sites	NA	
<b>41. Soil organic matter in arable land (*)</b>			
Estimates of Soil Organic Carbon (SOC) stocks in topsoil: - total SOC stock - mean SOC concentration - STD of SOC concentration	- gigatons in top 20 cm of the topsoil (total SOC stock) - g/kg (mean and STD of SOC concentration)	N/A	
<b>42. Soil erosion by water (*)</b>			
Rate of soil loss by water erosion	Tonnes/ha/year	NA	
Agricultural area affected	ha	N/A	
<b>43. Production of renewable energy from agriculture and forestry</b>			
From agriculture	kToe (kilotons (100 tonnes) oil equivalent)	N/A	
From forestry	kToe	161.9	2020
<b>44. Energy use in agriculture, forestry</b>			
Direct use of energy in agriculture/forestry	For both uses: - total in kilotons (1,000 tonnes of oil equivalent, kToe) For agriculture: - kg of oil equivalent per ha of UAA	N/A	
Direct use of energy in food processing	For agriculture:	N/A	

<sup>20</sup> MONSTAT - Data about irrigation systems are collected through regular annual surveys on agricultural enterprises.

	- kg of oil equivalent per ha of UAA		
<b>45. GHG emission from agriculture (*)</b>			
Total net emissions from agriculture (including soils): - Aggregated annual emissions of methane (CH <sub>4</sub> ) and nitrous oxide (N <sub>2</sub> O) from agriculture - Aggregated annual emissions and removals of carbon dioxide (CO <sub>2</sub> ), and emissions of methane (CH <sub>4</sub> ) and nitrous oxide (N <sub>2</sub> O) from agricultural soils (grassland and cropland)	1,000 tonnes of CO <sub>2</sub> equivalents	N/A	
Share of agricultural (including soils) in total net emissions	% of total GHG emissions	N/A	

#### 4. SWOT – SUMMARY OF THE ANALYSES BELOW

##### Summary of the SWOT analyses

<b><i>(Strengths)</i></b>	<b><i>(Weaknesses)</i></b>
<ul style="list-style-type: none"> <li>● Rich biodiversity, presence of autochthonous species and varieties in different sectors (olives, wine, livestock breeding)</li> <li>● High quality, preservation and fertility of the soil</li> <li>● Favourable climate for many types of production</li> <li>● High demand in the domestic market for products in the higher price range (Wine, lamb, prosciutto, cheeses)</li> <li>● Good conditions for organic production</li> <li>● Tradition in agricultural production</li> <li>● Evident changes in the institutional framework in the last period</li> <li>● Evident interest of producers and processors in improving the primary processing and processing plants</li> </ul>	<ul style="list-style-type: none"> <li>● Large part of production non-competitive in price</li> <li>● Poor mechanization</li> <li>● Low level of technology and specialization applied in production</li> <li>● Small and fragmented holdings</li> <li>● Low level of production per household unit</li> <li>● Relatively high prices of inputs that influence the price of final products</li> <li>● Low level of market sale</li> <li>● Lack of organization and solid forms of connection of all actors in production chain</li> <li>● Insufficient level of quality standards (hygiene and environmental)</li> <li>● Inefficiency and non-competitiveness of processing industry (low level of production, technological obsolescence, lack of investments, market inefficiency)</li> <li>● Unfavourable age and social structure in rural areas,</li> <li>● Poor infrastructure in major part of rural areas</li> <li>● Insufficiently developed IT system, statistics and analytics in agriculture</li> <li>● Weak promotion and marketing</li> <li>● Lack of storage capacities</li> <li>● Weak connection with tourism sector</li> <li>● Low level of education and lack of knowledge of farmers</li> <li>● Low level of application of good agricultural and environmental practice</li> <li>● Seasonal production</li> </ul>
<b><i>(Opportunities)</i></b>	<b><i>(Threats)</i></b>
<ul style="list-style-type: none"> <li>● Strengthening agriculture through tourism - additional food demand</li> </ul>	<ul style="list-style-type: none"> <li>● Opening of the market will bring to competitiveness increase, which may</li> </ul>

<ul style="list-style-type: none"> <li>● Availability of state and EU support, particularly for rural development</li> <li>● Increasing market for organic production</li> <li>● Strengthening local production and market</li> <li>● Increase of exports of competitive products</li> <li>● Positive international market tendencies, including Middle East market (lamb meat)</li> <li>● Faster technological development, strengthening professional skills and institutions supporting agricultural development</li> <li>● Growing demand for high-quality products</li> <li>● Development of cooperatives</li> <li>● Availability of support from EU IPARD II.</li> </ul>	<p>endanger major part of commercial production</p> <ul style="list-style-type: none"> <li>● Due to low level of production and quality, as well as preference to foreign goods, penetration of large trade systems will further endanger economic position of certain sectors</li> <li>● Concentrated development of other economy branches in certain parts of the country, without agricultural development, may affect further depopulation and under-utilization of natural resources</li> <li>● Huge import dependence,</li> <li>● Lack of public awareness of benefits of domestic products</li> <li>● Difficult access to finance for farmers (high interest rate of loans)</li> </ul>
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**4.1. Agriculture, forestry and food industry (incl. separate table for each sector selected for support)**

**MILK**

<i>(Strengths)</i>	<i>(Weaknesses)</i>
<ul style="list-style-type: none"> <li>● The historical reliance of the rural economy on dairy sector in the Montenegrin mountain area</li> <li>● Pasture method of livestock breeding that allows a high degree of interaction with natural resources and their improvement</li> <li>● Increase in the total number of animals in commercial production</li> <li>● High level of adding value through on-farm processing</li> <li>● Heritage and experience in the production of quality cheeses and kaymak</li> <li>● Increasing number of cheese plants and the production of traditional hard cheeses in the central region, as well as increasing the number of registered on-farm processing activities in the north</li> <li>● Positive image of traditional and domestic production of dairy products</li> </ul>	<ul style="list-style-type: none"> <li>● Dependency on imports of concentrated feed and cereals</li> <li>● Low milk yield and productivity in primary milk production</li> <li>● High production price per unit</li> <li>● Fragmented production, a large number of small producers</li> <li>● Old-fashioned feed production, and the insufficient use of silage and heylage</li> <li>● Obsolete machinery</li> <li>● Low share of milk buy-out in total production</li> <li>● A small number of organised collection stations, inadequate cold chain</li> <li>● Insufficient raw milk quality, further improvements needed</li> <li>● A narrow range of products in the industrial processing sector</li> <li>● Low level of product finalisation through packaging, labelling, and communication of quality</li> <li>● Lack of valorisation and management of geographical indications/designations of origin for products with the protected name</li> <li>● Non-functioning producer associations and uncoordinated advocacy policy in the sector</li> </ul>
<i>(Opportunities)</i>	<i>(Threats)</i>

<ul style="list-style-type: none"> <li>● Plenty of room for increasing milk productivity by improving animal nutrition</li> <li>● Linkage with on-farm processing capacity</li> <li>● Adding value through experiential tourism, visits, tasting</li> <li>● Introduction of a higher level of innovation in production technology</li> <li>● Possibility of substituting a part of the import in the existing and new production programme</li> <li>● Establishment of a sectoral dairy association at the Montenegrin Chamber of Commerce</li> </ul>	<ul style="list-style-type: none"> <li>● Diseases outbreaks in livestock farming and low level of biosafety measures</li> <li>● Rural areas depopulation trend</li> <li>● Production growth trends in the region as additional pressure in terms of prices</li> <li>● Increase in feed prices</li> <li>● Insufficient experience and high cost of wastewater treatment</li> <li>● Absence of commercial credit lines for implementation of IPARD</li> <li>● Unregulated cadastral and proprietary relations</li> </ul>
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## MEAT

<i>(Strengths)</i>	<i>(Weaknesses)</i>
<ul style="list-style-type: none"> <li>● Positive customer perception in the region toward</li> <li>● Sufficient area of pastures and natural meadows of good quality and for an increase in cattle and sheep production</li> <li>● Dynamic and sustainable meat processing development, both traditional and industrial</li> <li>● Regions with the potential for organic production</li> <li>● Richness in quality various traditional meat products typical for a certain area</li> </ul>	<ul style="list-style-type: none"> <li>● Unfavourable demographic trends and social structure in rural areas resulting in lack of labour force</li> <li>● Lack of investment funds as a result of an undeveloped agricultural credit market</li> <li>● Insufficient level of implementation of animal health and welfare standards, food safety, and environmental protection</li> <li>● Obsolete facilities, equipment, and machinery in meat production</li> <li>● A small number of farms that properly manage manure and waste water</li> <li>● Non-compliance with the good practice of the animal by-products disposal system</li> <li>● Insufficient use of silage in the diet</li> <li>● Lack of quality control system at the purchase and slaughter line</li> <li>● Seasonal character of lamb slaughter in autumn results in lower quality</li> <li>● Dependency on feed imports</li> <li>● Disorganization of both traditional and industrial processors for joint promotion and / or appearance in other markets</li> </ul>
<i>(Opportunities)</i>	<i>(Threats)</i>
<ul style="list-style-type: none"> <li>● Continuous growth of the tourism sector Quality production through various quality certification systems, such as GI, organic, traditional, mountain...</li> <li>● Growing trend of consumption of domestic/local</li> <li>● Possibility to export meat and meat products to the region and EU from approved facilities</li> <li>● Increase production and meat Existence of medium-sized holdings that can sustainably processing in a short time</li> <li>● Connecting producers to combine offers, reduce the costs of transport, promotion, and other joint activities</li> <li>● Improving the packaging that would open up markets such as larger shops and exports</li> <li>● Achieving the synergies of agriculture and tourism and increase marketing of traditional, indigenous, organic, and other farm-produced food</li> </ul>	<ul style="list-style-type: none"> <li>● High variability and a reduction in meat prices in the world and regional markets that small producers cannot sustain for a long time</li> <li>● Climate change and more frequent extreme weather events</li> <li>● Insufficient biosafety measures in livestock production</li> <li>● Insufficient knowledge about EU standards in animal health and welfare, food safety, and environmental protection</li> <li>● Further depopulation</li> <li>● False labelled Montenegrin meat products tarnish the reputation and lower the demand</li> </ul>

<ul style="list-style-type: none"> <li>Improved access to management of pastures, especially those owned by the state</li> </ul>	
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## FRUIT AND VEGETABLES

<i>(Strengths)</i>	<i>(Weaknesses)</i>
<ul style="list-style-type: none"> <li>Competitive and specialised fruit and vegetable producers (professionalism and knowledge of the sector and the market)</li> <li>Quality, reputation and trust in domestic products</li> <li>Growth in the greenhouse production of perishable vegetables and strawberries</li> </ul>	<ul style="list-style-type: none"> <li>Small land resources small average farm size, a large number of small plots</li> <li>Underdeveloped land market</li> <li>Insufficient access to finance (lack of market for commercial agricultural loans, slow procedures in IDF)</li> <li>Insufficient specialisation and a small number of competing producers</li> <li>Low productivity at the sector level</li> <li>Lack of competition in buy-out and buy-out opportunities (price fluctuations)</li> <li>Slow retention of producers for joint logistics and sales as well as aggregation around processors and refrigerators</li> <li>Undeveloped cooperation among producers</li> <li>Lack of storage capacities for perishable vegetables</li> </ul>
<i>(Opportunities)</i>	<i>(Threats)</i>
<ul style="list-style-type: none"> <li>A market of 2.5 mil. tourists over a limited period</li> <li>Dynamic demand for fresh fruit</li> <li>Increased value of fruit and vegetable products through innovations in production and sale</li> <li>Promotion of domestic fresh fruit and vegetables</li> <li>Improving the knowledge of fruit and vegetable growers through formal and non-formal education</li> <li>Further development of the organic production value chain</li> </ul>	<ul style="list-style-type: none"> <li>Competition from the region and the EU</li> <li>Issue of agriculture financing by banks</li> <li>Climate change and adverse weather conditions</li> </ul>

## VITICULTURE AND VINE PRODUCTION

<i>(Strengths)</i>	<i>(Weaknesses)</i>
<ul style="list-style-type: none"> <li>Favourable ecological (abiotic) conditions for the production of high quality grapes and wine</li> <li>A long tradition in viticulture and winemaking</li> <li>Dominant production of high quality wines from grapes of autochthonous grape varieties</li> <li>Significant number of protected designations of origin and geographical indications according to the PDO / PGI system of geographical origin</li> <li>Existence of a short supply chain in the domestic market</li> <li>Activities related to the conservation of grapevine genetic resources</li> </ul>	<ul style="list-style-type: none"> <li>Fragmentation of vineyard plots in wine-growing areas and high production costs in such conditions</li> <li>Insufficiently modern mechanization and insufficiently high level of technical and technological equipment in wineries of small wine producers</li> <li>Insufficient investments in modernization of grape and wine production</li> <li>Insufficient organization of producers in order to jointly sell and promote on the international market</li> <li>Lack of seasonal labour</li> </ul>
<i>(Opportunities)</i>	<i>(Threats)</i>

<ul style="list-style-type: none"> <li>● Improving the organization of the domestic market and using the tourist potential</li> <li>● Implementation of scientific research results and valorisation of genetic resources (indigenous and "minor" varieties and genotypes)</li> <li>● Use of expanded newly zoned areas for vineyards (with wine, as well as with a variety of grape varieties) in accordance with current climate change and better use of water resources for irrigation</li> </ul>	<ul style="list-style-type: none"> <li>● Increasing the trend of wine imports from the region and the world</li> <li>● Urbanization of natural resources (primarily vineyard sites that are attractive for the construction of tourist and residential buildings)</li> <li>● Insufficient interest of producers to certify wines as wines with geographical origin</li> </ul>
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## OLIVE SECTOR

<b>Strengths</b>	<b>Weaknesses</b>
<ul style="list-style-type: none"> <li>● Long tradition of olive growing and olive oil production</li> <li>● Geographical location of olive orchards favourable to tourism diversification</li> <li>● Emergence of new plantations, both on the coastline and inland, often on uncultivated lands</li> <li>● Significant number of young, professional olive farmers</li> <li>● Utilisation of short supply chains (direct sales, at fairs, through HORECA channels), in line with the Farm to Fork approach</li> <li>● Modest use of pesticides, preserved biological balance and low level of pollution, conducive to organic production</li> <li>● Existence of high-quality tourism on the coastline provides a viable sales channel for high value-added olive sector products</li> </ul>	<ul style="list-style-type: none"> <li>● Limited scope of domestic production segmentation, focused mostly on olive oil, absence of viable production of table olives</li> <li>● Fragmentation of olive plots, dominant number of hobbies and small olive growers, consequently high production costs in such conditions</li> <li>● Partially inadequate technical and technological equipment (orchard &amp; harvest management, processing, storage)</li> <li>● Inadequate implementation of food safety and quality control standards</li> <li>● Insufficient knowledge of small producers about the most modern technology of olive and oil production, marketing, promotion and joint sale of olive oil</li> <li>● Dominance of imported olive oils in the retail sales channel</li> <li>● Lack of suitable nurseries, which would supply the olive sector with certified seedlings of domestic varieties - dependence on imported seedlings for planting of new olive groves</li> <li>● The unfavourable structure of old orchards creates difficult conditions for efficient production - a small number of irrigated areas</li> </ul>
<b>(Opportunities)</b>	<b>(Threats)</b>
<ul style="list-style-type: none"> <li>● Available areas suitable for raising olive groves</li> <li>● Development of assortment of olive products (cosmetics, furniture, souvenirs...),</li> <li>● Institutional capacity building of the sector (laboratories, oil inspection, advisory service specializing in olive and oil production, scientific institutions, public administration)</li> <li>● Diversification in rural tourism, crafts and services related to "the culture of the olive" creates synergies and added opportunities to olive farmers in agro-tourism</li> <li>● Further evolution of producer associations in the direction of achieving commercial forms of association and cooperation, including horizontal and vertical integration</li> </ul>	<ul style="list-style-type: none"> <li>● Further aggressive urbanization of coastal and other areas which are favourable for olive growing, generating land use competition and conflict</li> <li>● International competition from cost competitive, quality olive oils,</li> <li>● Long term consequences of climate change (erratic weather patterns, soil erosion, new pest and disease outbreaks)</li> <li>● Large surpluses of olive oil on the world market</li> <li>● Invasion and spread of new diseases, especially <i>Xylella fastidiosa</i> could cause catastrophic damage to the MNE olive sector, especially to the ancient olive orchards, which have, on top of their production, immeasurable symbolic and amenity value</li> </ul>

## DIVERSIFICATION

<p style="text-align: center;"><i>(Strengths)</i></p> <ul style="list-style-type: none"> <li>● Wealth of natural beauty and diversity of landscapes, offers, and traditional values</li> <li>● Offer of traditional Montenegrin products and the intensive activities of the Ministry of Agriculture, Forestry and Water Management to quality labels</li> <li>● Systemic approach of competent authorities - the Ministry of Economic Development and Tourism and the Ministry of Agriculture, Forestry and Water Management (Directorate for Rural Development) through the Programme of Rural Tourism Development of Montenegro with the Action Plan by 2021</li> <li>● Potential of rural tourism recognised by a number of local self-governances through strategic documents prepared</li> <li>● Rural areas still have preserved authenticity and typical rural architecture</li> <li>● Increasing number of interested agricultural producers</li> </ul>	<p style="text-align: center;"><i>(Weaknesses)</i></p> <ul style="list-style-type: none"> <li>● Underdeveloped road infrastructure in rural areas</li> <li>● Lack of knowledge and skills of agricultural producers/stakeholders for necessary for engaging in rural tourism</li> <li>● Inadequate promotion of Montenegro's tourism offers in rural tourism</li> <li>● Lack of initiatives to improve local supply and networking at the local level</li> <li>● Significant differences in the quality of service in rural tourism</li> <li>● Lack of local strategies for rural development</li> </ul>
<p style="text-align: center;"><i>(Opportunities)</i></p> <ul style="list-style-type: none"> <li>● Interest in nature-oriented tourism, adventure tourism, the introduction of cultural heritage, and new (unexploited) tourist destinations that will be accelerated by the COVID induced trend of replacing onsite office work with remote work</li> <li>● Oversaturation of traditional destinations</li> <li>● Linking with regional rural tourism destinations through the thematization</li> <li>● Funds available from various sources for the further development of rural tourism Establishment of association of rural households (ruralholiday.me)</li> </ul>	<p style="text-align: center;"><i>(Threats)</i></p> <ul style="list-style-type: none"> <li>● Conflicts between sustainable rural tourism and mass tourism</li> <li>● Slow infrastructure development process (costs, motivation, priorities)</li> <li>● Lack of capacity of local self-governances</li> <li>● Devastation of natural resources (forests and rivers) and unregulated waste disposal in rural areas</li> </ul>

## MARICULTURE

<p style="text-align: center;"><i>(Strengths)</i></p> <ul style="list-style-type: none"> <li>● A large number of possible locations at open sea, outside tourist areas where it is possible to grow fish and shellfish Existence of consumer interest (domestic and tourists) for fish from domestic mariculture</li> <li>● Growth of domestic fish consumption</li> <li>● Increasing mussel farming, primarily in the Bay of Kotor, which, in addition to economic interest, make a significant contribution to improving quality</li> <li>● Water in the bay</li> </ul>	<p style="text-align: center;"><i>(Weaknesses)</i></p> <ul style="list-style-type: none"> <li>● Mariculture reduced to locations in the Bay of Kotor</li> <li>● Insufficient equipment of the farm</li> <li>● Small production capacities of shellfish with relatively low productivity</li> </ul>
<p style="text-align: center;"><i>(Opportunities)</i></p> <ul style="list-style-type: none"> <li>● Development of mariculture as a chance to reduce imports of marine fish species</li> <li>● Construction of aquaculture facilities on the high seas</li> <li>● Introduction of new cultivation systems</li> <li>● Increasing the number of species in mariculture</li> <li>● Export of fresh fish and shellfish products on nearby countries (primarily to the former Yugoslav republics)</li> </ul>	<p style="text-align: center;"><i>(Threats)</i></p> <ul style="list-style-type: none"> <li>● Water quality in the Bay of Kotor limits the possibility of increasing fish farming (sea bass and sea bream)</li> <li>● Negative impact of other pollutants (such as ships) on seawater quality</li> <li>● Import competition</li> <li>● Possibility of disease transmission through water, birds and other vectors</li> </ul>

## AQUACULTURE

<i>(Strengths)</i>	<i>(Weaknesses)</i>
<ul style="list-style-type: none"> <li>● Existing natural resources for aquaculture development (geographical location, water quality, water quantity)</li> <li>● Possibility of building a large number of small family farms</li> <li>● Suitable climatic conditions</li> <li>● The possibility of selling fish on the domestic market, as well as the possibility of export</li> <li>● The tradition of simple forms of processing</li> </ul>	<ul style="list-style-type: none"> <li>● Small number of species to be grown</li> <li>● Dominance of trade in fresh freshwater fish, especially from imports</li> <li>● Insufficient equipment of farms</li> <li>● High input costs</li> <li>● High fish prices compared to the countries of the region and Europe</li> <li>● Poor diversification in the production of freshwater fish species</li> <li>● A small number (2) of companies - processors</li> <li>● Low consumption of fish per capita in Montenegro</li> </ul>
<i>(Opportunities)</i>	<i>(Threats)</i>
<ul style="list-style-type: none"> <li>● Many natural resources suitable for freshwater fish productions.</li> <li>● Increasing the diversity of the aquaculture system (RAS, aquaponics ...)</li> <li>● Increasing the diversity of fishery products</li> <li>● Growth of placements through the improvement of the offer in the catering industry</li> <li>● Creating a producer organization</li> </ul>	<ul style="list-style-type: none"> <li>● Pollution of aquatic ecosystems</li> <li>● Climate change (increasingly hot and dry summers), which is primarily reflected in the amount of water</li> <li>● Growth of inputs (such as energy) for processing</li> <li>● Limited purchasing power of domestic consumers</li> </ul>

## SWOT Forestry

<i>(Strengths)</i>	<i>(Weaknesses)</i>
<ul style="list-style-type: none"> <li>● A large part of Montenegro is covered by forests, which provides the basis for ecological and economic functions of forests</li> <li>● Forests are natural and vital, naturally rejuvenated, have a good structure and a high degree of biodiversity,</li> <li>● Much of the forest is of such quality that it can be included in the Natura 2000 network</li> <li>● Existence of legislation governing the field of forestry. The potential of the wood pulp for use is higher than it is actually used, the wood pulp is of good quality</li> <li>● There is an export market for wood products</li> <li>● Forests represent potential for ecotourism, renewable energy and other functions</li> <li>● Forests in national parks are forests with preserved and diverse biodiversity</li> </ul>	<ul style="list-style-type: none"> <li>● The volume of production and the degree of finalization in the wood processing sector is very low compared to the quantities of wood pulp on the market. A large amount of technical wood is used for firewood, and most of the exports are marketed as raw materials or sawn timber.</li> <li>● Outdated equipment, insufficient volume of investments in the wood industry, no foreign investments at all.</li> <li>● Small wood market in Montenegro, weak positions in the international market.</li> <li>● Private forests are in poor condition and low productive.</li> <li>● Lack of care and cultivation in all forests, lack of status.</li> <li>● Insufficient network of forest roads and trains, poor condition and maintenance of existing roads.</li> <li>● Unregistered logging.</li> <li>● Too little investment in forests.</li> <li>● Lack and low motivation of staff in forestry and wood industry, inadequate education.</li> <li>● Insufficient activity of the forestry advisory service, education of private owners.</li> <li>● Insufficient level of cooperation between forestry and wood industry.</li> <li>● Insufficient harmonization of the use of public forest functions in national parks</li> </ul>
<i>(Opportunities)</i>	<i>(Threats)</i>
<ul style="list-style-type: none"> <li>● Sufficient amounts of wood pulp</li> <li>● Higher degree of finalization in the wood industry, branding of wood products from Montenegro and export of final products</li> </ul>	<ul style="list-style-type: none"> <li>● Fires, which are increasing due to climate change, and the fight against forest fires do not work</li> <li>● illegal deforestation and shortcomings in penal policy</li> </ul>

<ul style="list-style-type: none"> <li>● Use of wood biomass as a renewable energy source to increase the demand for wood chips and pellets</li> <li>● Development of eco-tourism based on natural heritage.</li> <li>● Diversification of the rural economy and increase of rural employment based on forest resources</li> <li>● European integration through the introduction of European standards, the use of EU funds and access to the common market</li> </ul>	<ul style="list-style-type: none"> <li>● Urbanization</li> <li>● Insufficient competition and unfair competition in a small market</li> <li>● Inefficiency of the Forest Administration, lack of information technology</li> <li>● Lack of young professional and motivated staff in the Forest Administration and companies due to non-stimulating salaries and a small number of forestry students</li> <li>● Introduction of EU requirements to the detriment of domestic legislation, a large number of uncoordinated planning documents at the state level</li> <li>● Failure of the wood industry development</li> <li>● Inadequate implementation of Natura 2000</li> </ul>
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## 4.2. Environment and land management

### SWOT – Biodiversity

<p><i>(Strengths)</i></p> <ul style="list-style-type: none"> <li>● The great diversity of agro-ecological conditions, and therefore the cultivated plant and animal species,</li> <li>● The presence in addition to edible wild plants, numerous local varieties of agricultural plants,</li> <li>● A significant number of very specific population of livestock and plant varieties, by the genetic and phenotypic characteristics, which are grown in the Balkans,</li> <li>● Important areas for bird conservation, based on specified criteria and international standards (population of one or more globally or regionally threatened, endemic or certain groups of birds or highly representative group of birds),</li> <li>● Using the experience for protecting of nature as the basis for the use of European typology of habitats - EMERALD, Natura 2000.</li> </ul>	<p><i>(Weaknesses)</i></p> <ul style="list-style-type: none"> <li>● Lack of knowledge about biodiversity, lack of inventory for many groups, as well as data on population dynamics, ecology, and the degree of genetic variation for most species,</li> <li>● Disabled design and development of appropriate protection measures, particularly for rare and endangered species,</li> <li>● Limited monitoring of environmental changes,</li> <li>● Lack of awareness about the value and importance of local varieties/subspecies,</li> <li>● The lack of research on the connection of biodiversity and ecosystem services,</li> <li>● Lack of coverage of the territory of Montenegro systematic - taxonomic studies of flora and lack of distribution map of species and vegetation maps,</li> <li>● Decreasing of habitats and individual species,</li> <li>● Lack of zoos and breeding programs for rare and endangered species in isolation or captivity.</li> </ul>
<p><i>(Opportunities)</i></p> <ul style="list-style-type: none"> <li>● Further establishment of botanical gardens that provide the conditions for the cultivation of a significant number of plants,</li> <li>● The wealth of medicinal and edible plants, herbs, ornamental plants,</li> <li>● The development of tourism activities where biodiversity plays an important role,</li> <li>● A large number of lakes, mountains, salt pans, and national parks as well as the potential for bird watching.</li> </ul>	<p><i>(Threats)</i></p> <ul style="list-style-type: none"> <li>● Change of use of agricultural land, and natural forests which leads to loss of agro-biodiversity, local varieties and breeds,</li> <li>● The introduction of new invasive species, mostly for commercial reasons, which have not yet been explored,</li> <li>● Pollution primarily freshwater and marine ecosystems with wastewater and solid waste, intoxication organisms, eutrophication of ecosystems,</li> <li>● Assessing the impact of climate change, due to the small amplitude variations especially in the temperature and water regime,</li> <li>● Unfulfilled of legal obligations in relation to the assessment of environmental impact and assessment of the acceptability of certain actions, activities within the protected areas.</li> </ul>

## SWOT land management

<b>(Strengths)</b>	<b>(Weaknesses)</b>
<ul style="list-style-type: none"> <li>● Unpolluted land,</li> <li>● Preserved areas for agricultural production,</li> <li>● Good climatic conditions with diverse opportunities for agriculture production,</li> <li>● Ownership is mainly to private farmers.</li> </ul>	<ul style="list-style-type: none"> <li>● Lack of administrative capacities for land management,</li> <li>● Lack of experience in land consolidation,</li> <li>● Land fragmentation,</li> <li>● Non efficient use of natural resources,</li> <li>● Majority part of the land is with natural constrains.</li> </ul>
<b>(Opportunities)</b>	<b>(Threats)</b>
<ul style="list-style-type: none"> <li>● Unused agricultural land resources,</li> <li>● Providing long term rent for state owned land,</li> <li>● Better use of meadows and pastures, as an important factor of development of agriculture and rural areas while preserving and protecting the environment,</li> <li>● Development of land markets in order to better utilize land resources (e.g., land consolidation).</li> </ul>	<ul style="list-style-type: none"> <li>● Transformation of agricultural land into construction land,</li> <li>● Lack of interest in the use of agricultural land for agricultural activities,</li> <li>● The lack of a strategic approach to problem solving inheritance,</li> <li>● Climate change (droughts, fires, floods).</li> </ul>

## 4.3. Rural economy and quality of life

### SWOT rural economy and quality of life

<b>(Strengths)</b>	<b>(Weaknesses)</b>
<ul style="list-style-type: none"> <li>● Rich and diverse landscape with preserved natural environment (lakes, mountains, protected areas),</li> <li>● Diversity in culture, customs and tradition,</li> <li>● Availability of raw materials (timber, region specific products, local traditional agriculture),</li> <li>● Forest areas with high potential for hunting tourism and wood processing,</li> <li>● Natural resources for the production of niche food products, renewable energy (biomass),</li> <li>● Large number of traditional houses/architectures as tourism assets exist (but not renovated),</li> <li>● Demand for quality products exists - high number of foreign tourists as buyers,</li> <li>● Acknowledgement of traditional skills and products - highly motivated and experienced entrepreneurs.</li> </ul>	<ul style="list-style-type: none"> <li>● Poor rural infrastructure (rural roads, water supply, sewage, telephone, internet, waste disposal, etc.),</li> <li>● High share of areas with natural constrains,</li> <li>● High unemployment rate and lack of alternative income opportunities,</li> <li>● Weak capacity of local authorities in local planning, raising new ideas and projects for support and cooperation and public-private partnership,</li> <li>● Low level of rehabilitation of existing rural tourism assets.</li> </ul>
<b>(Opportunities)</b>	<b>(Threats)</b>
<ul style="list-style-type: none"> <li>● Growing demand for well-established tourist destinations, including rural tourism destinations,</li> <li>● Increased interest for production and sale of traditional and typical products of high quality,</li> <li>● Creation of new entrepreneurs, family businesses and additional jobs in rural areas,</li> <li>● Good economic relation and exchange with neighbouring-region markets.</li> </ul>	<ul style="list-style-type: none"> <li>● Rural depopulation and ageing trends in predominantly rural areas (out-migration of young, women and economically active population),</li> <li>● Slow structural reforms process,</li> <li>● Uncontrolled destruction of agricultural land and deforestation.</li> </ul>

## 4.4. Preparation and implementation of Local Development Strategies – LEADER

### SWOT LEADER approach

<b>(Strengths)</b>	<b>(Weaknesses)</b>
<ul style="list-style-type: none"> <li>● Know-how transfer of successful regional experience.</li> <li>● Activation of local resources (situation with Covid-19 showed a great potential of using local resources in many fields)</li> <li>● Existence of SWG RRD as intergovernmental organizations with LEADER oriented activities.</li> </ul>	<ul style="list-style-type: none"> <li>● Lack of practical knowledge and awareness on LEADER AND CLLD</li> <li>● Lack of capacities of LSGUs in local planning, lack of new ideas and projects and lack of private public partnerships.</li> <li>● Lack of administration capacities within all the relevant stakeholders.</li> </ul>

<ul style="list-style-type: none"> <li>● Existence of Network for Rural Development of Montenegro</li> <li>● Participation of Montenegrin NGO's in Balkan Rural Development Network</li> <li>● Existence and enactment of LEADER in legal and strategic framework.</li> <li>● Existence of adopted local rural development strategies (1 strategy that expired) and on the level of local communities</li> <li>● Existence of non-formal LAG initiatives</li> </ul>	<ul style="list-style-type: none"> <li>● Lack of regular institutionalized platforms for policy discussions dedicated to LEADER and CLLS.</li> <li>● Lack of database of major stakeholders from civil and private sector dealing with rural development.</li> <li>● Lack of adopted unified methodology for development of local development rural strategies</li> <li>● Lack of adopted local rural development strategies that are valid.</li> </ul>
<b><i>(Opportunities)</i></b>	<b><i>(Threats)</i></b>
<ul style="list-style-type: none"> <li>● Available regional and EU support in capacity building activities and LEADER and CLLD.</li> <li>● Existence of non-formal LAG initiatives and different local rural development document as a base for further LEADER and CLLD development.</li> <li>● Well-developed network of LAGs in neighbouring countries (Croatia) from which positive experiences can be taken</li> <li>● Increased number of Academia, Businesses and CSOs interested in working within rural development area.</li> <li>● Increase in number of associations connected to rural development topic gathering stakeholders from different sectors.</li> <li>● Implementation of the Smart specialization strategy in Montenegro connected to priority one – Sustainable Agriculture and Food Value Chain.</li> <li>● Political commitment to implement LEADER and CLLD in Montenegro both on national and level.</li> </ul>	<ul style="list-style-type: none"> <li>● Inadequate dedication for improvement of administrative capacities for implementation of LEADER and CLLD.</li> <li>● Lack of private stakeholder's dedication for active involvement in the LEADER and CLLD implementation.</li> <li>● Lack of existence of Regional Rural Development bodies such as Regional Development agencies, tourism offices etc.</li> <li>● Discrepancy in national and local policies</li> <li>● Slow implementation of rural development policies on national level and local.</li> <li>● Lack of budgetary funds on national and local level allocated for the implementation of policies concerning LEADER and CLLD.</li> </ul>

## 5. MAIN RESULTS OF PREVIOUS INTERVENTIONS

The assessments should cover interventions carried out in 2014-2020 programming period and relevant to the implementation of IPARD III programme. The information should include at least title of the intervention, main objectives, eligible sector/s and activities, achieved results (if possible, providing quantitative values), evaluation of the intervention and lessons learnt for 2021-2027 programming period.

### 5.1. Main results of previous national intervention; amounts deployed, summary of evaluations or lessons learnt

The most important type of state support for agricultural development is realized through the Agrobudget. The Agrobudget implies a set of incentive measures in the form of non-refundable benefits from the total budget of Montenegro for the development of agriculture and rural areas. The Agrobudget contains detailed budget lines (programs), with the necessary elements (reasons for the incentive, goals, description and support criteria, users, method of payment, implementation procedure, financial plan and supervision and control).

Insight into the budget presentations by years, changes in the amount and structure of the budget are noticed, i.e. purpose of incentive funds. Previously, these funds were mostly spent on premiums for milk, crop, livestock production, etc. After the adoption of the Strategy (2006), the Agrobudget is defined according to the basic pillars of agricultural policy (market-price policy measures, rural development policy and professional services in agriculture).

The data shown in Graph 10 refer to the planned budget funds. Given the very precise planning of budget funds in the last few years, there are small deviations in the implementation of certain measures in relation to what is planned in the budget. Therefore, reliable conclusions can be drawn based on the review of planned budget funds.

Graph 10: Total budget allocations for agriculture, 2014-2020 (000, EUR)



Source: MAFWM

The distribution of agro – budget funds by individual pillars of agrarian policy and by purposes within the pillars is shown in Table 29.

Table 29: Budget allocations for agriculture by groups of measures in the period 2014-2020 (Agrobudget of Montenegro)

Type of Measure	Budgetary allocations (national budget; 000 EUR)						
	2014	2015	2016	2017	2018	2019	2020
<b>Market price policy measures</b>	<b>5,448</b>	<b>6,130</b>	<b>5,700</b>	<b>6,721</b>	<b>6,604</b>	<b>7,977</b>	<b>9,270</b>
- Direct payments schemes	4,951	5,630	5,350	5,272	6,034	7,110	8,220
- Beekeeping support	147	148	150	169	290	367	400
- Market stabilisation measures	350	350	200	280	280	400	550
- Special support measures for wine	-	-	-	-	-	100	100
<b>Rural development policy measures</b>	<b>6,581</b>	<b>8,013</b>	<b>8,690</b>	<b>18,667</b>	<b>23,518</b>	<b>32,627</b>	<b>40,023</b>
- Axis 1: Measures for strengthening the competitiveness of agriculture	5,631	6,980	7,440	16,172	20,975	28,520	36,585
- Axis 2: Measures for support to sustainable natural resources management	378	440	600	645	710	790	780
- Axis 3: Measures for improving the quality of life and diversification of economic activities in rural areas	571	593	650	1,850	1,833	3,360	2,688
<b>General services and social transfers in agriculture</b>	<b>6,728</b>	<b>7,143</b>	<b>6,533</b>	<b>5,109</b>	<b>6,400</b>	<b>7,377</b>	<b>4,969</b>
<b>Fishery</b>	<b>250</b>	<b>300</b>	<b>348</b>	<b>443</b>	<b>1,043</b>	<b>1,533</b>	<b>2,243</b>
<b>Vet. &amp; Phyto programme</b>	<b>1,421</b>	<b>1,390</b>	<b>1,411</b>	<b>1,600</b>	<b>2,390</b>	<b>2,790</b>	<b>4,217</b>
<b>TOTAL</b>	<b>20,429</b>	<b>22,976</b>	<b>22,672</b>	<b>31,540</b>	<b>39,955</b>	<b>52,367</b>	<b>60,722</b>

Source: MAFWM

Direct payments in 2020 play a major role in market-pricing policy measures, accounting for 88.67% of budget allocations in this pillar. Market intervention measures and risk management participate with 5.93% in support through market-price measures. Since 2019, a new support measure has been introduced - the Special Support Measure for wine.

Total direct payments include 6 measures out of a total of 33 support measures for agriculture and rural development through the Agrobudget. Three measures relate to support crop production, as follows:

- direct payments in crop production
- support for seed production, and

- direct payments for tobacco production.

The livestock sector is supported through direct payments through three measures, as follows:

- a) direct support for livestock production (which includes premiums per head for cows and heifers, premiums per head for sheep and goats and premiums for organized fattening of cattle, bulls and oxen),
- b) support for the development of market milk production, and
- c) support for on-farm milk processing.

The beekeeping sector is supported through one measure - the Beekeeping Improvement Programme, while market stabilization measures are supported through two measures, as follows: Market intervention programme and Risk management in agriculture.

Since 2019, a special support measure for wine has been implemented, which is used for the conversion and restructuring of vineyards and the promotion of wine.

### **Rural development policy instruments and measures**

Rural development policy plays a very important role in the new Montenegrin agricultural policy. This is primarily because of the specificities of the agricultural sector and rural areas. The absence of commercial production of cereals and very low competitiveness of agriculture from the one side, and the vast majority of mountain areas in the northern part of the country threatened by abandonment of vital labour force from the other side, resulted in an agricultural policy to be focused on rural development and to provide different services to the agricultural sector.

The Strategy for the Development of Agriculture and Rural Areas in Montenegro has not yet been elaborated at the time of the preparation of the IPARD III Programme, but a procedure for the selection of a consultant for the elaboration of this Strategy has been initiated. The Strategy will be elaborated in accordance with the adopted documents that set the rules for the implementation of the Common Agricultural Policy 2021-27, in particular.

- The Farm to Fork Strategy,
- European Green Deal,
- EU Biodiversity Strategy for 2030 etc.

The Measures planned to be implemented with the aim of developing agriculture and rural areas will be divided into three axes, along with the fourth - LEADER. The strategy will also include activities to help Areas facing Natural Constraint (ANC).

**The first group (axis)** has the biggest number of measures (17 out of a total of 23) and participates by the highest amount (91.4%) in the total budget for rural development policy, or by 67.42% in the total Agrobudget for 2020. The axis is directed to strengthening the competitiveness of food producers through support to investments in primary production and processing industries, support for introduction of international standards and organisation of the producers. Since 2018, the IPARD II programme has been implemented, which largely participates in the total budget. (28,000,000 in 2020).

**The second group (axis)** refers to the sustainable management of natural resources, where four measures are implemented. The measure Sustainable use of mountain pastures accounts for 32.05%, while 51.28% is focused on supporting organic production, 5.12% on the conservation of genetic resources and organic production, while 11.53% refers to support for manure management. This axis has a small share in rural development policy, only 1.94%, or 1.28% of the total Agrobudget. This is because ANCs are not yet implemented and other measures are under development.

**The third group (axis)** consists of two measures: diversification of farms and business development; and Rural development and infrastructure construction. The first, which refers to support for new employment in non-agricultural sectors, has just been introduced and is accredited for implementation by the European Commission; for this reason, support for this measure is very modest (0.16%). The second measure refers to the co-financing of projects in rural areas: local roads, water management, facilities of common importance; it has been applied for many years with a significant share in the total Agrobudget, 96.27% in axis 3 and 6.46% in support of rural development.

Other (general) agriculture support measures, that are under the third, four and fifth component or pillar of the Agricultural policy refers to financial support for general services and social transfers in agriculture that are of public interest. These measures support programmes on education, research and development, analytical activities, extension services, fishery, a programme on veterinary and phytosanitary measures, and activities and programmes related to the control of product quality.

In order to avoid overlapping during the implementation of IPARD III measures and rural development measures that are supported through the agricultural budget, clear demarcation will be made between the measures financed from the national budget and donor projects.

These programmes and activities chiefly contribute: to providing the production of safe food; to increase the education level and qualifications of the producers; introduction of new technologies etc. The measures relate to programmes and activities that, because of public interest, cannot rely solely on private initiative.

### Activities undertaken during COVID-19

The spread of the new COVID-19 virus in all countries of the world also in Montenegro has had negative multiplier effects on both the social and economic dimension of life. Montenegro has been forced to severely restrict economic life to curb the pandemic. Although it was the last country in Europe to register the first case of the disease (the first case of COVID-19 was officially confirmed on March 17, 2020), Montenegro began to close both economic and overall social life.

The first package of measures to help the economy and citizens is estimated at EUR 100 mil. (mainly the new IDF<sup>21</sup> credit line) primarily as a liquidity policy. A three-month deferral of personal income tax and contributions for compulsory social insurance, a credit line to companies through the IDF was provided, and a three-month moratorium on repayment of loans to citizens and businesses with commercial banks was introduced. This package also included additional one-time direct financial support to low-income retiree and beneficiaries of family material security worth EUR 1 mil. (20,000 citizens and their families received this type of assistance).

Support for agriculture came through the Second Package of Measures (adopted on 24 April 2020), within the framework of state aid for agriculture and fisheries with projected allocations of EUR 17 mil., while the total value of the package was EUR 75 mil.

During the period May - September 2020, national subsidies/direct payments were paid in advance.

Within the special government Programme for the suppression of the COVID 19 disease pandemic, a special market intervention programme is being implemented in the agricultural and fisheries sectors, the aim of which is to maintain the stability of the agricultural products market and farmers' incomes, respectively to preserve production continuity, pandemic of the COVID 19 disease, to those sectors that were most endangered and most affected, and thus the liquidity and existence of producers were endangered, and the survival of the sector was called into question.

*Table 30: EU Assistance Package for the Western Balkans*

Country	Country Health system assistance (in EUR)	Social and economic recovery assistance (in EUR)
Montenegro	3,000,000	50,000,000
Serbia	15,000,000	78,400,000
Bosnia and Hercegovina	7,000,000	73,500,000
Kosovo	5,000,000	63,000,000
Albania	4,000,000	46,700,000
Northern Macedonia	4,000,000	62,000,000

<sup>21</sup> Investment Development Found.

<b>TOTAL:</b>	<b>38,000,000</b>	<b>374,000,000</b>
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Source: European Commission ([http://europa.ba/wpcontent/uploads/2020/03/coronavirus\\_support\\_wb.pdf](http://europa.ba/wpcontent/uploads/2020/03/coronavirus_support_wb.pdf))

## 5.2. Main results of EU assistance, amounts deployed, summary of evaluations or lessons learnt

Montenegrin agriculture during the programming period 2014-2020 implements projects:

**IPA 2014 - Improving fisheries control and management.** The total amount is EUR 550,000. All contracts envisaged by the project have been implemented: technical support to the officials of the Directorate for Fisheries, established basis for the Fisheries Monitoring Center, monitoring and control of vessels, maintenance of the register of fishermen, electronic catch log. The project was completed in mid-2019.

**IPA 2014 - Support to the veterinary sector.** The total amount is EUR 2.3 mil. All contracts envisaged by the project have been realized, except for the contract of technical support to the Directorate for Food Safety, Veterinary and Phytosanitary Affairs, which started in August and whose realization is in progress. Achieved results: improved equipment of the dairy laboratory, procurement of vaccines against rabies and classical swine fever, support to the employees of the Administration in drafting legal and strategic acts. The project was completed in January 2020.

**IPA 2014 - Capacity building for the implementation of the Water Framework Directive in Montenegro.** The total amount is EUR 1.9 mil. Results: improvement of water quality standards, improvement of information on water resources and definition of models for sustainable water management in accordance with European Union standards.

**IPA 2016 - Support to the implementation and monitoring of water management.** The total amount is EUR 2.4 mil. The project treats both aspects of water management - water protection and water protection, in accordance with the Law on Waters. This project will implement other water directives, which are not part of the IPA 2014 project, which is essential for the quality establishment of water management systems in accordance with EU water directives and implementation of all obligations in the water sector as part of Chapter 27.

**ADRION programme, ARIEL project.** Partners from Montenegro: MAFWM and Institute of Marine Biology in Kotor. The project started in early 2018, estimated duration: 24 months. MAFWM budget: EUR 92,207. The expected results are reflected in the formation of clusters of fishermen from the three participating countries in order to more efficiently collect data in the field of small-scale coastal fisheries.

**Multi-beneficiary IPA II Interreg Montenegro - Italy - Albania - BLUE LAND project.** Partners from Montenegro: MAFWM and the Municipality of Ulcinj, including local medium and small enterprises (primarily fishermen's associations). The project is ongoing, will last 24 months, the budget of the MAFWM is EUR 172,018. The expected results are reflected in the definition of a common model for the conservation and protection of coastal and marine biodiversity and strengthening the sustainable use of marine and coastal resources.

**Multi-beneficiary thematic IPA Montenegro-Italy-Albania-Food4Health project.** Partners from Montenegro: MAFWM and Institute of Marine Biology in Kotor. Partners from Albania: Ministry of Agriculture and Rural Development of Albania, Technology Transfer Center Vlora (Valona), Technology Transfer Center Korça. Partners from Italy: Institute for Agronomic Studies in the Mediterranean from Bari (CIHEAM), Pula region and Molise region.

As a main result, the reconstruction of the Institute of Marine Biology will have to build and equip a modern production laboratory-hatchery for shellfish and oysters, which are recognized as indigenous species in the Bay of Kotor (similar laboratories will be built in Italy and Albania, 5 in total). In addition, a joint analysis will select the types of producers in Montenegro who will be included in the project and who will be beneficiaries of knowledge transfer, primarily in relation to tried and tested methods of agricultural production in the Pula region, which includes study visits of producers from three countries and application of modern technology. The goal is to form a special label/label **Food4Health** at the end of the project with selected

products from three countries and which are the result of identical methods of modern agricultural production, which would also be an important step in bringing the quality of Montenegrin products to European standards. MAFWM budget: EUR 240,000 project started in June 2019.

Support to Montenegro within the various projects and programmes listed in the table above has contributed and will contribute to building the legal basis, institutions and capacity of the staff of the competent institutions and other relevant technical bodies and directorates. This concerned support for the veterinary and fisheries sectors.

Based on the partnership between the MAFWM and the World Bank and the World Bank's experience in implementing the MIDAS I project, the EU granted two IPA financed projects under IPA 2012 and 2013 to be implemented by the World Bank. Via those IPA projects the farmers and agribusinesses had the opportunity to receive IPARD like grants and the national IPARD authorities benefited from strengthening of the administrative capacity.

The total cost of the IPA 2012 and 2013 projects were EUR 10.5 mil. (Trust Fund I EUR 3.2 mil. and Trust Fund II EUR 7.3 mil.). Through Trust Fund II, EUR 5.3 mil. was planned through grant schemes and EUR 2 mil. for the LPIS project. The contribution of the Government of Montenegro amounted to EUR 2,125,000. Software, hardware and digital orthophoto maps of Montenegro were made in the period 2016-2017 through the IPA 2013 project Strengthening Montenegrin agriculture with establishing the Land Parcel Identification System. The Ministry, through the MIDAS I project 2017-2018 did the initial digitization of LPIS on the basis of digital orthophoto maps from 2017 and obtained the total area of available agricultural land in Montenegro of 418,845 ha. In 2021 6,487 parcels were registered in LPIS for 4,312 agricultural farms, while the total area of used agricultural land (perennial plantations and arable land) was 9,602.86 ha. The LPIS is part of IACS system and is used for national direct payments.

The IPARD like project assisted in the implementation of the grant scheme based on the measures envisaged by the IPARD II programme (investments in physical capital on agricultural holdings and investments in physical capital related to processing and marketing of agricultural and fishery products) and the accompanying Technical Assistance measure.

The MAFRD continues to face major challenges in its EU accession efforts and needs to continue strengthening its capacity and competencies to improve data collection and analysis procedures and practices, policy formulation and implementation to continue on the path to EU accession.

### **5.3. Main results of bilateral and multilateral assistance conducted, amounts deployed, evaluations or lessons learnt**

#### **World Bank support for Montenegrin agriculture**

In the period June 2009 - June 2015, the World Bank provided support to agriculture through the project: Institutional Development and Strengthening of Agriculture in Montenegro - MIDAS (Montenegro Institutional Development and Agriculture Strengthening). Support was provided through the implementation of the IBRD loan (EUR 11 mil.) and the GEF (Global Environment Facility) grant (EUR 4 mil.).

The project was prepared by the Ministry of Agriculture, Forestry and Water Management in cooperation with state institutions involved in institutional support for agriculture and fisheries. The project contained three (3) components:

Strengthening the MAFWM rural development programme by supporting the introduction and implementation of IPARD - compliant rural development measures set out in the National Rural Development Programme.

This component is implemented through:

- Strengthening rural development funds for targeted measures and areas;
- Strengthening field and advisory services;
- Management of the Programme of support to agriculture and rural development compatible with IPARD, through:

- Provision of technical assistance, training and goods and construction works for the establishment of the Rural Development Unit, the Paying Agency compatible with EU IPARD, as well as the development and implementation of a plan for systematization of the MAFWM, including construction and/or reconstruction of facilities for the MAFWM and its Management and bodies;
- Modernization of the agricultural information management system, including the Census of Agriculture, as well as the development of a register of farms and the development of related cadastral maps for wines, olives and/or fruit; Further strengthening the food safety system.

The MIDAS I project served as a good opportunity to prepare both farmers and the administration for the use of EU funds. Through 5 public calls, about 700 contracts were signed. Support was provided for measures related to investments in physical capital (including livestock procurement), and agri-environmental measures (mostly for manure management). On the other hand, the MIDAS project contributed to the following:

- The veterinary laboratory received new laboratory equipment and received accreditation for 16 methods.
- The Institute of Marine Biology has been rehabilitated, equipped and obtained national accreditation, becoming the National Reference Laboratory for General Biology and Marine Protection in the field of microbiological testing of seawater.
- The building of the Border Inspection Station (BIP) in the port of Bar has been built, equipped and is in function.
- GAP analyses on legal/institutional, administrative and technical aspects of the food system have been completed.
- Technical Assistance (TA) for the legal and regulatory framework for products of animal origin has provided all the results and the task has been completed. Technical assistance was provided to support the screening of food facilities.
- Undertaken trainings for veterinary inspections and veterinary administration.

A significant effect of MIDAS public calls is also the establishment of procedures that are similar to the procedures of IPARD calls. The project implemented 5 public calls for grants during the project and supported various beneficiaries (farmers, agricultural organizations) for rural development measures compatible with the EU IPARD II programme.

The First and Fourth Public Calls referred to the measure "Investments in agricultural holdings", the Second and Third Public Calls referred to the measure "Agricultural-ecological investments in mountain farms" and "Manure management and erosion prevention", while the Fifth Public Call referred to "Investments in Manure Management".

Grant contribution for 1, 4 and 5 Public Call was 50% of the total investment, while for the 2nd and 3rd Public Call the contribution was 60% of the total investment.

A total of 659 projects were financed with a total amount of support of EUR 6,532,040.65 (support from the IBRD fund amounts to EUR 4,924,858.93 and support from the GEF fund amounts to EUR 1,607,181.75).

Experience in the implementation of these measures is built into the Rural Development Programme in line with EU IPARD, which was developed by the MAFWM with the support of the EU under IPA 2008 and further with the support of other projects - EU IPA and WB. However, even due to the difficulties, the MIDAS grant project seems to have been quite effective in advancing towards the desired goals. Namely, after the first call through MIDAS, the maximum number of applications was received - 780, of which 333 were approved, while 268 projects were financed.

For all five MIDAS public calls, 1,467 applications were received and 794 were approved, while 659 were funded.

*Table 31: Total number of applications received and approved through the MIDAS grant project*

	<b>Number of applications</b>	<b>Total investment amount EUR</b>	<b>Amount of support EUR</b>
Requests received	1,467	36,223,638.98	18,385,285.75
Valid Grant Agreements	660	13,039,440.51	18,385,285.75

Investment	659	12,791,950.61	6,532,040.64
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Source: MIDAS Annual Report, 2017

Table 32: Total number of funded projects, by different calls and funding sources through the MIDAS grant project

Public call	GEF amount	Sum of IBRD	Amount of support	Total investment amount	Number of projects
M1	71,743.02	2,547,768.61	2,619,511.60	5,239,023.16	268
M2	580,036.48	0	580,036.48	966,727.47	97
M3	212,138.01	0	212,138.01	345,490.87	32
M4	534,250.41	2,377,090.32	2,911,340.72	5,822,681.44	223
M5	209,013.84	0	209,013.84	418,027.67	39
<b>Total</b>	<b>1,607,181.75</b>	<b>4,924,858.93</b>	<b>6,532,040.65</b>	<b>12,791,950.61</b>	<b>659</b>

Source: MIDAS Annual Report, 2017

Regarding the improvement of agricultural activity, the following effects were achieved by using MIDAS funds:

- increased yields (confirmed by 24.6% of successful candidates),
- reduced costs of using machines (24.1%),
- improved production conditions (21.5%)
- reduced processing time/production process (19.5%).

The obtained funds were mainly used by farmers to increase livestock (34.1%) and purchase new machinery (26.8%), which affected the increase in production capacity.

Taking into account the individual segments of agricultural production, it can be concluded that the implementation of the MIDAS project was justified and successful, because the positive effects of using these funds were achieved.

The implementation of projects financed from MIDAS funds contributed to an increase in production volume by an average of 40.9%, agricultural crops by an average of 38.8% and the expansion of livestock by an average of 35.0%. The use of these funds resulted in a reduction in costs by an average of 28.0%.

Farms that used MIDAS support recorded an increase in annual income by 22.7%, the cost of processed materials by 24.5% and an increase in agricultural production for individual needs by 10.5%.

The increase in production volume averaged 47.0%. Looking at the total number of employees, it is noticed that the successful candidates increased the number of employees by 4.9% after receiving MIDAS funding.

According to the project document on additional funding, was particularly focused on managing direct payments according to EU accession requirements.

The measure of organic farming was supported as part of a direct payment management pilot project that was defined by the IPARD Agency/Directorate for payments with other relevant MAFWM directorates.

The organic production measure supported by MIDAS additional funding was used to implement LPIS as a pilot project, and all relevant employees from the IPARD Agency/Directorate for payments and the Department of Advisory services in Livestock and Department of Advisory services in Plant Production. Advisory services were properly trained before supporting the measure.

As part of the Additional Financing, in May 2017, the MAFWM issued the First Public Call for Organic Production. During the implementation of the organic measure, 257 requests were received requesting financial support in the amount of EUR 341,835.11.

Following on-the-spot checks undertaken by Monteorganica and cross-checks by the IPARD Agency/Directorate for payments, the total amount of financial support provided was EUR 303,525.53 for 239 applicants.

In April 2018, the Ministry of Agriculture, Forestry and Water Management issued a public call for support for the area under olive growing, viticulture and/or medicinal and aromatic plantations and support for organic production for 2018 under measure 1.1.4. Direct payments in crop production and measures 2.2.2. Support for organic production.

Regarding vineyards, olive growing and aromatic plants, EUR 200,000 was allocated (direct support), while EUR 350,000 was allocated for support to organic agriculture, within the agrobudget measure. Within the Second Call, 361 requests in the amount of EUR 350,216.02 were paid (direct support EUR 47,439.62, organic production EUR 302,776.40).

The second project of Institutional development and strengthening of agriculture in Montenegro (MIDAS 2 project) entered into force in June 2018 and will be closed on June 30, 2023.

The aim of the project is to improve the competitiveness of agriculture and fisheries in Montenegro by improving the provision of state support in accordance with the requirements for EU accession. Competitiveness in the context of this project is defined as the ability of supported production units (individuals and companies) to increase their market sales, by meeting established quality standards and identifying different markets.

The direct beneficiaries of the project are individual agricultural producers, agricultural holdings/enterprises and fishermen who will benefit from the grant and capacity building programmes envisaged by the project. Institutional beneficiaries are:

- MAFWM (Directorate of Agriculture, Directorate of Rural Development, Directorate of Payments, Departments for Advisory services in Livestock and Plant Production, Directorate of Fisheries) and the Directorate for Food Safety, Veterinary and Phytosanitary Affairs;
- National Reference Phytosanitary Laboratory (NRL) located at the Biotechnical Faculty of the University of Montenegro;
- National livestock and food industry for production/processing;
- Port cities of Bar and Herceg Novi and other localities where fishing landing sites will be developed.

The design of the project is in line with providing support to Montenegro in meeting several specific criteria for Chapters 11, 12 and 13 of the EU, namely: Support for meeting two criteria for Chapter 11 (Agriculture and Rural Development):

- (i) IACS should be fully operational by the date of accession;
- (ii) The Paying Agency to be fully operational by the date of accession.

Support for meeting the three benchmarks for closing Chapter 12 (Food Safety, Veterinary and Phytosanitary Policy):

- (i) upgrading facilities for products of animal origin, including facilities for animal by-products;
- (ii) the establishment of an EU-compliant system for the official control of animal and plant products, including its financing;
- (iii) developing, in line with the EU acquis, relevant administrative structures for food safety control and further increasing administrative capacity and infrastructure.

Support for meeting two criteria for Chapter 13 (Fisheries):

- (i) the adoption of legislation that provides a significant degree of alignment with the EU fisheries acquis and ensures that Montenegro will be able to fully implement the Common Fisheries Policy upon accession, and
- (ii) strengthen the administrative, inspection and control capacity required by the CFP and ensure that EU requirements are fully met on the date of accession.

The project includes the following components and subcomponents:

Component 1: Strengthening the Agriculture, Rural Development and Fisheries Programmes of the Ministry of Agriculture, Forestry and Water Management;

Subcomponent 1.1: Increasing and diversifying farmers' income opportunities through grants for agriculture, rural development and fisheries;

Subcomponent 1.2: Strengthening the MAFWM towards meeting the conditions for EU accession.

Component 2: Support for food safety, veterinary and phytosanitary affairs

Subcomponent 2.1: Safe management of animal by-products;

Subcomponent 2.2: Strengthening the diagnostic capacity of the phytosanitary laboratory;

Subcomponent 2.3: Support to inspection services.

Component 3: Modernization of the fisheries sector

Subcomponent 3.1: Development of a network of landing sites (both in ports and other locations) with improved access to ancillary services;

Subcomponent 3.2: Capacity building of the Directorate of Fisheries and support to fishermen's associations.

Component 4: Project Management

## IPARD like I and IPARD like II

IPARD like I and IPARD like II are projects funded by the European Union, with the aim of preparing the Montenegrin sector of agriculture as well as Montenegrin institutions for future EU membership through modernization of production and strengthening of competitiveness, as well as implementing EU standards in the field of: increasing product quality, hygiene and food safety; improving the competitiveness of family farms; introduction of new technologies and innovations and opening of new market opportunities; improving product quality while complying with EU standards in the field of food safety and environmental protection; preserving the production of traditional products; linking the agriculture and tourism sectors; enrichment of tourist offer with specific and rare products of high quality.

IPARD like I project was realized through two Public calls in the period from December 2014 to December 2017, the MAFWM supported in total 347 agricultural producers from all three regions of Montenegro. Support was provided in the amount of 50% of eligible investments (excluding VAT) for all sectors of investment, with the following exceptions in order to support certain categories of agricultural producers (not applicable to legal entities): (A) up to 55% of eligible net investments (excluding VAT) for young farmers (up to 40 years old at the time of making the decision about awarding the grant support); (B) up to 60% of eligible net investment costs (excluding VAT) for applicants in mountain areas (over 600 m above sea level); (C) up to 65% of eligible net (excluding VAT) costs for investments in agricultural holdings located in mountainous areas led by young farmers (up to 40 years old at the time of signing the Grant Agreement).

Table 33: IPARD like I project

Sector of investments	No. of applications	Contracted			Supported/Paid		
		No. of applications	Amount of investments	Amount of support	No. of applications	Amount of investments	Amount of support
			(without WAT)			(without WAT)	
Livestock sector	435	291	8,879,024.04	5,277,414.52	240	6,083,428.65	3,636,460.52
Plant production	233	135	3,835,854.43	2,109,002.10	101	2,386,729.87	1,301,578.84
Aquaculture	17	10	378,681.21	189,340.61	6	243,588.43	121,794.21
<b>TOTAL</b>	<b>734</b>	<b>433</b>	<b>13,504,035.54</b>	<b>7,821,195.13</b>	<b>347</b>	<b>8,713,746.95</b>	<b>5,059,833.57</b>

Source: MIDAS office

The total amount of support is EUR 5,059,833.57 while the total value of the investment is EUR 8,713,746.95.

The percentage of realization in relation to total applications is 47.27%, where livestock production participates with 69.16%, plant production with 29.11% while aquaculture participates with 1.72% of the total number of supported/paid projects.

The improvement of agricultural practice using support of IPARD like I project is especially reflected through:

- Improving production conditions (25.8%),
- Reduction of processing time / production process (25.3%),
- Increase in production yield (22.1%),
- Reduction in the cost of engaging additional mechanization (14.4%).

The IPARD like II project was realized through four (4) calls in the period from March 2016 to August 2018, where the last projects were realized in June 2019, the MAFWM supported a total of 77 projects from all three regions of Montenegro, and the project holders are both agricultural holdings and legal entities registered in the agro-processing sector.

*Table 34: IPARD like II project*

Public call	No of applicant	No. of contracted projects	No of supported/payed projects	Amount of investments (without WAT)	Amount of support
2.1	40	33	28	2,833,088.53	1,969,160.29
2.2	43	32	25	2,992,279.01	1,496,139.52
2.3	30	18	14	864,854.10	432,427.35
2.4	15	15	10	37,350.36	22,021.14
<b>TOTAL</b>	<b>128</b>	<b>98</b>	<b>77</b>	<b>7,832,804.60</b>	<b>3,919,748.30</b>

*Source: MIDAS office*

Therefore, having in mind the above, through IPARD like I and IPARD like II project, a total of 424 projects were supported, with a total amount of support of EUR 8,979,581.87 (IPARD like I – EUR 5,059,833.57 and IPARD like II EUR 3,919,748.30).

## **IPARD II implementation**

From 2018, when IPARD II was started implementing up to December 31<sup>st</sup> 2021 we have through seven Public calls<sup>22</sup> 897 application, with 429 contracted projects or 47.82% of total number of applications and 217 paid/completed projects or 50.58% of total contracted projects.

*Table 35: IPARD II implementation in figures<sup>23</sup>*

Measure	Budget	Total submitted projects		Contracted projects		Aid paid to recipients	
		No.	EU contribution	No.	EU contribution	EU contribution	Number of completed projects
<b>M1 - Investments in physical assets of agricultural holdings</b>	<b>16,270,000</b>	<b>661</b>	<b>23,366,520</b>	<b>364</b>	<b>12,297,852</b>	<b>5,031,736</b>	<b>204</b>
<i>call 1 (15 May 2018)</i>		389	11,420,814	246	7,147,856	4,603,934	191
<i>call 2 (19 August 2020)</i>		180	8,306,604	118	5,149,996	427,802	13
<i>call 3 (10 November 2021)</i>		92	3,639,103	-	-	-	-
<b>M3 - Investments in physical assets concerning processing and marketing of agricultural and fishery products</b>	<b>17,770,000</b>	<b>134</b>	<b>23,829,339</b>	<b>65</b>	<b>12,715,153</b>	<b>2,370,291</b>	<b>13</b>
<i>call 1 (16 July 2018)</i>		45	3,193,161	20	3,676,673	1,700,233	8
<i>call 2 (20 December 2019)</i>		52	12,039,135	26	5,702,613	644,561	4
<i>call 3 (15 April 2021)</i>		37	8,597,042	19	3,335,867	25,497	1
<b>M7 - Farm diversification and business development (7.1)</b>	<b>4,560,000</b>	<b>102</b>	<b>4,657,333</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

<sup>22</sup> First Public call for M7 is in administrative control.

<sup>23</sup> Not included advance payments.

<i>call 1 (30 September 2021)</i>		102	4,657,343	-	-	-	-
<b>Total</b>	<b>39,000,000</b>	<b>897</b>	<b>51,853,193</b>	<b>416</b>	<b>25,013,006</b>	<b>7,402,026</b>	<b>217</b>

*Source: MAFWM*

About the total amount of EUR 39,000,000 available for the 2014-2020 programming period was spent EUR 7,402,026 or 18.97%.

The use of available funds would be better but having in mind COVID-19 pandemic the situation has changed. Many applicants withdrew due to the increase in input prices which also had a significant impact on using funds.

Till now we have a situation than through 204 projects in Measure 1 – Investments in physical assets in agricultural holding we have created 21 new jobs. Through Measure 3 – Investments in physical assets in processing and marketing of agricultural and fishery products we have created 77 new jobs through 13 supported/paid projects. All employees are employed in legal entities.

### **UN support through FAO**

FAO support to Montenegro in the period 2013-2015, through the national programme framework, established 5 priority areas:

- Preparation of the National Strategy for Agriculture and Rural Development 2014-2020 - a key strategic document that provides the basis for IPA II;
- Development of MAFWM capacities using policy making skills;
- Alignment of agricultural and rural development policy with EU standards;
- Promoting good practice in reducing the effects of climate change on agriculture - including measures to increase the preparedness of the rural population and harmonize production systems in order to reduce susceptibility to droughts and floods;
- Promoting a rural development pilot project - including increasing technical assistance to producer groups and the agricultural structure for joint activities such as forestry and livestock.

The National Programme Framework (CPF) of the joint development of the Government and the leading partners is closely harmonized with the UN Integrated Programme (2010-2015), as well as with the Montenegrin national development priorities.

### **RCTP project - Cluster development and rural transformation project**

RCTP is the first project of the International Fund for Agricultural Development (IFAD) in Montenegro and is designed to be implemented within 72 months starting in July 2017. For the overall implementation of the project IFAD has allocated the amount of EUR 5.76 mil., of which EUR 3.88 mil. in loans and EUR 1.88 mil. in grant support. The contribution of Montenegro will be EUR 8.30 mil., as follows: EUR 3.07 mil. invested from the Government budget; EUR 1.28 mil. in tax relief; EUR 1.64 mil. participation of municipalities; EUR 1.69 mil. participation of end users and EUR 620,600 participation of micro medium and small companies. The total value of the project is EUR 14.07 mil.

The main goal of the project is to contribute to the strengthening and transformation of small farms in the north of Montenegro, enabling them to become more competitive and resilient to climate change. This will be achieved by strengthening their competitiveness in the market and increasing the number of opportunities for their business, as well as connecting them and involving them in larger and more profitable value chains.

The project seeks to include poorer farmers in these areas in profitable and climate-sustainable value chains in order to make the experience the benefits of this project.

The project is implemented in 7 Montenegrin municipalities: Nikšić, Šavnik, Žabljak, Mojkovac, Bijelo Polje, Berane and Petnjica and in 4 production areas, in the livestock sector: meat and milk and dairy products (sheep, goat and cattle) and in crop production: raspberries and other berries and seed potatoes.

The project contains two main components: Creating clusters of value chains for sustainable and resilient rural transformation and Supporting the development of rural cluster infrastructure. The project's performance so far is 78.91 km of paved roads in rural areas and 42 completed investments in water supply, the total value of

investments in the amount of EUR 6,840,528.57. Support was paid to 584 applicants, who made investments in the amount of EUR 1,838,009.57.

### **Brief assessment of international projects and lessons learned**

During the implementation of donor projects, certain restrictions were noticed in rural areas of Montenegro, which was the case in the previous programming period as follows:

- low competitiveness of key sectors of the economy in rural areas (agriculture, forestry, fisheries, food sector, rural tourism, services);
- Insufficiently developed basic infrastructure in rural areas, which makes it difficult for the population and economic entities to access public institutions (telecommunications, transport, educational and health institutions, etc.);
- depopulation of rural areas and unfavourable age and gender structure of the rural population;
- low level of education of the rural population;
- weak activity or lack of regional and local institutions responsible for rural development;
- Insufficient coordination between state institutions and local communities in rural areas, which results in insufficient involvement of local self-government and local communities in the initiation, adoption and implementation of rural development policy.

The Ministry of Agriculture, Forestry and Water Management has a key role in implementing rural development policy. However, other ministries also have an important role to play in setting priorities and measures for rural development, and especially in their implementation.

### **IPARD II interim evaluation**

During the development of the IPARD III programme, an interim evaluation of the IPARD II programme was carried out, covering the period up to the end of 2020.

The main recommendations that will have an impact on the implementation of the IPARD III programme are listed below:

The state of play for the programme implementation by the end of 2020 is to some extent disappointing compared to the expectations at the time when the programme was developed.

First, not all planned measures are implemented since they are not requested to be entrusted. It is the case for Measure 4 Agro-environment, Measure 5 Implementation of local development strategies – LEADER approach and measure 6 Investments in public rural infrastructure.

Only Measure 1 - Investment in physical assets on agricultural holdings and Measure 3 - Investment in physical assets related to processing and marketing of agricultural and fishery products, beside technical assistance, has been implemented from the start of the programme in 2018.

The reason to postpone the implementation of Measure 4, Measure 5 and Measure 6 was linked to the level of capacity of the implementing structures and based on the factual implementation of Measure 1 and Measure 3, it was a reasonable decision to wait with the measures to IPARD III programme planned to be ready for implementation in 2022.

Measure 1 and measure 3 has been implemented since 2018 with 2 Public calls in the period covered of interim evaluation. The total number of received applications under Measure 1 under these first two Public calls is 569, of which 143 are rejected. By the end of 2020, 285 projects are contracted of which 163 are paid with an average total investment of EUR 42,000.

The total financial commitment rate is 33% by the end of 2020, and the project implementation rate is 47.5%.

The total number of applications under measure 3 is 97, where 40 were rejected. The rejection rate is 41.2%. Only 6 projects are paid by the end of 2020 with an average investment of EUR 628,000. The final date of eligibility of expenditures under the IPARD II programme is December 31<sup>st</sup>, 2023.

This means again that the implementation speed must be increased dramatically if all resources allocated to the accredited measures shall be utilized.

Measure 7 - On farm diversification and business development is accredited late in the process, first opened for calls in 2021 and is not reviewed in performed interim evaluation.

### **Effectiveness of implementation**

It is the conclusion that the effectiveness of the implementing structures has not been at a sufficient level to ensure a smooth implementation of the accredited measures. There has been a need for additional staff in the IPARD Agency/Directorate for payments, and there is also a big need for strengthening the IT system.

More staff has been recruited to the Agency during 2020, but the evaluator has so far no information about important improvement in the IT infrastructure, which is necessary in order to improve the digitalisation of the work processes in the IPARD Agency/Directorate for payments.

To what extent this capacity enhancement is sufficient to ensure a faster and more effective implementation during the remaining 3 years of the programme period remains to be seen, but the IPARD Agency/Directorate for payments must increase the effectiveness of processing applications and payment claims.

Interim evaluators gave the main recommendations, as follows, which have the great importance for successful implementation of IPARD III programme:

- Assess in detail the need for an improved IT based Management Information System (MIS) for MA to improve monitoring and evaluation and take steps to enhance the systems accordingly.
- Take steps to establish improved data systems for the analysis of the economic development in agriculture and food industry, either in MAFWM or in MONSTAT.
- Assess to what extent all prioritized sectors and not only milk and F&V are supported appropriately.
- Assess to what extent the priority of investment support to renewable energy projects is realistic and take steps to increase the prioritization of the sector, if relevant and needed.
- Implement the FADN system as soon as possible.
- Take steps to introduce a project evaluation model for reducing the risk for deadweight of supported projects.
- Increase the effectiveness of work processes in IPARD Agency/Directorate for payments with the help of enhanced IT systems.
- Take steps to consider and assess the possibilities for introducing a digitalization of the full work processes, including introduction of electronic applications.
- Increase the transparency in decisions about approval and rejection of applications and adjustment of payment claims with the help of improved guidelines for applicants, better information to recipients and rejected applicants and better dialogue.
- Take steps to assess the work processes of the IPARD Agency/Directorate for payments in order to simplify and make faster and more effective the work processes wherever possible.

## **6. DESCRIPTION OF THE STRATEGY AND OBJECTIVES OF THE PROGRAMME**

### **6.1. Description of the existing national rural development strategy**

As Montenegro is one of the candidate countries for EU membership, the forthcoming Strategy for Agricultural and Rural Development 2022-2028 will follow the goals set by the new Common Agricultural Policy 2021-2027, while respecting the commitments made by signing the Green Agenda for the Western Balkans.

In addition to the mentioned directions related to fulfilling international obligations and steps necessary for EU accession, the draft Strategy emphasizes the sustainable use of natural resources, with special emphasis on the production of high quality agricultural and food products using innovative and traditional production methods.

The main strategic goals that reflect the current needs of Montenegrin agriculture can be categorized as follows:

- Production and provision of quality and safe food, respecting the principles of good production practice;
- Providing fair income to agricultural holdings, while increasing the competitiveness of production and reducing the negative impact on the input market;
- Sustainable use of natural resources, climate change mitigation, while taking into account the preservation of the environment and the commitments made by signing the Green Agenda for the Western Balkans, chapter “Sustainable Agriculture and Food Production”;
- Improving the quality of life in rural areas, reducing the outflow of population through the opening of new business opportunities.

These objectives will be achieved through the application of various measures, which will, at the same time, be gradually aligned with those under the EU's Common Agricultural Policy. Montenegro is participating to the European Strategy of Adriatic Ionian Region (EUSAIR) having a dedicated flagship priority on “Promoting Sustainability, Diversification and Competitiveness in the fisheries and aquaculture sectors through education, research & development, administrative, technological and marketing actions, including the promotion of initiatives on marketing standards and healthy nutritional habits”. This offers the opportunity for joint new projects for enhancing the development and resilient if fisheries and aquaculture sectors.

IPARD III is by choosing a measure appropriate to meet the objectives presented in the strategic documents and international commitments. Taking into account the financial strength of the population in rural areas, national and IPARD measures are complementary in parts of the amount of investment, which means that no category of the population is excluded from potential support.

## **6.2. Identification of the needs and summary of overall strategy**

Based on the analysis of the structure and trends in the agricultural sector, taking into account the available natural resources and political framework (analysed in the present SWOT analysis), major needs have been identified for further development of this sector:

### **1. Improving competitiveness:**

- Increase the competitiveness of agriculture and agro-processing on the national, regional and global markets;
- Increase the average size and reduce the fragmentation of holdings through a comprehensive land consolidation effort, adequate land policy and producers' groups;
- Improve the transfer of technology and innovation system through an enhanced extension service and technology transfer system, including supporting competences and qualification of the farmers with professionalism, experience and trust in the modern economy;
- Improve the organization of the value chains from farmer to consumer, making the farmer meet the market.

### **2. Improving food safety and food quality:**

- Increase food safety standards at foodstuff quantity with affordable consumer prices;
- Increase the quality of products (quality standards, organic products, PDO, PGI, TSG).

### **3. Improving sustainable resource management:**

- Continue the effort regarding preservation of the eco-systems;
- Ensure sustainable management and utilization of natural resources (land, water, forests, plant and animal resources) in order to guarantee preservation of the environment in the broadest sense;
- Mitigate and adapt to climate changes;
- Improve the infrastructure in agriculture (roads, water supply, irrigation, waste water treatment).

### **4. Improving quality of life and development of rural areas:**

- Improve living standards in rural areas;

- Through improvements of basic services (road, water and energy supply infrastructure; health, social, cultural facilities and others);
- Through the diversification of income generating activities and possibilities ensuring the economic and social cohesion between rural and urban areas;
- Through the provision of possibilities for employment and a lasting source of income for a significant part of the population, and contribute to fighting poverty and depopulation;
- Through the increasingly important integration of tourism development and agricultural development, taking advantage of the wide range of domestic products through promotion of national cuisine;
- Through the preservation of the tradition and cultural heritage of the countryside.

#### 5. Improving administrative capacities:

- Enhance the institutional development and ensure regulatory development and enforcement;
- Improve inter-ministerial cooperation in addressing identified challenges and enhance collaboration with local self-governments.

The overview of the major needs is reflecting the prioritisation of the needs in the IPARD III Programme as showed in the table 36.

*Table 36: Summary table showing main rural development needs and measures operating*

Need identified	IPARD	IPA	Other donor – multilateral assistance	National
1.Improving competitiveness	Investments in physical assets of agricultural holdings Investments in physical assets concerning processing and marketing of agricultural and fishery products Farm diversification and business development	x	x	x
2.Improving food safety and food quality	Investments in physical assets of agricultural holdings Investments in physical assets concerning processing and marketing of agricultural and fishery products Farm diversification and business development	x	x	x
3.Improving sustainable resource management	Agri-environment-climate and organic farming measure Establishment and protection of forests	x		x
4.Improving quality of life and development of rural areas	Farm diversification and business development Investments in rural public infrastructure Implementation of local development strategies - LEADER approach	x		x

5.Improving administrative capacities	Implementation of local development strategies - LEADER approach Technical assistance measure	x		
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*Source: MAFWM*

In order to avoid overlapping during the implementation of the IPARD III measures and rural development measures that are supported through the agricultural budget, clear demarcation will be made between the measures financed from the national budget and donor projects.

### **6.3. Consistency between the proposed IPARD intervention and IPA III Programming Framework and Strategic Response**

Considering that sector strategies ended/or will end in next few years, it is important that the strategic planning process for the next planning cycle strongly considers the new IPA III programming approach. With 3 negotiating chapters in ARD sector opened, further progress in the accession process will be measured against Montenegro’s ability to take on and implement the acquis and assume the responsibilities and commitments of a member country. Developing sustainable strategic planning and policy development capacities of MAFWM is key for the effective programming and absorption of the IPA funds. ARD sector needs further improvements in many of its segments in order to meet minimum national standards and to be prepared to go through the entire accession process. The assistance and proposed interventions are, among others, devised in manner to support development and implementation of ARD policies. The MAFWM will have to strengthen the capacities for policy planning monitoring, evaluation and reporting, following requirements specified in the Decree on the Modalities and Procedure of Drafting, Alignment and Monitoring of the Implementation of Strategic Documents (hereinafter referred to as the Decree) and the Methodology for Policy Development, Drafting and Monitoring of Strategic Documents (hereinafter referred to as the Methodology) which are developed to ensure improvement both in terms of quality of strategic documents and in terms of outcome i.e. result-based reporting.

All activities related to the ARD sector are followed by MAFWM through its management structure consisting of the Cabinet of the Minister, State Secretary, 5 Directorates, including advisory services. The Directorates are responsible for creating policies, drafting primary and secondary legislation proposals and overseeing the implementation of adopted policies and laws. All envisaged activities are outlined in the Action Plan, which is an integral part of the “Strategy for Agriculture and Rural Development 2015-2020” and complimentary with obligations stemming the negotiating process in Chapters 11, 12 and 13. Monitoring of the Action Plan implementation dynamic is conducted by heads of Directorates, Chief Negotiator for all 3 Chapters and individual Heads of 3 Working Groups. This dynamic is being overseen by State Secretary and Minister via the system of internal periodic reports by the heads of individual sections of MAFWM. Reports are being sent to the European Commission on annual basis. The monitoring of direct payments and rural development relies on the synergy among the IPARD Managing Authority/Directorate for rural development, IPARD Agency/Directorate for payments and Directorate for Agriculture, including the implementation of IPARD. MAFWM also publishes a report on all implemented activities on an annual basis which provide a through summary of MAFWM’s actions during the previous year and outline discrepancies between the planned and realized activities.

National financial means are allocated to MAFWM within the annual state budget. Payments are made to MAFWM from the national budget on a monthly basis, while MAFWM reports on the spending of allocated funds to the Ministry of Finance on a quarterly and annual basis. All payments must be approved by the Minister. Annual funds issued directly to agricultural producers and owners of agricultural households in Montenegro are a part of the yearly Agrobudget, and the monitoring of its implementation is conducted by Directors General via the Accounting Department and overseen by the Minister and State Secretary, who is in charge of Financial Monitoring and Control. After each public call for IPARD or Agrobudget measures, a report is drafted and circulated within the management structure of MAFWM and approved by the Minister. Individual producers and CSOs in this sector are contacted prior to each drafting of annual Agrobudgets and after its adoption; the measures are promoted and presented in each municipality. Since the introduction of centralized model of financing CSOs in Montenegro in 2017, MAFWM has also maintained contact with

associations of producers and other agricultural civil society organisations for the purpose of defining priorities for annual funding.

In 2019, the Department for Development, International Cooperation and Planning, Programming and Implementation of Projects Financed through International and IPA funds was renamed into the Department for Development, International Projects and IPA funds, recognized as a Project Implementation Unit and a part of the IPA organizational structure, along with the explicit recognition of duties of the SPO, Implementation Manager and Programming Manager in the Internal Organization and Systematization Act of MAFWM. With regards to the implementation and monitoring of projects financed by non-national funds, the reporting is conducted in a similar fashion, with the addition of rules and procedures outlined in individual projects. The Department for development projects and international cooperation oversees all projects in which MAFWM is involved with external partners, including all bilateral relations with other countries and projects financed by EU, UN, World Bank, foreign embassies etc. Depending on the area in question addressed by an international project, the individual directorates and administration exercise a level of involvement providing expertise or managing the implementation of project activities. The Minister is notified on the progress of the implementation of international projects via periodic reports.

Montenegro is participating to the EU Strategy for the Danube Region (EUSDR) but Montenegro is currently not involved in the coordination of priority areas. The representatives of the line ministries are involved in work of the steering groups at the national level. The representatives of Ministry of Ecology, Spatial Planning and Urbanism are involved in work of the steering group PA 6 Biodiversity, Landscapes and Air & Soil Quality, which aim is to preserve biodiversity, landscapes and the quality of air and soils.

Smart & Competitive South Adriatic – Objective of this programme is improving people skills and creating new competences, while contributing to growth & competitiveness, through trainings in blue economy sector, digitalization and other strategic fields, through new and integrated models of trainings, aimed at creating innovation ecosystems in sectors such as fisheries, aquaculture, coastal /marine tourism etc., ship building, with a focus on innovative start-ups, SMEs, and S3s actions.

The project Smart & Competitive South Adriatic may widely contribute to the achievement of the S.O. 4.1., as it aims at increasing the skills in the blue economy sectors such as fisheries, aquaculture, ship building etc., with a specific focus on more vulnerable social groups.

Interreg VI-A IPA Croatia-Bosnia and Herzegovina-Montenegro Programme 2021-2027 hopes to Enhancing sustainable growth and competitiveness of SMEs and job creation in SMEs, including by productive investments, Priority Axis PA1 Smart investments in research, innovation and competitive entrepreneurship, the specific objective is of great importance since the following needs in the program area have been recognized to the need to foster the cooperation between SMEs in the development of new cross-sectoral products (e.g. agriculture and IT). The programme will be focused on supporting actions that accelerate innovation and technology transfer, primarily (but not exclusively) in the areas of blue and green economy, circular economy, agriculture, food production, fisheries and aquaculture, climate change, renewable resources, smart manufacturing, biodiversity, skills development for smart specialization etc. Also the LAGs that will be supported through Measure 5, will be involved in the realisation of the mentioned activates.

#### **6.4. Alignment of the selected measures and selection criteria to the main elements of the EU Green Deal and the Green Agenda for the Western Balkans**

Montenegro is committed to meet the objectives of the Green Deal which will be incorporated into IPARD III and its measures, as well as other strategic documents related to agriculture, and try to meet the challenges in the field of climate and environmental protection.

This new growth strategy seeks to transform society into a just and prosperous one, with a modern, sustainable, resource efficient and competitive economy in which there will be no net greenhouse gas emissions in 2050 and where the economy will not be linked to the exploitation of resources, especially fossil fuels.

The Green Agenda for the Western Balkans envisages meeting the objectives of the following five pillars:

1. **Climate action**, including decarbonisation, energy and mobility;
2. **Circular economy**, sustainable production and consumption, primarily waste management, recycling, and efficient use of resources;
3. **Preservation of biodiversity**, protection and restoration of the ecosystems, in terms of preservation and restoration of the natural wealth of the region;
4. **Depollution-fight against air, water and soil pollution**; and
5. **Sustainable food systems and rural areas**.

Digitalization will be the key that connects all five pillars with the concept of dual green and digital transition.

In this regard, the IPARD III programme involves investments in the field of circular economy on farms, with an emphasis on modern waste management, reuse, or processing into a new product through investment in a collection centres, equipment, machines and devices for collection, storage, disposal, processing and packaging of edible and inedible by-products, as well as environmental protection and processing, treatment and disposal of waste through measures 1, 3 and 7. Through Measure 1 for these investments, an additional 10% support will be provided for management investments waste and wastewater, and through measure 3 and 7 an additional 10% support for investments in the circular economy.

The fight against air, water and soil pollution in which Montenegro is making efforts will be reflected through investments in facilities, equipment, machinery and devices for physical, chemical and biological treatment of waste and wastewater, adequate storage and manure management, prevention of air pollution, equipment for disposal and transport of primary, secondary and tertiary packaging and solid waste.

Investments covered by the IPARD III programme are primarily aimed at harmonizing the primary production and processing sector with EU standards in the areas of food-free, disease prevention and plant and animal health, as well as improving traceability and food labelling.

Montenegro pays special attention to the promotion of organic production, which as such reduces the use of synthetic chemicals in food production, such as pesticides, veterinary drugs and fertilizers. Through the IPARD III programme, farmers involved in organic production will be favoured as recipients of support through measures selection criteria.

The protection and restoration of ecosystems in order to preserve biodiversity is a task not only for the agricultural, forestry and agriculture sectors, but also for other branches of the economy such as energy, transport, tourism, etc. The main challenges at the national and regional levels are due to insufficient commitment to the implementation of environmental policy. The most pronounced problems are related to deforestation and illegal logging. With the prevention of forest fires and the emergence of pests and diseases through support for the establishment of a system of sustainable forest management will be the subject of Forestry measure is included in the IPARD III programme.

Investments in renewable energy sources are included through almost all IPARD III measures in order to create resource-efficient, safe and sustainable low-carbon economies on farms and processing facilities. In this regard, investments will be provided in the construction of plants for the production of energy from renewable sources - photovoltaic systems, equipment, machines and devices for energy saving.

## 6.5. A summary table of the interventions logic showing the measures selected for IPARD, the quantified targets

*Table 37: A summary table of the interventions logic showing the measures selected for IPARD, the quantified targets*

<b>Measure</b>	<b>Quantified target</b>	<b>Programme targets</b>
Investments in physical assets of agricultural holdings	Number of farms and agri-food processing enterprises supported by IPARD in modernisation	Number of projects having received IPARD support in agri-food sector and rural development
	Total investment on farms and agri-food sector in modernisation	
	500	980
	38,000,000	

	<p>Number of farms receiving IPARD investment support to progressively align with the EU hygiene and animal welfare standards 150</p> <p>Number of jobs created 60<sup>24</sup></p> <p>Number of young farmers receiving IPARD support for investments 100</p> <p>Number of supported producer groups/organizations 0</p> <p>Number of farmers participating in supported Producer Groups, Producer Organisations, local markets, short supply chain circuits and quality schemes 10</p> <p>Number of collective investments 10</p> <p>Number of IPARD recipients with support in investments related to care for the environment or climate change 150</p> <p>Number of IPARD recipients with support in investments related with manure management 100</p> <p>Number of IPARD recipients with support in investments in waste treatment or management 50</p> <p>Number of IPARD recipients with support in investments in renewable energy production 30</p> <p>Number of IPARD recipients with support for non-productive investments. 30</p> <p>Number of non-productive investment operations supported in complementarity with M4 20</p> <p>Number of projects with circular economy-type investments 0</p>	<p>Total investment generated via IPARD in agri-food sector and rural development EUR 114,000,000</p> <p>Number of economic entities performing modernisation projects in agri-food sector 750</p> <p>Number of economic entities progressively upgrading towards EU standards 650</p> <p>Number of jobs created (gross) 225</p> <p>Number of enterprises investing in renewable energy production 140</p>
Investments in physical assets concerning processing and marketing of agricultural and fishery products	<p>Number of farms and agri-food processing enterprises supported by IPARD in modernisation 150</p> <p>Total investment on farms and agri-food sector in modernisation 40,000,000</p> <p>Number of food processing enterprises receiving IPARD investment support to progressively align with the EU hygiene and animal welfare standards 150</p> <p>Number of jobs created 100</p> <p>Number of supported producer groups/organisations 0</p> <p>Number of farmers participating in supported Producer Groups, Producer Organisations, local markets, short supply chain circuits and quality schemes 0</p> <p>Number of collective investments 0</p> <p>Number of IPARD recipients with support in investments related to care for the environment or climate change 70</p> <p>Number of IPARD recipients with support in investments in waste treatment or management 50</p> <p>Number of IPARD recipients with support in investments in renewable energy production 50</p> <p>Number of projects with circular economy-type investments 0</p>	<p>Number of agricultural holdings/enterprises developing additional or diversified sources of income in rural areas 200</p>
Agri-environment-climate and organic farming measure <sup>1</sup>	<p>Number of contracts 500</p> <p>Total agricultural land (ha) under environmental or/and climate contracts; 24,000</p> <p>Total area (ha) per type of operation included in the following categories:</p> <p>(a) management of inputs (including integrated production, reduction in fertilizers use and in pesticides use, manure management, etc.); 750</p> <p>(b) cultivation practices (including crop rotation, crop diversification, soil management through conservation or no tillage, soil cover, etc.); 750</p> <p>(c) management of landscape, habitats, grassland (including setting and management of landscape features, including wetland and peatland, species conservation, extensive grassland management, etc.); 23,250</p>	

<sup>24</sup> The presented indicator represents the number of formally employed people, while the number of people actively working in agriculture is significantly higher. The number of people actively working in agriculture cannot be estimated with accuracy.

	(d) organic farming). Within the support for endangered breeds: • Number of supported species; • Number of supported animals. Within the support for endangered plant varieties: • Total area for each supported variety. Number of holdings supported for: • conversion into organic farming; • maintenance of organic farming. Total area supported for: • conversion into organic farming; • maintenance of organic farming.	750 10 2,800 80 315 235 676 300
Implementation of local development strategies – LEADER approach <sup>1</sup>	Number of local development strategies (LEADER) Number of new jobs created Number of IPARD recipients with support in investments in renewable energy production Population covered by LAGs Number of small projects paid.	5 5 0 150,000 30
Investment in rural public infrastructure	Total investment in rural diversification, business development and infrastructure (EUR) Number of new jobs created Number of supported local infrastructure Number of IPARD recipients with support in investments related to care for the environment or climate change	7,000,000 10 25 10
Farm diversification and business development	Number of farms and agri-food processing enterprises supported by IPARD in modernisation Total investment on farms and agri-food sector in modernisation Number of recipients of IPARD investment support in rural diversification and business development Total investment in rural diversification, business development and infrastructure (EUR) Number of new jobs created Number of young farmers receiving IPARD support for investments Number of supported producer groups/organisations Number of farmers participating in supported Producer Groups, Producer Organisations, local markets, short supply chain circuits and quality schemes Number of collective investments Number of IPARD recipients with support in investments related to care for the environment or climate change Number of IPARD recipients with support in investments in waste treatment or management Number of IPARD recipients with support in investments in renewable energy production Number of organic farms with IPARD support to investments Number of projects with circular economy-type investments	100 16,000,000 300 29,000,000 50 100 0 5 0 50 25 60 15 0
Technical Assistance	Number of National Rural Development Networks supported <sup>1</sup> Number of promotion materials for general information of all interested parties (leaflets, brochures etc.) Number of publicity campaigns Number of expert assignments supported Number of trainings, workshops, conferences, seminars Number of meetings of the Monitoring Committee Number of studies on elaboration and implementation of Programme measures; Number of Programme evaluation reports Number of rural networking actions supported Number of potential LAGs supported	60,000 300 15 250 14 3 3 1 5

Establishment and protection of forests	Afforested agricultural and non-agricultural land (ha)	20
	Area of agroforestry systems established (ha) –	10
	Area of forests having benefited from support to improve the resilience and environmental value of forest ecosystems (ha)	725
	Area of forest having benefited from support to prevent and restore from damages to forest from forest fires (ha)	140

## 7. AN OVERALL FINANCIAL TABLE

*Maximum EU contribution for IPARD funds in EUR by year, 2021-2027*

*Table 38: EU contribution by year, 2021-2027, mil. EUR*

Year	2021	2022	2023	2024	2025	2026	2027	2021-2027
<b>TOTAL</b>	<b>5.00</b>	<b>6.00</b>	<b>8.00</b>	<b>9.00</b>	<b>10.00</b>	<b>12.00</b>	<b>13.00</b>	<b>63.00</b>

*Financial Plan per measure in EUR, 2021-2027*

*Table 39: EU contribution for IPARD III funds by year, 2021-2027*

Measure	Total public aid	Total public aid	EU contribution	EU contribution rate	National contribution	National contribution rate
Investments in physical assets of agricultural holdings	60%	23,093,333	17,320,000	75%	5,773,333	25%
Investments in physical assets concerning processing and marketing of agricultural and fishery products	50%	19,680,000	14,760,000	75%	4,920,000	25%
Agri-environment-climate and organic farming measure	100%	6,329,412	5,380,000	85%	949,412	15%
Implementation of local development strategies – leader approach	100%	1,022,222	920,000	90%	102,222	10%
Investments in rural public infrastructure	100%	7,640,000	5,730,000	75%	1,910,000	25%
Farm diversification and business development	60%	16,893,333	12,670,000	75%	4,223,333	25%
Technical assistance	100%	1,494,118	1,270,000	85%	224,118	15%
Establishment and protection of forests	100%	5,823,529	4,950,000	85%	873,529	15%
<b>TOTAL</b>		<b>81,975,947</b>	<b>63,000,000</b>		<b>18,975,947</b>	

*Indicative budget breakdown by measure in EUR, 2021-2027*

*Table 40: Indicative budget breakdown by measures, 2021-2027*

Measure	Total public aid	Private contribution	Total expenditure
Investments in physical assets of agricultural holdings	23,093,333	15,395,555	38,488,888
Investments in physical assets concerning processing and marketing of agricultural and fishery products	19,680,000	19,680,000	39,360,000
Agri-environment-climate and organic farming measure	6,329,412	-	6,329,412

Implementation of local development strategies - LEADER approach	1,022,222	-	1,022,222
Investments in rural public infrastructure	7,640,000		7,640,000
Farm diversification and business development	16,893,333	11,262,222	28,155,555
Technical assistance	1,494,118	-	1,494,118
Establishment and protection of forests	5,823,529	-	5,823,529
<b>TOTAL</b>	<b>81,975,947</b>	<b>46,337,777</b>	<b>128,313,724</b>

*Indicative budget of EU Contribution by measure 2021-2027 in EUR for monitoring*

*Table 41: Indicative budget of EU contribution by measures for monitoring, in 000 EUR, 2021-2027*

Measure/ Year	EU contribution (000 EUR)							2021-2027
	2021	2022	2023	2024	2025	2026	2027	
Investments in physical assets of agricultural holdings	2,150	2,220	2,640	2,520	2,350	2,820	2,620	17,320
Investments in physical assets concerning processing and marketing of agricultural and fishery products	1,600	1,800	2,000	2,160	2,200	2,400	2,600	14,760
Agri-environment-climate and organic farming measure	0	600	720	810	1,000	1,080	1,170	5,380
Implementation of local development strategies – LEADER approach	0	0	0	0	250	300	370	920
Investments in rural public infrastructure	0	0	500	720	1,000	1,560	1,950	5,730
Farm diversification and business development	1,250	1,380	1,500	1,800	2,000	2,400	2,340	12,670
Technical assistance	0	0	0	180	200	240	650	1,270
Establishment and protection of forests	0	0	640	810	1,000	1,200	1,300	4,950
<b>TOTAL</b>	<b>5,000</b>	<b>6,000</b>	<b>8,000</b>	<b>9,000</b>	<b>10,000</b>	<b>12,000</b>	<b>13,000</b>	<b>63,000</b>

*Percentage allocation of EU contribution by measure, 2021-2027*

*Table 42: Percentage allocation of EU contribution by measure, 2021-2027*

Measures/Year	EU contribution						
	2021	2022	2023	2024	2025	2026	2027
	%	%	%	%	%	%	%
Investments in physical assets of agricultural holdings	40	37	30	33	28	23.5	20.15
Investments in physical assets concerning processing and marketing of agricultural and fishery products	32	30	25	24	22	20	20
Agri-environment-climate and organic farming measure	0	10	9	9	10	9	9
Implementation of local development strategies – LEADER approach	0	0	0	0	2.5	2.5	2.85
Investments in rural public infrastructure	0	0	6.25	8	10	13	15
Farm diversification and business development	25	23	18.75	20	20	20	18
Technical assistance	0	0	0	2	2	2	5
Establishment and protection of forests	0	0	8	9	10	10	10
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

## 8. DESCRIPTION OF EACH OF THE MEASURES SELECTED

### 8.1. Requirements concerning all or several measures

#### *National standards relevant to the Programme and in compliance with the EU standards*

Supported investments shall comply with provisions of the Financial Framework Partnership Agreement (FFPA) and the Sectoral Agreement and the national law relating to its application, which is:

- Farm registration,
- Producer organizations recognition,
- Animal welfare and environmental protection,
- Food and feed hygiene,
- Identification and registration of animals,
- Occupational safety,
- Public health, etc.

The investment, when concluded, must respect the relevant European Union standards as regards environmental protection and animal welfare for Measure 1 and environmental protection, public health, animal welfare, and occupational safety for Measure 3. If the national standards are similar to the Union standards, in duly justified cases, derogation from this rule may be approved by the Commission.

For projects for the ‘Fruit, vegetable and arable sectors’, the ‘Viticulture sector’ and the ‘Olive sector’ a derogation of the above rule is applicable. For these projects, the fulfilment of appropriate national minimum standards for agricultural holdings will be checked only within the sector for which the recipient submits the request, and not on the entire agricultural holding.

Investments supported under Measure 7 must comply with the relevant national standards and requirements at the end of the realisation of the investment. The investment, when concluded, must respect the relevant national standards regarding environmental protection, public health, animal welfare, occupational safety and tourism and catering.

In case, a collective investment is implemented by a legally established entity on behalf of their members, the national standards shall apply to the assets of the entity and not to the assets owned by each participant/member of this entity.

The applicable national legislation referring to the national minimum standards shall be listed in the Annex to the Programme.

#### **Eligible expenditure**

The rules concerning the eligibility of the expenditure are in Article 33 of the Sectoral Agreement:

- a. construction or improvement of immovable property shall be eligible, up to the market value of the asset, as established in accordance with Article 11(2)(f) and Article 11(3)(d);
- b. the purchase of new machinery and equipment, including computer hardware and software, shall be eligible, up to the market value of the asset, as established in accordance with Article 11(2)(f) and Article 11(3)(d);
- c. general costs linked to collective projects, that could additionally include studies, marketing and development of the products concerned and animation costs (all to be specified in the List of Eligible Expenditure (LEE)) and general costs linked to expenditure referred to in points (a) and (b) such as architects’, engineers’ and other consultation fees and feasibility studies shall be eligible up to a ceiling of 10% of the costs referred to in those points (a) and (b) under the following conditions:
  - i. the eligible amount of the general costs shall not exceed the reasonable cost established in accordance with Article 11(2)(f) and Article 11(3)(d);

ii. for projects with eligible expenditure of the investments referred to in points (a) and (b) of more than EUR 3 mil, the business plan preparation costs shall not exceed 3% of the eligible expenditure of these investments;

iii. for projects with eligible expenditure of the investments referred to in points (a) and (b) of at least EUR 1 mil and no more than EUR 3 mil, the business plan preparation costs shall not exceed 4% of the eligible expenditure of these investments;

iv. or projects with eligible expenditure of the investments referred to in points (a) and (b) of less than EUR 1 mil, the business plan preparation costs shall not exceed 5% of the eligible expenditure of these investments.

With the prior approval of the EC, the complete List of Eligible Expenditures shall be drawn up for each measure under the IPARD III Programme. Supported investments in production and/or processing and/or marketing of products (Measures 1 and 3) must be covered by Annex I to the TFEU, including fishery products, and/or the development of new products, processes and technologies linked to products covered by Annex I to the TFEU, including fishery products. The output of the production process may be a product not covered by the Annex.

Any contracts and addenda signed or expenditure incurred by the recipients and payments made by the country shall not be eligible for funding under the IPARD III programme before the signature of the relevant Financing Agreement. This principle does not apply to actions under the Technical Assistance measure and to expenditure relating to general costs, provided that the expenditure is incurred by the recipients after 1<sup>st</sup> January 2021.

For other measures, costs are considered eligible for co-financing if incurred after the act/contract for project co-financing between the recipient and the IPARD Agency/Directorate for payments has been concluded.

The general costs can only be considered eligible for co-financing if the applicant has requested support for general costs in the application providing detailed documentation justifying the reasonableness of the costs and if the project to which they relate is actually selected and contracted by the IPARD Agency/Directorate for payments. The IPARD Agency/Directorate for payments is responsible for publishing the set of requirements and documents needed for the justification of costs by the applicant/recipient in the Guide for Recipients. With the payment/s request submitted to the IPARD Agency/Directorate for payments, the recipient has to provide detailed documentation justifying the reasonableness of the costs. The IPARD Agency/Directorate for payments is responsible to verify the reality and validity of the costs.

### **Application of the durability condition**

The investment for which the recipient has received support must not undergo a substantial modification within five years from the date of the final payment to the recipient in accordance with Article 33 of the Sectoral Agreement.

In the case of exceptional situations that might affect the investments (e.g. fire or flooding) or ‘force majeure’ (e.g. pandemic), the recipient must inform the IPARD Agency/Directorate for payments within deadlines according to the Sectoral Agreement or the contract for co-financing.

The recipients are obliged to keep all accounting records for at least 7 years after the investments take place as well as to collaborate and provide any requested information to the officials of the respective Ministry, IPARD Agency/Directorate for payments, European Commission and European Court of Auditors authorized to control and audit the implementation of the project as well as NAO/AC and Audit Authority and to other authorized organizations and institutions upon request from the IPARD Agency/Directorate for payments.

A list of eligible expenditure for support under the IPARD III programme can be found in Article 33 of the Sectoral Agreement.

Investment in the tobacco sector is not eligible under IPARD.

## **Rules of origin**

Compared to IPARD II, the rule of origin does not apply anymore for supplies and materials under IPARD III. However, it remains as a verification of the entity signing the contracts.

In case of the entity (Article 11 of Regulation (EU) 2021/1529), it should be established in:

- Member States, beneficiaries listed in Annex I to Regulation (EU) 2021/1529, contracting parties to the Agreement on the European Economic Area and countries covered by the Annex I to Regulation (EU) 2021/947; and
- countries for which reciprocal access to external assistance is established by the Commission.

## **Economic viability**

Eligible for support are only investments that are economically viable at the end of investment period. This economic viability is demonstrated and proved at the application stage, through the Business plan/technical project. The criteria that will be used by the IPARD Agency/Directorate for payments to assess the economic viability of investment are presented in the Annex V.

## **Rules applied for payment of instalments and advanced payments**

The eligible investment activities have to take place after the signature of the contract with the IPARD Agency/Directorate for payments. The payment of the public aid will be made on the basis of payment claim and justifying documents, which prove the accomplishing of the activities and their eligibility. The form of payment claim is established by the IPARD Agency/Directorate for payments as specific to the contract provisions and activities concerned.

Advance payments to recipients may be provided from the budget of the Programme, according to rules and conditions of advance payments being established on the basis of the Sectoral Agreement. Payments of advances qualify as eligible expenditure up to 50% of the public aid related to the investment and shall be subject to the establishment of a bank guarantee or an equivalent guarantee corresponding to 110 % of the amount of the advance.

## **Deadweight**

Deadweight spending is a serious indicator of inefficiency in public financing. It means that recipients receive subsidies for projects that would have been implemented even without the subsidy. Those recipients should be excluded by a tailored procedure. In the evaluation deadweight is something to be looked at. Some ideas for avoiding deadweight:

- Targeting of recipients, e.g. by wealth/size,
- Prioritizing of economic unattractive types of projects, for example focusing on environmental protection,
- Prioritizing projects with a 'financing gap'.
- Risk of deadweight will be significantly mitigated by determination and application of appropriate selection criteria following verification of eligibility criteria.

The deadweight loss risk is reduced by focusing of the Programme towards sectors and territories with structural disadvantages resulting in underinvestment and slow or negative growth rates. Thus, Programme resources are focused on the investments that would not be implemented without public support.

To further reduce the deadweight risk in some of the selected sectors, only investments aiming to environmental protection or renewable energy production are eligible for support. In addition, in all measures, a priority is given to investment bringing benefits mainly for nature and environment protection, which are with a lower deadweight risk.

## ***Rules applied for payment of instalments and advanced payments***

### *Advance payment procedure*

After signing the contract with the IPARD Agency/Directorate for Payments, recipients have the opportunity to submit a request for advance payment within 100 days from the day of signing the Contract (Annex to the Contract). The contract defines the possibility of advance payment in the amount of up to 50% of the approved support.

In addition to the request for advance payment, the recipient is obliged to submit with the request the following:

- bank guarantee or an equivalent guarantee for 110% of the advance amount with a validity of 6 months after the expiration of the Agreement with the IPARD Agency/Directorate for payments,
- a copy of the bank account or a card of deposited signatures (for legal entities).

After submitting the request for advance payment, an administrative control is performed, during which the validity of the above-mentioned documents is checked, after which a decision approving the advance payment is made.

#### *The procedure for payment of instalments*

After signing the Agreement with the IPARD Agency/Directorate for payments, recipients have the opportunity to receive the support in instalments.

In case when the recipient's investment refers to one functional unit (e.g. Procurement of machinery), the payment will be made after the investment is completely realized. For investments that include several functional units (e.g.: Procurement of machinery, construction of facilities, purchase of seedlings...), payment can be made from a maximum of three parts/instalments, but only if the functional part of the investment is completed.

After submitting the request for payment in instalments, the administrative control is performed according to the same procedures as during the administrative control of the request for payment.

## **8.2. Administrative procedure**

### **Department for publicity and authorization of projects (administrative control of requests for support)**

Administrative control of applications for support of funds includes control of completeness and control of admissibility of applications.

The phase of checking the completeness of the request for support implies control of whether the recipient has submitted all the necessary documentation in accordance with the List of necessary documentation which is an integral part of the Public call for measure.

If the recipient has submitted complete documentation, the project acceptance phase is moved to the control phase.

In case the documentation is not complete, the applicant is sent a Notice on supplementing the documentation, in order to finalize the documentation and obtain the conditions for considering the acceptability of the project.

In the phase of controlling the acceptability of the project, the submitted documentation is checked, i.e. it is determined whether the applicant meets all the conditions and criteria prescribed by the IPARD III programme, the Regulation on the implementation of measures and the Public call. Also, double financing is controlled, black and red lists are checked, the economic viability of the project is assessed, as well as the reality of market prices is checked.

If the eligibility control establishes that the applicant meets all the conditions and criteria of the call, an order is given for the field verification of everything stated in the request, business plan and accompanying documentation.

After the field control, the Department for on-the-spot control for rural development measures submits a report from the field and if the report is positive, a calculation of the acceptable investment is made and the applicant is contracted.

If the report from the field is negative, i.e. the applicant does not meet the conditions and criteria of the call, the procedure of rejecting the application is entered.

The summary of this procedure is indicative and may change over time. For a full description of the respective procedures a reference is made to the respective procedural manuals.

### **Department for technical and economic analysis**

Department for technical and economic analysis performs the procurement procedure, economic viability assessment, monitoring and control of the work of the Commission for evaluation and work on the basis of reference prices.

Also, the Department for technical and economic analysis is in charge of determining the economic viability of users, which are proven by the business plan and financial statements if the applicant is a legal entity.

In addition, this section verifies the monetary values specified in the application for support for the procurement of goods, services and works. Monetary values must be consistent with realistic and reasonable market prices.

The verification of the reality and reasonableness of monetary values is performed on the basis of: reference costs (reference price base), comparison of different offers, evaluation of the Evaluation Commission and other appropriate methods.

The summary of this procedure is indicative and may change over time. For a full description of the respective procedures a reference is made to the respective procedural manuals.

### **Department for on-the-spot control for rural development measures**

Administrative control and on spot control consist of studying the documentation attached to the application.

Upon receipt of the request for control in the field and the documentation, the head of the Department selects the control team for the implementation of control and issues an order for on spot control.

The control team introduces with the documentation and the planned/realized investment by studying the complete documentation attached to the application, with special reference to the business plan, if it is field control before approval, or all invoices, if it is on spot control before payments.

All data and observations are transferred by the control team, i.e. filled in the appropriate checklists, depending on the type of on spot control.

After the on spot control is completed, the completed images are printed, the complete documentation used during the on spot control is sorted and the case is forwarded to the head of the Department who supervises the conducted control.

After the supervision is completed, the documentation is returned to the department from which the request for on spot control arrived.

The summary of this procedure is indicative and may change over time. For a full description of the respective procedures a reference is made to the respective procedural manuals.

### **Department for authorization of payments (administrative control of payment requests)**

Administrative control of payment requests implies control of the completeness and acceptability of payment requests.

After receiving the request for payment, the completeness and acceptability of the documents are checked together with the request for payment. The control includes checking the conducted procurement procedure, invoices, proof that the costs have been paid, proof of meeting the standards, double financing, checking the black and red lists, as well as other supporting documents.

If it is determined that some of the documentation is missing or that the submitted documentation is not appropriate, a supplement to the documentation is sent to the user.

After submitting the supplement to the documentation, the acceptability, completeness and acceptability of the missing documentation are checked.

If the administrative control determines that the request is complete and acceptable, a field control order is sent.

After the on-site control, a report is forwarded to department for authorization of payments, on the basis of which it is compared whether the situation on the ground is the same as shown in the documentation. Based on the contract, invoice and field control report, the calculation of eligible costs is performed, after which the payment is approved.

If the administrative or field control determines that the investment is not eligible, the request for payment will be rejected.

The summary of this procedure is indicative and may change over time. For a full description of the respective procedures a reference is made to the respective procedural manuals.

### **Department for execution of payments**

The work process in the Department for execution of payments begins with the signing of a contract with the recipient. Any change related to the signed contract with the recipient (contract annexes, contract cancellation) is recorded through appropriate forms with the aim of making a Cash Flow Forecast.

After the approval of the request for payment and the receipt of the Authorization Letter, a request is made on a weekly basis for the transfer of the EU part of the funds and sent to the Accounting Body for approval. After approval and transfer of EU funds from the IPARD account to the Main Account of the State Treasury, the creation of payment orders through the SAP system of the State Treasury is started.

Before each payment of funds, the correctness of the Bank account is checked by accessing the portal of the Central Registry of Transaction Accounts of the CBM.

After the transfer of funds to the end user's account, we extract the Treasury statement on the executed payment from the SAP system, which we forward to the Department for Accounting and Budget, the Department of Payment Approval and the Department for Contracting. At our request, commercial banks also submit confirmations that the funds have been transferred to the user's account.

The summary of this procedure is indicative and may change over time. For a full description of the respective procedures a reference is made to the respective procedural manuals.

### **Department for accounting and budget**

The department for accounting and budget is responsible for the process of recording sector documentation within the IPARD Agency/Directorate for payments, the Ministry of Finance - Accounting Body as well as all documentation for the implementation of IPARD III measures (Financial Agreement, contract, annex to the contract, authorization letter, request for funds , approval/rejection of requests for funds, release of national funds, transfer of funds from the IPARD account to the treasury account, payment orders, etc.). The work of the department for accounting and budget includes keeping a book of debtors as well as providing information on the debt of users, debt repayment and the calculation of interest.

It is also responsible for the preparation of monthly, quarterly, semi-annual and annual financial statements, as well as the preparation of declarations D1, D2 and the List of all payments defined by the Sectoral Agreement. This sector participates in the preparation of the budget forecast for IPARD III measures as well as the development and maintenance of accounting software.

The department for accounting and budget also harmonizes data with the departments of the IPARD Agency/Directorate for payments as well as the Accounting Body.

The summary of this procedure is indicative and may change over time. For a full description of the respective procedures a reference is made to the respective procedural manuals.

### **8.3. DESCRIPTION BY MEASURE**

#### **8.3.1. MEASURE 1 - INVESTMENTS IN PHYSICAL ASSETS OF AGRICULTURAL HOLDINGS**

##### **8.3.1.1. Legal basis**

Article 27 of Sectoral Agreement.

##### **8.3.1.2. Rationale**

The main weaknesses of the agricultural sector in Montenegro are linked with the unfavourable structure of agricultural holdings (farms); a high share of small farms, a high extent of fragmented agricultural arable plots, low level of modernization of agricultural holdings and lack of capital for investments.

Currently, there is a general lack of large quantities of raw materials of adequate quality, especially meat, for covering domestic needs.

##### ***Milk sector***

This sector is characterized by the low level of collected milk by the registered dairies and cheese producers. Only 16% of the milk produced is purchased by large processing plants, while the remaining 84% of the milk produced is purchased into various types of agricultural holdings in autochthones dairy products (cheese, cream, sour cream, etc.) for their own use and/or for sale.

In order to improve the general situation in the milk sector, and to increase its competitiveness, the sector needs support in terms of accommodation capacities for animals, the development of technology of fodder production and animal nutrition, hygiene of milking and milk, manure management and manure storage.

##### ***Meat sector***

This sector is still underdeveloped both due to the lack of working capital and due to the low productivity. A faster development of the livestock sector in Montenegro is not possible without a stronger support through investments into reconstruction of existing and construction of new main and auxiliary facilities on agricultural holdings.

The objectives of the implementation of the measure will be focused towards reducing deficiencies in that sector i.e. market oriented production, increase resource utilization, increase productivity, protection of the environment, which will also affect the efficiency and economic viability of the agricultural holdings.

##### ***Eggs sector***

Introduction of modern technologies has led to the expansion of this sector, but it still does not meet the needs of the domestic market. The sector faces significant problems in the implementation of standards in terms of animal welfare, environmental protection, and food safety.

Significant investments and support are required in order to achieve compliance with EU standards, especially for the handling, storage and treatment of manure and to improve animal welfare.

##### ***Fruit, vegetable, and arable sectors (including cereals, fungi, mushrooms, aromatic and medical herbs)***

Favourable natural conditions in some parts of Montenegro allow the cultivation of continental, southern, subtropical, and tropical fruits, as well as almost all types of vegetables. Production of aromatic and medicinal plants in recent years has gained in importance and there is a noticeable increase in the area under these plantations. There is a growing interest for producing fungi and mushrooms.

Deficiencies in the sector are: fragmented holdings, low yields per area, insufficient use of agro-technical measures (agricultural/farm technology), inadequate choice of varieties and hybrids, lack of connection with retail chains, as well as the lack of modern storage facilities.

In order to increase the competitiveness of the sector it is necessary to invest in the setup of new and the expansion of existing plantations, in modern equipment, tools and machinery for production.

#### ***Viticulture sector***

Montenegro has a rich tradition in grape production, thanks to favourable agro-ecological and climatic conditions.

Due to the unfavourable self-sufficiency in the fruit sector, it is necessary to invest in the cultivation of new plantations, the restructuring of existing plantations, in modern equipment and machinery, in order to increase the competitiveness of the sector.

#### ***Olive sector***

This sector is not sufficiently developed, despite the favourable climatic conditions and existing potential. Existing olive groves have unfavourable age structure, with a large proportion of old trees, resulting in difficulty of agricultural/farm technology and adversely affecting the product quality and yield per tree.

The olive sector needs investments for planting olive trees, rehabilitation of existing, as well as investment in machinery and equipment. These investments will contribute to the modernization and better use of resources.

#### ***Beekeeping sector***

The beekeeping sector needs investments in the construction of dedicated facilities for the storage of honey, as well as beehives and equipment for the production of honey and preservation of the quality and the health and safety of honey and other bee products, equipment for reproduction breeding centres nuts, as well as equipment for the production of bee hives.

#### ***Fishery and aquaculture sector***

This sector is not efficient enough, due to the lack of investment capital and partly due to inefficient ways of cultivation. Also, this sector is characterized by problems relating to the recovery of the parent stock, better production planning, improving feed efficiency of the fish, the water shortage in certain periods of the year, the lack of environmental protection measures, training programmes and improving the safety of these products. Faster development of this sector in Montenegro is not possible without stronger support to reduce production costs of cultivation, modernization of production, innovative production systems (RAS, aquaponics etc.), improvement of breeding and placement of these products on the market.

### **8.3.1.3. General objectives**

- Strengthening production efficiency, competitiveness and sustainability of agricultural production by supporting recipients to gradually align with Community rules, standards, policies and practices regarding EU accession, strengthening the position of farmers in the food production chain and supporting young farmers;
- Improving the overall condition of agricultural holdings in primary production of agricultural products;
- Improving the production and marketing of products using modern methods of production and planning.
- To support economic, social and territorial development, with a view to a smart, sustainable and inclusive growth, through the development of physical capital;
- Improve the response of the food sector to the growing demands for high quality, safe and sustainable food as well as optimal animal welfare conditions;
- To address the challenges of climate change by promoting resource efficiency and renewable energy.

#### **8.3.1.3.1. Specific objectives**

- Upon completion of the investment, it must comply with the relevant EU standards regarding environmental protection and/or animal welfare;

#### **8.3.1.4. Linkage to other IPARD III measures in the Programme and to national measures**

The measure relates to Measure (3) “Investments in physical assets concerning processing and marketing of agricultural and fishery products” to restructure those activities and to upgrade them to Community standards. The Measure will support investments in viable agricultural holdings, which should lead to improving the quality and food safety of raw materials needed for the processing industry and align with Community environmental, animal welfare and occupational safety and health standards.

This measure is also linked with Measure (7) “Farm diversification and business development”, through on farm processing and rural tourism. Also, it is related to Measure (4) “Agri-environment-climate and organic farming measure, through sustainable use of resources and respecting higher standards in production.

This measure is linked to a series of national measures to finance primary production (purchase of livestock, milking equipment, cooling equipment, mechanization, establishment of new perennial plantations). Clear demarcation between IPARD III and national measures is in terms of the investment ceiling and the minimum eligibility criteria, as it was presented in the chapter 8.3.1.7.

#### **8.3.1.5. Recipients**

The recipients are:

- Agricultural holdings in accordance with the relevant Law on Agriculture and Rural Development, and/or,
- Producer organizations recognised in accordance with the relevant Law on Regulation of the Market of Agricultural Products<sup>25</sup>, and/or
- Cooperatives which are registered for the activity of production and/or processing of agricultural products in the Central Register of Business Entities (CRBE), and/or
- Legal person or entrepreneur registered for the fishery and aquaculture activity in the Central Register of Business Entities (CRBE),

registered no later than the day of the publishing of the public call.

Start-up farmers who are just starting agricultural production and who meet the specific eligibility criteria for start-up farmers set out in Chapter 8.3.1.7.2. are required to register in the Register of agricultural holdings no later than the date of submission of the payment request.

#### **8.3.1.6. Common eligibility criteria**

Recipients must ensure that the supported investment complies with the EU standards applicable to the investment at the latest before the final payment.

##### **Type of eligible holdings**

Recipients that comply with specific eligibility criteria described in 8.3.1.7 are eligible for support.

##### **Economic viability of the recipient**

The economic viability of the recipient must be demonstrated by a business plan. The business plan includes a brief description of the business, its current assets and liabilities, human resources, a description of the proposed investment, its financing, and projections for future economic operations (including marketing). Economic viability must present that the equity capital of the holding and its stocks in terms of liquidity and assets meet the operational costs and, where applicable, to allow growth while maintaining the resource base

The recipient must demonstrate economic viability using the form provided by the IPARD Agency/Directorate for payments. A full and detailed business plan is required for investments above EUR 50,000 and the simplified form of the business plan is required for investments below EUR 50,000.

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<sup>25</sup> Members of the Producers' Organization are obliged to be registered in accordance with the relevant Law on Agriculture and Rural Development no later than the day of the announcement of the Public call.

The recipient should demonstrate that it will be able to service its liabilities on a regular basis without jeopardising the normal operation of the farm. The purpose of the viability test is to ensure that the recipient can finance the investment and is able to maintain the economic activity linked to the aided investment.

The criteria that the IPARD Agency/Directorate for payments will use to assess the future economic viability of the recipient are set out in Annex V.

### **National standards/EU standards**

For the rules concerning national standards/EU standards a reference is made to section 8.1.

### **Other common eligibility criteria**

- The investment must concern the production of agricultural products listed in Annex I of the EU Treaty, including fishery products;
- Only the production sectors for which the criteria are given in Chapter 8.3.1.7 are eligible;
- The authorised farm representative must demonstrate at least a secondary school diploma or higher education through a diploma/certificate or at least 3 years of experience in dealing with agricultural production, processing, or services related to agriculture (as evidenced by documentation from MAFWM and relevant institutions). A recipient who does not meet the above skills and competencies must agree in writing to complete a training course of at least 50 classroom hours in the relevant sector prior to final payment. The recipient shall provide a training certificate issued by relevant vocational training institutions, educational and research institutions or public consultancy services, listing the training modules attended that are relevant to the investment;
- In the case of investments for the purchase of tractors and farm equipment, these investments shall respect the relevant European Union legislation as regards environmental protection, in particular as regards gaseous and particulate pollutant emission limits;
- The IPARD Agency/Directorate for payments will not make payments and the support will be cancelled if the recipient does not submit all the required documents within the deadline;
- Recipients within the IPARD III period may receive support for only one tractor with a maximum power, not to exceed 100 kW. Of the total amount of EU funds initially allocated for investments in fixed assets of agricultural holdings, a maximum of 20% of the funds can be spent on tractors;
- An investment in the construction and/or reconstruction and/or equipping of buildings is acceptable for support if the subject of the investment is owned by the recipient, no later than before final payment.
- Investments related to the construction of new facilities are eligible only if the recipient makes an investment that includes investments in renewable energy in addition to the construction of new facilities;
- Investment related to the purchase of equipment, greenhouses, the cultivation of perennial crops in leased buildings and/or on parcels, are acceptable if the lease is concluded for a period of 10 years or more from the date of submission of application for grant support, except for the start – up farmers, who must be the sole owners of buildings and/or on parcels;
- Support funds cannot be used if the share of public ownership exceeds 25% of the company's capital;
- The measure will support only investments in renewable energy (on-farm) for self-consumption.
- Planting material needed for establishment of new perennial plantations must be certified according to the relevant national legislation in force.

### **Non-productive investments**

Non-productive investments are investments which do not generate a significant return, income, or revenue, or increase significantly the value of the recipient's holding, but have a positive environmental impact.

Support for non-productive investments covers capital works related to the implementation of agri-environment-climate objectives e.g. for restoration of habitats and landscapes, including setting up or reinstating the infrastructure needed to allow appropriate management of habitats.

The eligible investments will be defined in LEE.

## **Investments in renewable energy plants**

Investments in renewable energy plants on the farm can be supported if the "self-consumption" limit is respected.

The concept of "own consumption" is checked in the approval phase of the investment. The investment is considered acceptable when the energy capacity of the plant for renewable energy sources does not exceed 120% of the three-year average consumption of the farm. In the case of new farms or in the case of farms that have significantly changed the size of their business in the last three years, the IPARD Agency/Directorate for payments should estimate the expected consumption. The same applies to the expected increase in energy consumption due to new investments that the potential recipient will make within the same application. In case the user repeatedly invests in renewable energy sources, the IPARD Agency/Directorate for payments is obliged to take into account the existing energy production on the farm when assessing the level of self-consumption.

### **8.3.1.7. Specific eligibility criteria**

#### **8.3.1.7.1. Existing agricultural holdings**

On the date of the publishing of the public call, the holding must have the minimum level of production, within the sector in which it has invested as follows:

##### **Milk sector, types of production:**

Minimum 5 cows/heifers (reproductive animals) older than one year at the time of the publishing of the public call, or;

Minimum 50 sheep or;

Minimum 50 goats.

##### **Meat sector (per turns), types of production**

Type cattle rearing - Minimum 30 beef cattle in fattening, or

Type sheep rearing - Minimum 50 sheeps or 100 lambs in fattening, or

Type goat rearing – Minimum 50 goats or 100 goat kids in fattening, or

Type pig rearing - Minimum 20 sows or 100 finishing pigs, or

Type poultry rearing - Minimum 1,000 broilers (chicken), or

- Minimum 100 broilers (turkey).

##### **Eggs production sector**

Minimum 1,500 laying hens.

##### **Fruit, vegetables, and arable sectors<sup>26</sup> (including cereals, fungi, mushrooms, aromatic and medicinal herbs), types of production**

Type of fruit production - plantation area at least 0.5 ha or

Type of production of vegetables - (open field) - area of plantation minimum 0.5 ha, or

- (covered area) - area of plantation minimum 0.1 ha, or

- **Type of production of crops** - area of plantation minimum 1 ha, or

- **Type of production of aromatic and medical herbs** - area of plantation minimum 0.3 ha, or

- **Type of production of fungi and mushrooms** – production surface minimum 0.01 ha.

##### **Viticulture sector**

Area of vineyards minimum 0.5 ha.

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<sup>26</sup> Exclusively for investments related to production of medicinal and aromatic plants, whose final product is intended for human consumption, and it is under the responsibility of the AFSVPA.

### **Olive sector**

Olive growing plantation minimum 0.5 ha.

### **Beekeeping sector**

Minimum 30 bee colonies.

### **Fishery sector and aquaculture**

Minimum annual capacity 10 tons of fish or shellfish.

- Land (production areas) and animals must be registered in the Register of agricultural holdings not later than the day of publishing of the public call.
- In the event that the land is leased, the lease must be for a period of at least 10 years from the date of submitting the application.

#### **8.3.1.7.2. Start-up farmers**

Recipients not engaged in agricultural production at the time of the publishing of the public call may apply if the investment concerns the meat production sector, planting of perennial crops or the construction of a greenhouses.

On the date of submitting the final payment request, the recipient should fulfil the skills/education requirements under 'other common eligibility criteria' and the holding must have the minimum level of production, within the sector in which it has invested as follows:

#### **Meat sector (per turns), types of production**

Type cattle rearing - Minimum 30 beef cattle in fattening, or  
Type sheep rearing - Minimum 50 sheep or 100 lambs in fattening, or  
Type goat rearing – Minimum 50 goats or 100 goat kids in fattening, or  
Type pig rearing - Minimum 20 sows or 100 finishing pigs, or  
Type poultry rearing - Minimum 1,000 broilers (chicken), or  
- Minimum 100 broilers (turkey).

**Fruit, aromatic and medical herbs production sector** – (open field) plantation area at least 0.5 ha.

**Fruit, vegetables and arable sectors** - (covered area) - area of plantation minimum 0.1 ha.

**Viticulture sector** - Area of vineyards minimum 0.5 ha.

**Olive sector** - Olive growing plantation minimum 0.5 ha.

The recipient must demonstrate the economic viability of the investment and the possibility of its financing in total.

Investment in agricultural land not owned by the applicant is not eligible.

Land (production areas) and animals must be registered in the Register of agricultural holdings not later than the day of submitting the request for payment.

#### **8.3.1.8. Eligible expenditure**

Eligible expenditure shall be limited to:

- Construction, reconstruction, of immovable property (e.g. the purchase of property is excluded);
- Procurement of new dedicated machinery and/or equipment, including computer hardware and software, up to the market value of the property;
- Non-productive investments (related to investments in achieving agri-environmental goals);

- General costs related to investment expenditure - such as fees for architects, engineers and other consultancy services, feasibility studies - are eligible up to 10% of investment costs. In the case of collective investments, general costs may also include up to the same amount, costs of testing, marketing, and developing the products concerned and animation costs.
- The costs of preparing a business plan are eligible up to 5 % of the value of the eligible expenditure.
- General costs may be accepted retroactively only if they relate to a project for which the IPARD Agency/Directorate for payments has concluded a valid contract with the recipient
- For producer organizations and joint projects eligible is asset to be shared (mechanization, warehouses, etc.); for short value chains or added value of agricultural products (packaging, classification, etc.)
- The minimum and maximum of total eligible expenditure are given in Table 43.

*Table 43: Minimum and maximum of total eligible expenditure for the measure (1)*

Minimum of total eligible expenditure (EUR)	Maximum of total eligible expenditure (EUR)
10,000	650,000

- For non-productive investments, the minimum amount of total eligible expenditures per project is EUR 1,000 and the maximum amount is EUR 5,000. An applicant may be awarded more than one project for non-productive investments, but the total eligible expenditures of non-productive investments per recipient under this measure may not exceed EUR 10,000;
- Total number of supported projects per holding, per public call, is limited to one;
- Within IPARD III programme, the recipient is not limited by the number of supported projects, but can receive a total support of maximum EUR 2,000,000 of public support under this measure, collectively for the programming period of IPARD II programme and IPARD III programme;
- Applicant can apply for new support only after the final decision for payment, rejection or termination of a previously contracted project within this measure.

### **8.3.1.9. Selection criteria**

*Table 44: Selection criteria for the measure (1)*

Criteria		Points
1.	Investments in manure handling and waste water treatment	10
2.	For agricultural holding in mountain areas	10
3.	Investments by young farmer	10
4.	Investments by certified organic producer	5
5.	Investments by women	10
6.	Investments in renewable energy production	10
7.	Recipient is a cooperative, a member of cooperative or producer organisation	10
8.	Investments by agricultural holding that met the specific criteria in accordance with 8.3.1.7.1 Existing agricultural holdings	15
9.	Properly submitted documentation without the need for additional documentation	10
10.	Applicant apply for the first time in IPARD	10
TOTAL		100

### **8.3.1.10. Aid intensity and EU contribution rate**

Public aid under this measure can amount up to a maximum of 60% of the total eligible expenditures of the investment, or

- 65% of the total eligible expenditures for investments on agricultural holding in a mountainous area, or
- 70% of the total eligible expenditure for investments made by young farmers and/or certified organic producers.

An additional 10% may be given:

- for the part of the investment related to manure management, on-farm waste management in order to protect the environment and renewable energy sources,
- for collective investments.

The cumulative support cannot exceed 75%.

For non - productive investments public aid is 100%

EU co-financing rate is 75% of public aid, except in case of non-productive investments where aid intensity can be up to 85%.

### 8.3.1.11. Indicative budget

Table 45: Financial allocation of funds for the measure (1)

Year	Total eligible cost	Public aid						Private contribution	
		Total		EU contribution		National contribution		(EUR)	(%)
	(EUR)	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)		
2021	4,777,778	2,866,667	60%	2,150,000	75%	716,667	25%	1,911,111	40%
2022	4,933,333	2,960,000	60%	2,220,000	75%	740,000	25%	1,973,333	40%
2023	5,866,667	3,520,000	60%	2,640,000	75%	880,000	25%	2,346,667	40%
2024	5,600,000	3,360,000	60%	2,520,000	75%	840,000	25%	2,240,000	40%
2025	5,222,222	3,133,333	60%	2,350,000	75%	783,333	25%	2,088,889	40%
2026	6,266,667	3,760,000	60%	2,820,000	75%	940,000	25%	2,506,667	40%
2027	5,822,222	3,493,333	60%	2,620,000	75%	873,333	25%	2,328,889	40%
<b>Total</b>	<b>38,488,889</b>	<b>23,093,333</b>		<b>17,320,000</b>		<b>5,773,333</b>		<b>15,395,556</b>	

Under the measure, a maximum of 20% of the total initial budget for the measure can be spent on purchase of tractors.

### 8.3.1.12. Indicators and targets

Table 46: Indicators and targets

Indicator	Target
Number of farms and agri-food processing enterprises supported by IPARD in modernisation	500
Total investment on farms and agri-food sector in modernisation	38,000,000
Number of farms receiving IPARD investment support to progressively align with the EU hygiene and animal welfare standards	150
Number of jobs created	60 <sup>27</sup>
Number of young farmers receiving IPARD support for investment	100
Number of supported producer groups/organizations	0
Number of farmers participating in supported producer groups, producer organisations, local markets, short supply chain circuits and quality schemes	10
Number of collective investments	10
Number of IPARD recipients with support in investments related to care for the environment or climate change	150
Number of IPARD recipients with support in investments related with manure management	100
Number of IPARD recipients with support in investments in waste treatment or management	50
Number of IPARD recipients with support in investments in renewable energy production	50
Number of IPARD recipients with support for non-productive investments.	30
Number of non-productive investment operations supported in complementarity with M4	20
Number of projects with circular economy-type investments	0

### 8.3.1.13. Administrative procedure

The administrative procedure for the implementation of this measure will include the following phases: check of completeness's and eligibility of the application; allocation of funds; implementation of activity; accounting

<sup>27</sup> The presented indicator represents the number of formally employed people, while the number of people actively working in agriculture is significantly higher. The number of people actively working in agriculture cannot be estimated with accuracy.

and payments of support. The administrative procedure will respect the requirements of the IPARD III regulatory framework and will be reflected in the respective manuals and procedures.

#### **8.3.1.14. Geographic scope of the measure**

This measure shall be implemented in the whole territory of Montenegro.

### **8.3.2. MEASURE 3 - INVESTMENTS IN PHYSICAL ASSETS CONCERNING PROCESSING AND MARKETING OF AGRICULTURAL AND FISHERY PRODUCTS**

#### **8.3.2.1. Legal basis**

Article 27 of the Sectoral Agreement

#### **8.3.2.2. Rationale**

For market competitiveness, it is necessary to improve food quality by implementing food quality and safety standards. This measure will increase the competitiveness of the agro-food sector, improve production efficiency and sustainability, providing a better response of the food sector to societal demands for healthy food, including safe, nutritious and sustainable food production, by investing in physical infrastructure in line with relevant EU standards.

This measure will help address the challenges of climate change, promote renewable energy and the circular economy, strengthen the position of farmers in the food chain, encourage them to cooperate in short supply chains and produce value-added products, address the lack of capacity to collect animal by-products and treatment of solid and liquid waste, in order to protect the environment.

Investments in the dairy sector aim to increase the added value and competitiveness of Montenegrin dairies and cheesemakers, by introducing new products, improving technology and meeting the necessary standards, and to implement qualitative hygiene controls along all processing lines.

The development of the meat processing sector is one of the main conditions for the development of animal breeding as the most important branch of agriculture in Montenegro. Montenegro is import-dependent when it comes to meat, especially pork. The goal is to increase the degree of self-sufficiency in the meat sector, which can be achieved by creating a stable primary production and processing sector.

In Montenegro, on average in the period 2015-2018, according to FAO data, about 11.5 to 14.5 thousand tons of meat were produced annually. Unlike previous years, when beef participated in the structure of production with 35-40%, pork with about 20%, and poultry with less than 25% and sheep with about 10%, in the structure of production in 2019 for the first time poultry meat becomes the most represented with 33%, a slightly smaller share has beef, then pork with 25% and sheep with 10%.

The meat sector would benefit from increased investment in modern facilities, equipment and technology, in order to achieve faster development, higher productivity and knowledge transfer in management and marketing.

The plant processing production sector (including fruit, vegetable, cereals, mushrooms, aromatic and medicinal plants) is underdeveloped and highlights problems such as food safety, poor packaging and product labelling, low quality of packaging materials, lack of sorting facilities and storage, homogeneity and constant quality of supply.

Although the vineyards occupy only 1.12% of the total used land area of Montenegro<sup>28</sup>, the viticulture and winemaking is very important developing sector for Montenegro, given that the value of wine exports in the period 2015 - 2019 participated with as much as 26.04% in the total value of exported agricultural and food products. The fact that viticulture and the wine sector are extremely important for agriculture and the economy

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<sup>28</sup> MONSTAT, 2016.

of Montenegro in general is indicated by the data on the positive foreign trade of wine, both in terms of quantity and value of exported wine.

In conditions of high global and regional competition, it is necessary for producers in the wine sector to improve the quality of wine and strengthen their competitiveness, and support will be directed to investments in facilities and equipment needed to produce high-quality wines.

Given that consumers and wine lovers are increasingly demanding on the quality and price of wine, it is necessary for wine producers to improve the quality of wine and the achievement that corresponds to the level of competitiveness. Such improvement of competitiveness, along with modernization of production on the one hand and preservation of tradition on the other, requires significant improvement of production with investments in production facilities and accompanying facilities, wine equipment and other production needs, improvement of offers through tourist activities and promotion, especially wine products with geographical origin.

In the olive sector, a significant share of existing processing capacities is outdated, and does not meet the minimum requirements of modern olive oil processing or is marginally acceptable for the production of quality oils, there are no adequate solutions for wastewater and waste of plant origin. In order to increase the volume and quality of production, it is necessary to invest in facilities and equipment for the production, processing and storage of olive oil and other olive products.

In the fisheries and aquaculture sector, processing capacities are limited to only two modern facilities. Thanks to the strong connection with the placement through the tourism sector, the need for processed fishery and aquaculture products has been expressed, and thus for the increase of processing capacities.

### **8.3.2.3. General objectives**

This measure will increase the competitiveness of the agri-food sector, improve the efficiency and sustainability of on-farm production, providing a better response of the food sector to societal demands for healthy food, including safe, nutritious, and sustainable food, by investments in physical infrastructure in line with the relevant EU standards.

This measure will also help in addressing the challenge of climate change, by promoting renewable energy and the circular economy.

#### **8.3.2.3.1. Specific objectives**

- Improving product quality control by implementing quality management systems and food safety standards, in order to ensure high product quality and hygiene requirements;
- Harmonization with EU standards, in terms of environmental protection, public health, animal welfare and safety at work;
- Increasing investments in modern equipment and technologies, in order to achieve higher productivity, development and transfer of knowledge of the sector in the field of management and marketing;
- Contribution to reinforcing the farmers position in the food chain, by encouraging them to cooperate in short supply chains and produce higher added value products;
- Improving efficiency and productivity by introducing new technologies to increase the competitiveness and diversity of products in the market;
- Improving environmental protection in treatment facilities, in terms of waste disposal and management, including water treatment;
- Improving packaging, marketing and promotional activities;
- Improvement of existing and construction of new storage capacities.

#### **8.3.2.4. Linkage to other IPARD III measures in the Programme and to national measures**

The measure is related to Measure (1) - Investments in the physical capital of agricultural holdings by providing the necessary raw materials. Upgraded processing and marketing conditions encourage and improve primary production followed by rational and efficient processing, which results in a synergistic effect on both

sides. The increase in the quantity and quality of primary production results in a more developed processing sector.

This measure is also related to Measure (7) - Diversification on the farm and business development, through processing on the farm and rural tourism. Measure (7) also promotes the processing of agricultural products, but on the farm, while through the tourism capacity financed under Measure (7) is intended to place the processed products from both measures.

#### **8.3.2.5. Recipients**

An enterprise within all types of recipients can consist of one or more establishments.

##### **Individual investments – enterprises**

- Companies/enterprise registered in accordance with the valid Law on Companies, and
- Cooperatives registered in accordance with the valid Law on Cooperatives.

Recipients must be registered in the Central Register of Business Entities (CRBE).

##### **Collective investments**

In addition to cooperatives, producer organizations registered in accordance with the national legislation of Montenegro are also eligible for the implementation of collective investments.

#### **8.3.2.6. Common eligibility criteria**

##### **Types of enterprises and producer organisations supported**

Micro, small, and medium enterprises are supported, as defined by the current Law on Accounting and which are also registered for the activity of processing and/or production of agricultural products, which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 40 million, and/or an annual balance sheet in total assets not exceeding EUR 20 million.

The assessment of the size of the applicants is performed by the IPARD Agency/Directorate for payments. Newly established enterprises shall be assessed based on expression of their expected size to be reached proposed in the business plan.

Enterprises not covered by the SME definition, but with fewer than 750 employees or an annual turnover not exceeding EUR 200 million, can also be eligible, however in this case support can only be granted for investments specifically intended to make the entire establishment fully compliant with the relevant EU standards.

##### **Economic viability of the enterprises**

The economic viability of the recipient must be demonstrated by means of a business plan. The business plan includes a brief description of the business, its current assets and liabilities, human resources, a description of the investment proposed, its financing and projections on the future economic operation (incl. marketing).

Economic viability must present that the equity capital of the holding and its stocks in terms of liquidity and assets meet the operational costs and, where applicable, to allow growth while maintaining the resource base.

The recipient must demonstrate economic viability using the form provided by the IPARD Agency/Directorate for payments. A full and detailed business plan is required for investments above EUR 50,000 and the simplified form of the business plan is required for investments below EUR 50,000.

The recipient should demonstrate that it will be able to service its debt obligations regularly, without putting the normal operation of the farm at risk. The purpose of the viability check is to ensure the investment can be

feasibly financed by the recipient and that the recipient can sustain the economic activity related to the supported investment.

The criteria to be used by the IPARD Agency/Directorate for payments to assess the future economic viability of the recipient are presented in Annex V.

### **National standards/EU standards**

At the latest before the final payment, the entire enterprise must comply with the relevant national standards (see the list of MNS in Annex III of the IPARD III programme) in force regarding environmental protection, public health, animal welfare and occupational safety.

If the national standards based on EU standards are particularly demanding, and only in duly justified cases, derogation from this rule may be granted by the Commission.

At the latest before the final payment, the supported investment must meet the relevant EU standards applicable to the investment.

Before submission of the application to the IPARD Agency/Directorate for payments, the relevant national veterinary and environment authorities should assess whether the national relevant standards by the recipients' enterprise and the relevant EU standards applicable to the investment will be attained at the end of the project.

In case the collective investment is implemented by a cooperative, the national standards apply to the assets of the entity and not to the assets owned by each participant/member of this entity.

### **Other eligibility criteria**

- Supported investments must relate to the processing and/or marketing of products covered by Annex I of the EU Treaty, including fishery products, and/or the development of new products, processes and technologies related to products covered by Annex I of the EU Treaty, including fishery products;
- Processing of tobacco is not eligible;
- Investments related to the construction of new facilities are eligible only if the recipient makes an investment that includes investments in renewable energy in addition to the construction of new facilities;
- Renewable energy investments can be supported to a level of support acceptable for this measure if the energy is produced for own needs. Support is given for investments in the production of energy from renewable sources.
- Recipients may receive the payment, only at the time when he is the sole owner of the investment in question;
- If the investment relates to the procurement of equipment and machinery in leased facilities and/or parcels, are acceptable if the lease agreement is concluded for a period longer than 10 years from the day of the submission of application for grant support;
- Support funds cannot be used if the public ownership of the company's capital is above 25%.

#### **8.3.2.7. Specific eligibility criteria**

Recipients who, prior to the final payment, have an establishment registered in the Central register of approved or registered establishments in accordance with the applicable Food Safety Act and the whole enterprise complies with the relevant national standards (see the list of MNS in Annex III to the IPARD III programme) relating to environmental protection, public health, animal welfare and occupational safety, must ensure that the aided investment complies with the EU standards applicable to the investment at the latest before the final payment.

#### **8.3.2.8. Eligible expenditure**

Eligible costs are limited to:

- The construction and/or reconstruction of immovable property (e.g. acquisition of property is excluded);

- The purchase of new equipment, machinery, and devices, including hardware and software, at market value of assets. Other costs related to the lease contract, such as leasing margin, refinancing interest refinancing costs, overheads and insurance charges will not be eligible expenditure;
- General costs related to investment expenditure - such as fees for architects, engineers and other consultancy services, feasibility studies - are eligible up to 10% of investment costs. In the case of collective investments, general costs may also include up to the same amount, costs of testing, marketing, and developing the products concerned and animation costs;
- The costs of preparing a business plan are eligible up to 3 % of the value of the eligible expenditure if it exceeds EUR 3 mil. Where the value of the eligible expenditure is between EUR 1 mil. and EUR 3 mil., the costs of preparing a business plan may be up to 4 % of the value of the eligible expenditure, and where the value of an eligible investment is below EUR 1 mil., the costs of preparing a business plan may be up to 5 % of the value of the eligible expenditure;
- General costs may be accepted retroactively only if they relate to a project for which the IPARD Agency/Directorate for payments has concluded a valid contract with the recipient;
- Investments in capacity expansion need to be further explained in the business plan if existing capacities are not fully utilized for the same product.

*Table 47: Minimum and maximum of total eligible expenditure for the measure (3)*

Minimum of total eligible expenditure (EUR)	Maximum of total eligible expenditure (EUR)
30,000	2,000,000

- The total number of supported projects per user, per public call, is limited to one;
- The total number of supported projects per recipient, for this measure, in this programming period is not limited;
- Within IPARD III programme, the recipient is not limited by the number of supported projects, but can receive a total support of maximum EUR 3,000,000 of public support under this measure, collectively for the programming period of IPARD II programme and IPARD III programme;
- The applicant may apply for new support only after a decision has been made on the payment, rejection or termination of the previously contracted project under this measure.

### **Investments in renewable energy production**

- Under this investment support, the selling of electricity into the grid is allowed as far as "the self-consumption" limit is respected (i.e. electricity sold into the grid equals on average the electricity taken out in the course of the year);
- The concept of "self-consumption" should be checked at the stage at which a project is submitted/assessed. The investment is considered eligible when the (theoretical) power capacity of the renewable energy plant ("the investment") does not exceed 120% of the 3 years-average (self-) consumption of the applicant;
- In the case of new companies or in the case of companies which have substantially changed the size of their operations in the last three years the expected consumption should be estimated by the IPARD Agency/Directorate for payments. The same concerns expected power consumption increases due to the new investments to be made as part of the same application by the potential recipient;
- If this investment is previously supported through IPARD, the production of these plants is included in the calculation of energy production / consumption.

#### **8.3.2.9. Selection criteria**

*Table 48: Selection criteria for measure (3)*

Criteria		Points
1.	Investments in reaching EU standards of the whole company/ cooperative/producer organization	10
2.	Recipient is submitting application for the IPARD support for the first time	10
3.	Investments in mountainous areas	10

4.	Executive director, up to 40 years of age <sup>29</sup>	5
5.	Executive director is women	5
6.	Investments in waste management / wastewater treatment / waste recovery	10
7.	Investments is realized in municipalities in northern region	5
8.	Collective investments	10
9.	Investments in energy saving / renewable energy equipment in the company	20
10.	Properly submitted documentation without the need for additional documentation	15
<b>TOTAL</b>		<b>100</b>

### 8.3.2.10. Aid intensity and EU contribution rate

The aid level (public aid) is up to 50% of the total eligible expenditure.

For investments relating to the treatment of effluents and investments in the productive use of waste materials – circular economy - and in renewable energy, the maximum aid intensity could be increased by 10%.

The maximum level of aid for collective investments is cumulatively 70%.

The EU co-financing rate is 75% of public support.

### 8.3.2.11. Indicative budget

Table 49: Financial allocation per measure (3)

Year	Total eligible cost	Public aid						Private contribution	
		Total		EU contribution		National contribution			
		(EUR)	(%)	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)
2021	4,266,667	2,133,333	50%	1,600,000	75%	533,333	25%	2,133,333	50%
2022	4,800,000	2,400,000	50%	1,800,000	75%	600,000	25%	2,400,000	50%
2023	5,333,333	2,666,667	50%	2,000,000	75%	666,667	25%	2,666,667	50%
2024	5,760,000	2,880,000	50%	2,160,000	75%	720,000	25%	2,880,000	50%
2025	5,866,667	2,933,333	50%	2,200,000	75%	733,333	25%	2,933,333	50%
2026	6,400,000	3,200,000	50%	2,400,000	75%	800,000	25%	3,200,000	50%
2027	6,933,333	3,466,667	50%	2,600,000	75%	866,667	25%	3,466,667	50%
<b>Total</b>	<b>39,360,000</b>	<b>19,680,000</b>		<b>14,760,000</b>		<b>4,920,000</b>		<b>19,680,000</b>	

### 8.3.2.12. Indicators and targets

Table 50: Indicators and targets

Indicator	Target
Number of farms and agri-food processing enterprises supported by IPARD in modernisation	150
Total investment on farms and agri-food sector in modernisation	40,000,000
Number of food processing enterprises receiving IPARD investment support to progressively align with the EU hygiene and animal welfare standards	150
Number of jobs created	80
Number of supported producer groups/organisations	0
Number of farmers participating in supported producer groups, producer organisations, local markets, short supply chain circuits and quality schemes	0
Number of collective investments	0
Number of IPARD recipients with support in investments related to care for the environment or climate change	70
Number of IPARD recipients with support in investments in waste treatment or management	50
Number of IPARD recipients with support in investments in renewable energy production	20

<sup>29</sup> At the time of submitting of application for support, possessing adequate occupational skills and competence.

Number of projects with circular economy-type investments	0
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### **8.3.2.13. Administrative procedure**

The administrative procedure for implementing this measure will include the following stages: checks on the completeness and acceptability of applications; distribution of funds; implementation of activities; accounting and disbursement of support funds. The procedure will comply with the requirements of the IPARD III programme defined by the relevant manuals and procedures.

### **8.3.2.14. Geographical scope of the measure**

The measure will be implemented on the entire territory of Montenegro.

## **8.3.3. MEASURE 4 - AGRI-ENVIRONMENT-CLIMATE AND ORGANIC FARMING MEASURE**

### **8.3.3.1. Legal basis**

Article 27 of the Sectoral Agreement

### **8.3.3.2. Rationale**

Agriculture in Montenegro is extensive, which means that it has low application of fertilizers, herbicides and other chemical input, which would lead to soil, water and air pollution. Therefore, when talking about the quality and quantity of these three critical factors, it can be said that there was no need for any specific interventions in terms of agri-environment-climate and organic farming measure in our territory so far as the share of meadows and pastures in the total agricultural land is large (94.27%), the density of animals per country is 0.46 LU/ha (average EU 0.8 LU/ha – Eurostat).

Agri-environment-climate and organic farming measure remain a voluntary measure for farmers. However, considering the need to promote sustainable farming practices and methods and address the climate and environmental challenges, it is necessary to motivate farmers to subscribe to this measure. Therefore, the criteria, procedures and requirements should be made as clear and simple as possible, and that over time those criteria, requirements and their ambition will be increased progressively.

Agro-environmental-climate measures aim to contribute to the implementation of the Green Agenda for the Western Balkans and extends the elements of the EU Green Deal in the Western Balkans region, by facilitating sustainable development of agriculture and rural areas, and contributing to climate change mitigation and adaptation in agriculture.

Through Agro-environmental measures the support will be focused on organic farming, adequate management of mountain pastures and conservation of indigenous genetic resources (add other sub-measures if adopted). Careful planning will be done in order to better implement and appropriately select measures.

### **Organic production**

The organic farming practices and methods are well aligned with Acquis since 2013 (Law on Organic production (“Official Gazette of Montenegro”, No. 56/2013) and supporting rulebooks with detailed definition of the rules for certification, registration and technical requirements for organic farming.

Since 2015, there has been a rapid growth of organically certified producers in Montenegro. These trends are a consequence of the creation of legal regulations in force and establishment of certification system of organic producers by the national certification body "Monteorganica".

At the end of 2020, the areas of organic production encompassed 4,823 ha (1,8% of total UAA), of those 10 % of perennial groves (563 ha), 5% of arable land (307 ha) and 1.6% of meadows and pastures (3,951 ha, 423 producers are registered in the Register of entities in organic production, of which 181 are with a certificate. In 2020, the number of registered producers increased by 7.6%, and the number of issued certificates by 30.21% compared to 2019. Majority of the organic producers are located in the northern part of Montenegro - 92% , while 8% are in the central and southern part of Montenegro.

Organic farming contributes to the protection of the environment and the climate, the long-term fertility of the soil, high levels of biodiversity, a non-toxic environment and high animal welfare standards. The measure will support already certified agricultural producers and also the transformation of the traditional/conventional farms into organic farms.

Pastures and meadows in Montenegro are covering 94% (242,000 ha) of the agricultural land covers (256,000 ha which is 18% of the Montenegrin overall area), In 2016 (source MONSTAT 2016), most of the farmers were using pastures (36,383), in average 6.64 ha, but the pastures were not fully utilized due to difficult access. The dominant way of raising and feeding cattle in Montenegro is pasture extensive, which reflects the specific natural conditions of Montenegro - significant areas under pastures and meadows and small areas of arable land for the production of animal feed for stable farming.

**Autochthonous plants:** Agricultural production in Montenegro is dominantly based on registered varieties and hybrids. Local varieties in Montenegro are mostly grown in remote rural areas, predominantly on small areas. The main reasons for their cultivation are their very good organoleptic and culinary characteristics, but also some specific biological characteristics (resistance to low and high temperatures, drought, various plant diseases etc.). Due to lower yields and low availability, they are not available on the market.

The Biotechnical Faculty collections and research of plant genetic resources in the field of agriculture of Montenegro cover varieties of grape wine on the Balkans (408 genotype-varieties), monitors 6 fruit species in different locations, cultivated and wild wheat species (autochthonous in Montenegro), and local populations of cereals (maize, rye, barley, oats, buckwheat), vegetables, and forage plants.

**Autochthonous breeds:** Montenegro has a number of populations of almost all livestock species reared in the Balkans. All those populations are, by their essential genetic and phenotypic features, quite specific and small in numbers. Some of them are so few, that there is a real risk of their disappearance. One of them is “Buša”, a small bovine breed, accustomed to rough conditions. There are number of autochthonous sheep and goat breeds which are well adapted to local conditions, adaptable to climate change and resistant to disease. For their attributes and small number, it is important to preserve and strengthen the breed (“Zetska žuja” “Bardoka”, “Pivska” or “Jezero-pivska”, “Ljaba”, ”Sora”, “Domaća balkanska koza”).

The measure will address some of the problems resulting from the SWOT analysis:

Reduction of the GHG resulting from Milk and meat sector through increased use of the areas available for grazing not currently in use through enhanced management of pastures on near to organic way, with limited density of grazing animals, protection of habitats which will contribute to lower emissions of agricultural land, and transfer of knowledge to the farmers on sustainable farming with support of the experts;

The conservation and strengthening of endangered autochthone breeds will contribute to biodiversity and to climate change adaptation. This will be done with close collaboration of relevant experts accompanied with the knowledge transfer and monitoring.

Fruits, vegetables and wine sectors will be addressed in two steps: through further support of already certified organic producers, those in conversion, and new-comers, and through conservation of the traditional plant varieties. The organic methods will further contribute to sustainable use of soil, protection of ground water and provision of good planting ground; the increased use of traditional autochthon varieties of plants will contribute to climate change resistance, stable production of healthy food offering opportunity for development of new local registered brands.

Administrative capacity for implementation of area based payments is adequate. The Farm register, Land parcel identification system and the Geo-spatial aid application system are supporting the processing of national direct payments, including the organic measure, since 2017. The measure – all of the sub-measures - will be implemented as annual payment per hectare or per head. The pastures are so far included in the LPIS as the land-use layer, the parcels in use by the applicants will have to be registered and digitized during the application process. The upgrade in the system will be needed particularly in the use of new digital Orto photo and quality checks of the land-use layer.

This measure is not for immediate implementation. The accreditation exercise is foreseen for 2022.

### **8.3.3.3. General objective, specific objectives**

#### **General objectives are:**

- Contribution to the preparation of the country for the future implementation of similar measures under the CAP relevant programmes for Member States;
- Contribution to the sustainable management of natural resources and climate change adaptation and mitigation by the application of agricultural production methods compatible with the protection and improvement of the environment, natural resources, including water, air, soil, biodiversity, the landscape and its features, and genetic diversity, going beyond relevant mandatory standards;
- Contribution to the development of organic farming through expanding the area under organic farming.

#### **8.3.3.3.1 Specific objectives**

Support for agricultural practices that have a positive impact on the environment and mitigate the negative impacts of agriculture and in particular:

- Maintain biodiversity and valuable ecosystems and habitats through support for adequate management of mountainous pastures;
- Ensure biological diversity and conservation of agricultural genetic resources through the support for autochthonous plant and animal species adapted to local conditions and being in danger of extinction;
- Contribute to improving soil and water quality through the support for introduction and maintenance of organic agricultural production methods.

### **8.3.3.4. Linkage to other IPARD measures in the Programme and to national measures**

This measure is related to Measure (1) - Investments in physical assets of agricultural holdings, Measure (3) - Investments in physical assets related to processing and marketing of agricultural and fishery products and Measure (7) - Diversification on farms and business development, in order to achieve higher standards in production, at the same time reducing negative impacts on surfaces and groundwater, air, and preventing soil degradation. The measure will support the agricultural holdings, which goes a step further in its farming management methods and practices and willingly take on additional obligations when it comes to standard production and preservation of the environment and biodiversity. The Measure (9) - Technical assistance measure will support the implementation and the dissemination of the results of the Agri-environment-climate and organic farming measure. This measure is also linked to the national measure implemented through Agrobudget. With the beginning of the implementation of Measure 4, the financing of the activities of the Agrobudget for which support through the IPARD III programme has been committed will cease.

### **8.3.3.5. Recipients**

Recipients of this measure can be:

- Individual or legal persons, holders of agricultural holdings, and
- Producer's organizations, registered in the Register of producer's organizations in accordance to the Law on Regulation of market of agricultural products,

who, as a general rule, for a period of 5 years undertake commitment(s) within type of operation(s).

### **8.3.3.6. Type of operations, baseline, specific eligibility criteria**

#### **8.3.3.6.1. Sub-measure 1 - Sustainable use of mountain pastures**

##### **8.3.3.6.1.1. Rationale**

In order to maintain mountain pastures and meadows, and prevent the conversion of pastures into forests, while maintaining biodiversity in these areas, there is a need for sustainable use of this natural resource by farmers. Due to the increasingly pronounced consequences of climate change, agricultural producers are forced to spend part of the year on mountain pastures. Proper management of this resource is necessary in order to avoid land degradation, habitat loss of certain plant and animal species, and at the same time preserve the income of agricultural farms that stay on the pastures for more than 3 months a year.

#### **8.3.3.6.1.2. Environmental objectives**

The operation will contribute to:

- Conservation and sustainable use of natural resources;
- Sustainable management of agricultural land;
- Environmental protection;
- Biodiversity conservation;
- Maintenance of natural and cultural heritage;
- Preservation of traditional products;
- Restoration of pastures by removing bushes;
- Preventing conversion to forests.

#### **8.3.3.6.1.3. Specific eligibility requirements**

- The recipient can be individual or legal persons, holders of agricultural holdings, producer's organizations, registered in the Register of producer's organizations in accordance to the Law on Regulation of market of agricultural products;
- Only land, classified as pastures and meadows which are recorded in the LPIS system as areas used by recipients (without dispute with other support users at the moment of application), is eligible;
- The recipient shall include the agro-environment-climate plan developed and signed with the expert with adequate skills and experience in preservation of pastures. The plan will include list of yearly activities for entire duration of commitment;
- The individual recipient shall possess/use at minimal 1 ha classified as pastures and meadows which are recorded in the LPIS system as areas used by recipients (without dispute with other support users at the moment of application);
- The pasture manager can be holder of a registered agricultural holding which is also the holder of at least 5 LU (registered in accordance with the applicable law on animal identification), and which has a minimum of 5 ha of agricultural land classified as pastures registered in the LPIS system, and its right to use is not disputed in the LPIS- system by a third party;
- The density of animals per hectare shall be max 0.7 LU- 1 LU per hectare during entire period of commitment;
- If the area under pasture is managed by a pasture manager - recipient in the name of the whole village (katun) or community, must provide the pasture diary which will prove that the area was used for grazing, and the density of grazing is max 1 LU per ha of pasture;
- In case the pasture is managed by the pasture manager in the name of farmers, the list of farmers with and the animals with ear-tags, and list of LPIS pastures should be included in the application, supported by mutual agreements on cooperation ensuring that each member knows his/her rights and obligations.

#### **8.3.3.6.1.4. Management requirements**

- To undertake a 3 day training on EU standards relating to the objectives and targets of the Green Agenda for the Western Balkans and the EU Green Deal and relevant mandatory EU standards and their implementation with regards to maintenance of pastures, organized by the institution approved by MAFWM;
- Livestock staying on pastures must be marked in accordance with applicable laws and have adequate documentation confirming their movement;
- Grazing on areas under commitment must be carried out for a minimum of three months during a calendar year;
- The pasture should be maintained to ensure prevention of grazing which would endanger natural habitats and of wild flora and fauna (SMR 3) and to ensure retention of landscape features and eradicate invasive plant species (GAEC 7);
- The recipient shall maintain the pasture diary which will prove that the area was used for grazing, and the density of grazing is 0.7 LU, max 1 LU per ha of pasture;
- The recipient shall record the presence of animals on the pasture in the pasture logbook, including the start date, end date and the ear tags of animals concerned, which will prove that the animals were present on the pasture for at least 3 months per year, and density of animals is 0.7 LU, max 1 LU per ha of pasture;

- All the veterinary issues should be logged and reported in-line with Law on Veterinary issues by recipient.

#### 8.3.3.6.1.5. Payment rates

Estimated payment rates:

- For pasture with the pasture manager: yearly payment per hectare
- For pasture without pasture manager: yearly payment per hectare
- Max 20 % of the amount of support paid (transaction costs) for the preparation of the agro-environment-climate plan, the amount will be paid as single (one-off) payment based on the invoice. The eligible costs are costs of expert for preparation of the agro-environment-climate plan.

The methodology for payment calculations will be agreed and final amounts will be established through discussion and with agreement with DG AGRI before accreditation of this measure.

#### 8.3.3.6.1.6. Indicators

Area of pastures included in under operation (ha);

Number of animals included in the operation (LU).

#### 8.3.3.6.1.7. Baseline

Requirements	Baseline - Conventional farming	Commitments
Training	No formal education is required by a farmer to be able to comply with the requirements of the operation	To undertake a 3 day training on EU standards relating to the objectives and targets of the Green Agenda for the Western Balkans and the EU Green Deal and relevant mandatory EU standards and their implementation with regards to maintenance of pastures, organized by the institution approved by MAFWM. After concluding the education process the recipient receives a certificate on contents, operator and the number of hours of the training
Pasture management plan	The farmers are no obliged to prepare the farming plan	Engagement of the expert to prepare the agro-environment-climate plan
Keeping of records on work tasks	Keeping of records on work tasks is not mandatory	Keeping of records is mandatory for all producers under the sub measure. The producers must keep records on all work tasks carried out within the range of the sub measure.
Density of animals grazing	Density of animals grazing is not limited	To ensure extensive grazing with max LU/ha of 0.7 – 1
Minimal maintenance of pasture	Minimal density not defined	Mowing the pasture in case < 0.15 LU/ha (“Code of good agriculture practice MNE”)
Cleaning of pasture	Cleaning of pasture not required	Removal of scrubs and invasive plants, cutting of green borders, but not between May – June Removal of drywalls in exceptional cases (“Code of good agriculture practice MNE”)

### 8.3.3.6.2. Sub-measure 2 - Organic production

#### 8.3.3.6.2.1. Rationale

Organic farming is a response to the obvious negative effects of conventional farming on the environment and natural resources, and thus on human health. The aim of the measure is to encourage organic farming practices that are beneficial to the environment – from the standpoint of air, soil, water and biodiversity; thereby mitigating the negative effects of conventional agriculture on the environment.

The support is given to encourage new farmers in Montenegro to take those obligations that go beyond the prescribed management requirements, and to encourage the farmers who have already accepted these commitments to continue with organic farming. The use of synthetic fertilizers and pesticides is not allowed in organic production which it contributes to conservation, restoration and enhancement of biodiversity, and has a positive impact on CO<sub>2</sub> conservation and sequestration.

#### **8.3.3.6.2.2. Environmental objectives**

The support to organic farming practices in Montenegro will contribute to:

- Sustainable management of natural resources;
- Reduction of negative impacts of agriculture on the environment;
- Biodiversity conservation;
- Raising the quality of agricultural products;
- Contribution to the affirmation of Montenegro as an ecological state (declared in 1991 by Parliament of MNE).

#### **8.3.3.6.2.3. Specific eligibility requirements –ecological producers in transition**

Recipients have to be registered in the farm register, and the register of organic producers or are in the transition to the organic certification.

- The minimum area for support is 0.5 ha;
- All production types are acceptable and can be summed in order to reach the minimum area for support (perennial plantations, aromatic and medicinal plants, arable land, meadows and pastures);
- If support is required for meadows and pastures, each hectare must have a minimum of 0.7 and a maximum of 1 LU in organic production;
- The land must be recorded in the LPIS;
- Recipients must have a contract on control and certification of organic production with the authorized control body in compliance with the Law on Organic farming for the area they are applying with;
- The recipients must to include a transition plan in the application prepared by the control organization.

#### **8.3.3.6.2.4. Specific eligibility requirements – certified ecological producers**

Recipients have to be registered in the farm register, and the register of organic producers and are certified agricultural producers.

- The minimum area for support is 0.5 ha;
- All production types are acceptable and can be summed in order to reach the minimum area for support (perennial plantations, aromatic and medicinal plants, arable land, meadows and pastures);
- If support is required for meadows and pastures, each hectare must have a minimum of 0.7 and a maximum of 1 LU in organic production;
- The land must be recorded in the LPIS;
- Recipients have to have a contract on control and certification of organic production with the authorized control body in compliance with the Law on Organic farming for the area they are applying with.

#### **8.3.3.6.2.5. Management Requirements**

- To undertake a 5-day training on EU standards relating to the objectives and targets of the Green Agenda for the Western Balkans and the EU Green Deal, relevant mandatory EU standards and their implementation and the training in organic farming techniques and use of fertilizers and pesticides in organic farming;
- To manage the land in compliance with the Law on Organic farming, and in line with agro-technology according to Regulation EC 889/2008;
- To maintain a contract on control and certification of organic production with the authorized control body in compliance with the Law on Organic farming for the area they are applying with for the entire duration of 5 years;
- Keeping the records of all of the activities related to the operation;
- To receive a certificate for organic production;

- Use only fertilizers approved for organic production according to the Rulebook on detailed rules and conditions for plant and livestock organic production (“Official Gazette of MNE”, No. 53/2014), Annex 1 and/or Regulation EC 889/2008, Annex 2 in case of non-compliance;
- Use only PPP approved for organic production according to Rulebook on detailed rules and conditions for plant and livestock organic production (“Official Gazette of MNE” 53/2014) Annex 2 and/or Regulation EC 889/2008, Annex 2.

#### 8.3.3.6.2.6. Payment rates

- Conversion to organic production:

The payments will be provided in the form of yearly per hectare payments for

- organic vegetables;
- organic orchards and vineyards;
- organic medical and aromatic plants;
- organic crops.

Max 20% of overall 5-year amount of approved support for preparation of conversion plan will be provided as on-off payment.

- Maintenance of organic production:

The payments will be provided in the form of yearly per hectare payments for maintenance of organic production in:

- organic vegetables;
- organic orchards and vineyards;
- organic medical and aromatic plants.

The methodology for payment calculations will be agreed and final amounts will be established through discussion and with agreement with DG AGRI before accreditation of this measure.

#### 8.3.3.6.2.7. Indicators

##### Baseline (2020)

520 ha under organic certification or in conversion;  
164 ha under organic in conversion.

##### Output

676 ha under organic certification or conversion supported by the measure;  
300 farms with organic production or in conversion supported by the measure.

Requirement	Baseline - Conventional farming	Commitment
Education	No formal education is required by a farmer to be able to comply with the requirements of the operation	To undertake a 3 day training on EU standards relating to the objectives and targets of the Green Agenda for the Western Balkans and the EU Green Deal and relevant mandatory EU standards and their implementation with regards to maintenance of pastures, organized by the institution approved by MAFWM. After concluding the education process the recipient receives a certificate on contents, operator and the number of hours of the training.
Planning of organic farming	The farmers are no obliged to prepare the farming plan	Engagement of the expert to prepare the agro-environment-climate plan which will encompass the assessment of current state, and define the activities.
Control by the certified body	Rulebook on the manner and methodology of expert control in organic production (OG MNE 78/2015)	At least 1 control yearly by the certified body for organic controls. The control body issues report on the control.

Keeping the records	Keeping of records on work tasks is not mandatory	Keeping of records is mandatory for all producers under the sub measure. The producers must keep records on all work tasks carried out within the range of the sub measure.
Use of fertilizers	The use of fertilizers is not limited	Rulebook on detailed rules and conditions for plant and livestock organic production (OG MNE 53/2014), Art 2.: Manure in organic plant production can be used provided that the amount of nitrogen does not exceed 170 kg of nitrogen per hectare per year, In case of application of manure, dried manure and dehydrated poultry manure, composted animal manure, including poultry manure, composted manure and liquid animal excrement.
Land improvement	The land improvement techniques are not prescribed	Rulebook on detailed rules and conditions for plant and livestock organic production (OG MNE 53/2014), Art 2.: Fertilisers and soil conditioners may only be used if they have been authorised for use in organic production under Annex 1.
Crop rotation	Crop rotation is not obligatory	Rulebook on detailed rules and conditions for plant and livestock organic production (OG MNE 53/2014), Art 3.: The crop rotation shall be applied and shall consist of different and harmonized plant cultures.
Plant protection	Use of plant protection substances is not	Rulebook on detailed rules and conditions for plant and livestock organic production (OG MNE 53/2014), Art 4.: Only the substances for plant protection from Annex 2 can be used. The evidence on the use of plant protection substances should be archived and logged in books.

### 8.3.3.6.3. Sub-measure 3 - Genetic resources in agriculture

#### 8.3.3.6.3.1. Rationale

Montenegro has a rich and diverse living world - biodiversity on a relatively small area. The gene pool/genetic fund of plants and animals in agriculture is extremely rich, which is reflected in a large number of species, varieties and races, and especially the autochthonous populations of plants and animals used for food production. The Montenegrin gene bank will become richer over time and will make sure that the existing germplasm is available to all institutions and individuals who express interest in it.

This fact, as well as the obligations regarding the conservation and sustainable use of genetic resources in accordance with international conventions and principles, require appropriate financial support from the budget to stimulate farms to maintain genetic resources.

#### 8.3.3.6.3.2. Environmental objectives

- contribution to the preservation of overall biodiversity;
- conservation and sustainable use of endangered indigenous species/varieties/races;
- study and selection of genotypes from indigenous populations of plant species;
- enriching the database on genetic resources and creating predispositions for commercial cultivation of domestic and domesticated species/varieties/breeds, which should be one of the types of recognition and quality component of Montenegrin agricultural products on the international market.

#### 8.3.3.6.3.3. Scope

Support will be provided only to producers registered in the relevant registers of the Administrative Authority who cultivate indigenous endangered species/varieties/breeds and who agree to cooperate with the institution responsible for genetic resources in terms of submitting materials and providing the necessary information are entitled to support. The list of endangered species/varieties/breeds will be reviewed by the competent scientific authority and updated with indigenous endangered species/varieties/breeds, prior to every call for applications for Measure (4). The list will be provided to the IPARD Managing Authority/Directorate for rural development and confirmed by the Monitoring committee prior its inclusion in the call for applications.

#### **8.3.3.6.3.4. Specific eligibility requirements – animals**

- Recipients registered in the Farm register with at least 1 ha land registered in LPIS and with at least 1 LU of a breed registered in the register of endangered autochthonous animal species, are eligible;
- Eligible animal breeds are attached to Annex (Annex IV);
- The application shall include the Programme for conservation of animal breeds, prepared by a relevant technical expert, containing the breed, and methodology for breeding, logging and reporting.

#### **8.3.3.6.3.5. Specific eligibility requirements – plants**

- Recipients registered in the Farm register with at least 0.3 ha land registered in LPIS are eligible;
- Eligible plants are attached to Annex (Annex IV);
- The number of ha must be planted with varieties defined for 5 years.
- The plants should be registered in the Register of plant genetic material and the Register of endangered plant species;
- The application shall include the Programme for application of species prepared by a relevant technical expert, containing the species, varieties, sub-varieties and technology of cultivation, logging and reporting.

#### **8.3.3.6.3.6. Management Requirements Conservation of endangered animal breed**

- To undertake a 5-day training on EU standards relating to the objectives and targets of the Green Agenda for the Western Balkans and the EU Green Deal, relevant mandatory EU standards and their implementation with regards to conservation of biodiversity and a training in the breeding techniques of endangered species, organized by the institution approved by MAFWM. After concluding the education process the recipient receives a certificate on contents, operator and the number of hours of the training;
- Log keeping of veterinary and health issues is compulsory;
- Keeping of records is mandatory for all producers under the sub measure. The producers must keep records on all work tasks carried out within the range of the sub measure;
- The breeds under the sub measure are managed in accordance to the Programme, approved by the competent authority;
- The recipient shall establish the logs and reporting in accordance to the Programme.

#### **8.3.3.6.3.7. Management requirements for support of conservation of endangered plant varieties**

- To undertake a 5-day training on EU standards relating to the objectives and targets of the Green Agenda for the Western Balkans and the EU Green Deal, relevant mandatory EU standards and their implementation with regards to conservation of biodiversity and training in the techniques for conservation of endangered species, organized by the institution approved by MAFWM. After concluding the education process the recipient receives a certificate on contents, operator and the number of hours of the training;
- Keeping of records is mandatory for all producers under the sub measure. The producers must keep records on all work tasks carried out within the range of the sub-measure;
- The varieties under the sub-measure are managed in accordance to the Programme approved by the competent authority;
- The recipient shall establish the logs and reporting in accordance to the Programme.

#### **8.3.3.6.3.8. Payment rates**

Estimated payment rates:

The methodology for payment calculations will be agreed and final amounts will be established through discussion and with agreement with DG AGRI before accreditation of this measure.

#### **8.3.3.6.3.9. Support to animal breed conservation**

- a) The established amount – for breeds at risk < 400 breeding females: **will be paid as yearly payment per LU;**
- b) The established amount for other breeds: **will be paid as yearly payment per LU;**
- c) Max 20 % of the amount of support paid (transaction costs) for the preparation of the agro-environment-climate plan – conservation programme, will be paid as one-off payment on the basis of the invoice.

**8.3.3.6.3.10. Support to plant conservation**

- a) The established amount for plant conservation: **will be paid as yearly payment per hectare**
- b) max 20 % of the amount of support paid (transaction costs) for the preparation of the agro-environment-climate plan – conservation programme will be paid as one-off payment on the basis of the invoice.

The methodology for payment calculations is presented in Annex (Annex IV).

**8.3.3.6.3.11. Indicators**

**Baseline (2020)**

109 heads of cows,  
1,080 heads of sheep,  
70 heads of goats,  
48 heads of donkey.

*52 ha under plant varieties*

**Output**

200 heads of cows,  
2,000 heads of sheep,  
500 heads of goats,  
50 heads of donkey.

*80 ha under plant varieties*

Baseline and the requirements for animal breed preservation

Requirements	Baseline – Conventional farming	Commitments
Training	No formal education is required by a farmer to be able to comply with the requirements of the operation	To undertake a 5 day training on EU standards relating to the objectives and targets of the Green Agenda for the Western Balkans and the EU Green Deal, relevant <b>mandatory EU standards and their implementation with regards to conservation of biodiversity and a training in the breeding techniques of endangered species</b> , organized by the institution approved by MAFWM. After concluding the education process the recipient receives a certificate on contents, operator and the number of hours of the training.
Keeping of records	Keeping of records on work tasks is not mandatory	Keeping of records is mandatory for all producers under the sub measure. The producers must keep records on all work tasks carried out within the range of the sub measure.
Breeding technique	The requirements of breeding are defined in the Law on animal breeding, they don't affect the economic decision of the farmer	The breeds under the sub measure are managed in accordance to the Programme approved by the competent authority. The recipient shall establish the logs and reporting in accordance to the Programme.
Breeding book	Animals need not be recorded in a breeding book.	Animals must be recorded in a breeding book or register

## Baseline and the requirements for plant species preservation

Requirements	Baseline	Requirements for the recipients
Training	No formal education is required by a farmer to be able to comply with the requirements of the operation	To undertake a 5-day training on EU standards relating to the objectives and targets of the Green Agenda for the Western Balkans and the EU Green Deal, relevant mandatory EU standards and their implementation with regards to conservation of biodiversity and a training in the techniques for conservation of endangered species, organized by the institution approved by MAFWM. After concluding the education process the recipient receives a certificate on contents, operator and the number of hours of the training.
Record keeping	Keeping of records on work tasks is not mandatory	Keeping of records is mandatory for all producers under the sub-measure. The producers must keep records on all work tasks carried out within the range of the sub-measure.
Farming technique	The farming is based on economics of the farm	The varieties under the sub measure are managed in accordance to the Programme approved by the competent authority. The recipient shall establish the logs and reporting in accordance to the Programme.

### 8.3.3.7. Selection criteria

N/A

### 8.3.3.8. Aid intensity and EU contribution rate

Aid intensity (public aid) will be at the level of 100% of the total eligible costs.

The EU contribution rate shall be 85% of public expenditure, the remaining 15% will be covered by the national budget of the beneficiary country.

### 8.3.3.9. Indicative budget

Table 51: Indicative budget for measure (4)

Year	Total eligible cost	Public aid					
		Total		EU contribution		National contribution	
	(EUR)	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)
2021	-	-	100%	-	85%	-	15%
2022	705,882	705,882	100%	600,000	85%	105,882	15%
2023	847,059	847,059	100%	720,000	85%	127,059	15%
2024	952,941	952,941	100%	810,000	85%	142,941	15%
2025	1,176,471	1,176,471	100%	1,000,000	85%	176,471	15%
2026	1,270,588	1,270,588	100%	1,080,000	85%	190,588	15%
2027	1,376,470	1,376,470	100%	1,170,000	85%	206,470	15%
<b>Total</b>	<b>6,329,411</b>	<b>6,329,411</b>		<b>5,380,000</b>		<b>949,412</b>	

### 8.3.3.10. Indicators and targets

Table 52: Indicators and targets

Indicator	Target
Number of contracts;	500
Total agricultural land (ha) under environmental or/and climate contracts;	24,000
Total area (ha) per type of operation included in the following categories:	

(a) management of inputs (including integrated production, reduction in fertilizers use and in pesticides use, manure management, etc.);	750
(b) cultivation practices (including crop rotation, crop diversification, soil management through conservation or no tillage, soil cover, etc.);	750
(c) management of landscape, habitats, grassland (including setting and management of landscape features, including wetland and peatland, species conservation, extensive grassland management, etc.);	23,250
(d) organic farming).	750
Within the support for endangered breeds:	
• Number of supported species;	10
• Number of supported animals.	2,800
Within the support for endangered plant varieties:	
• Total area for each supported variety.	80
Number of holdings supported for:	
• conversion into organic farming;	315
• maintenance of organic farming.	235
Total area supported for:	
• conversion into organic farming;	676
• maintenance of organic farming.	300

### **8.3.3.11. Administrative procedure**

The administrative procedure for the implementation of this measure will include the following phases: check of completeness's and eligibility of the application; allocation of funds; implementation of activity; accounting and payments of support. The administrative procedure will respect the requirements of the IPARD III regulatory framework and will be reflected in the respective manuals and procedures. The applicants will be registered in the Farm register and Land parcel identification system. The applications will be logged in paper-based. The same procedure will be used as for payment claims of the IPARD III M1 measure.

### **8.3.3.12. Geographical scope of the measure**

This measure shall be implemented in the whole territory of Montenegro.

The methodology for calculating the payment levels for agro-environmental-climate, organic farming and forestry-related actions is in Annex IV.

## **8.3.4. MEASURE 5 - IMPLEMENTATION OF LOCAL DEVELOPMENT STRATEGIES - LEADER APPROACH**

### **8.3.4.1. Legal basis**

Article 27 of the Sectoral Agreement

### **8.3.4.2. Rationale**

LEADER is an integrated tool of territorial development aimed to be implemented at the local level, which directly contributes to territorial coherence, long-term sustainable development and improvement of social

capital of rural areas<sup>30</sup>. LEADER is part of the EU's rural development policy in capacity building and implementation experience, so this helps candidate countries prepare for EU accession.

According to the latest population estimate made by the Statistical Office in 2019, 9 municipalities in Montenegro have less than 10,000 inhabitants (population range is from 1,558 to 8,319).

Local self-government units can be classified into four groups according to the value of the competitiveness index in relation to the average:

- I group (over 125%): Budva, Tivat, Podgorica, Kotor and Herceg Novi,
- II group (from 100% to 125%): Žabljak, Bar, Nikšić, Ulcinj and Danilovgrad
- III group (from 75% to 100%): Cetinje, Pljevlja, Plav, Mojkovac, Bijelo Polje, Kolašin, Rožaje and Plužine
- IV group (below 75%): Gusinje, Šavnik, Berane, Andrijevica and Petnjica,

Dominantly rural municipalities are generally significantly below the average competitiveness index and make up about 52% of the territory of Montenegro, which is inhabited by only 28% of the population, with a population density of about 25 inhabitants per km<sup>2</sup>, and it is a great challenge to form local action by small population in a large territory, while being guided by goals and development of the local communities.

The Competitiveness index is calculated based on developments in the following areas: demography, health, culture, education, economic performance dynamics and results; basic infrastructure and public sector, business infrastructure, investments and entrepreneurial dynamics, and entrepreneurship development, so strengthening the activities of Local Action Groups through the LEADER measure would contribute to the development of rural areas in these areas, with adequate education of local animators and evaluation of potentials and opportunities covered by LAG.

Another challenge is migration from rural to urban areas and especially migration from less developed municipalities to larger centres, so in reality numbers of inhabitants in these municipalities are even lower. The internal migration balance is negative in most municipalities in Montenegro (there are 13 municipalities with a negative migration balance), which are mostly located in the northern part of the country, i.e. we are talking about municipalities that cover most of the rural area. The largest number of people who migrated from these areas are under the age of 40, which implies that these areas are losing their working age population due to the lack of opportunities to achieve a better standard of living. LEADER approach should help wider rural population to explore new ways to become competitive and to overcome the difficulties, such as an aging population trend, low levels of services or lack of employment opportunities.

### **8.3.4.3. General objectives**

The implementation of the LEADER approach improves community development, improves social capital and contributes to economic, social, cultural and environmental improvements of local areas, by engaging a wide range of multisectoral private and public partners and by valorising community resources at the local level.

#### **8.3.4.3.1. Specific objectives**

This measure contributes to the following specific objectives:

- Improving social capital and local government by creating a private-public partnership (LAG - Local Action Groups), which establish and implement local development strategies;
- Animation of the territory and capacity building of the local population and Local Action Groups;
- Contribution to the rural economy, rural tourism, strengthening the cultural and social life of the community, improving public areas in rural areas, improving environmental standards in LAG areas as the main topics for local development strategies;
- Networking with other LAGs, exchanging best practices, disseminating IPARD programs and learning new approaches to rural development at the national level with both candidate countries and Member States.

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<sup>30</sup> In Member States LEADER is a part of a policy-overarching Community-led local development (CLLD) approach which is a tool for involving citizens at local level in developing responses to the social, environmental and economic challenges. CLLD approach cannot be used in the IPARD countries due to lack of access to EU Funds (Regional, Social etc).

#### **8.3.4.4. Links with other IPARD III measures in the Programme and to national measures**

This measure is related to Measure 9 Technical Assistance, Eligible Expenditure Category f): Expenditure related to “skills acquisition” for the preparation of potential LAGs for the implementation of the measure “Preparation and implementation of local rural development strategies - Leader approach”. Technical assistance supports potential LAGs to be ready to apply for “the "LEADER approach" measure.

The measure contributes to the objectives of the Measure (1) "Investments in physical assets of agricultural holdings", Measure (3) “Investments in physical assets concerning processing and marketing of agricultural and fishery products” and Measure (7) „Diversification on farms and business development, “by supporting additional income generating activities of the farmers and farm viability and placement of the processing companies’ products, craft products, etc.

The networking of LAGs is also supported under the IPARD Measure (9) “Technical assistance measure”.

#### **8.3.4.5. Recipients**

Local action groups selected and contracted by the IPARD Agency/Directorate for payments.

#### **Implementation of LEADER under IPARD III**

The LEADER approach at Programme level contains at least the following elements:

- (a) Area-based local development strategies targeted at well-identified sub regional rural areas;
- (b) Local Public-Private Partnerships (Local Action Groups);
- (c) Bottom-up approach with decision-making powers for local action groups regarding the development and implementation of local development strategies;
- (d) Multi-sectoral design and implementation of a strategy based on the interaction between actors and projects of different sectors of the local economy;
- (e) Networking of local partnerships;
- (f) Implementation of innovative approaches.

Local Action Groups (LAGs) implement a Local Development Strategy (LDS), which may include one or more of the following six priority themes:

- Rural economy: development of short supply chains and value-added products, including quality products, crafts and other activities to diversify the rural economy;
- Rural tourism: development of rural tourism products based on the use of local, natural and cultural resources;
- Community: encouraging the cultural and social life of the community and supporting collective local organizations, associations and non-governmental organizations;
- Public spaces: improving public space in villages;  
Environment: improving environmental standards in LAG areas and promoting the use of renewable energy by the local community;
- Networking: networking of LAGs, exchange of best practices, dissemination of IPARD programmes and learning new approaches to rural development.

The implementation of the Local Development Strategy includes: animation and capacity building activities, small projects and running costs for the LAG. Activities must be related to the above selected priority themes.

Local action groups must meet the following conditions:

- Must propose an integrated Local development strategy based on LEADER characteristics;
- They must consist of a group representing partners from different locally based socio-economic sectors in the territory concerned.
- The rules on respect for gender equality and age diversity shall be checked during the process of selection of the LAG’s.
- Must demonstrate the ability to define and implement a Local Development Strategy (LDS) for the area;

- The local action group must have a legal form according to relevant legislative framework.
- Ability to manage public funds: The governing body must ensure that the LAGs either select an administrative and financial main actor who will be able to manage public funds and ensure the satisfactory operation of the partnership. Certain functions, if this cannot be provided by a LAG member, such as accounting, may be outsourced.

#### Requirements for the LAG area covered by the Local Development Strategy (LDS)

- The LAG area must be coherent and cover a clearly defined geographically continuous area (linked by the land or water) and provide sufficient critical mass in terms of human, financial and economic resources to support a sustainable development strategy;
- Local actors must have permanent residence in the LAG area, and the project must be carried out in the LAG area;
- The population of each LAG area in Montenegro must be greater than 3,000 inhabitants (derogation from the rule of 10,000 inhabitants, see below) and not exceed 150,000 inhabitants, including settlements with a population of less than 25,000;
- The same location must not belong to more than one LAG, which means one partnership, one strategy and one territory.

#### **Derogation from the requirements for Montenegro**

The current demographic data show that there is a low probability of forming more than one LAG or none at all in up to 9 municipalities, if the condition is that the minimum number of inhabitants in one LAG is 10,000.

These are municipalities in the north of Montenegro, whose population is mainly engaged in agriculture. At the same time, these are the municipalities that would benefit most from the LEADER measure.

In addition, there are 4 municipalities with less than 20,000 inhabitants, where one or possibly two LAG's could also be established. In addition, the population density in rural areas, which make up half of the territory of Montenegro, is less than 25 inhabitants per 1 km<sup>2</sup>.

This shows further complicates the formation of LAGs, because the territory of a LAG with 10,000 inhabitants is too large for the common objectives of this LAG to be identical for the entire territory, which would at the same time lose the importance of the local.

In view of the data presented, it was decided that the rule on the minimum number of inhabitants of a LAG will be deviated for the territory of Montenegro, so that in this case this number will be 3,000 in order to give the initiative a chance to develop in the smallest municipalities, which in turn cover a large rural area.

#### Minimum content of the Local Development Strategy (LDS)

- Definition of areas and populations covered by the LDS, incl. coherence and sufficient critical mass in terms of human, financial and economic resources, including size of area, number of local municipalities, number of inhabitants, etc.);
- Analysis of development needs and potentials of the area, including analysis of strengths, weaknesses, opportunities and threats (SWOT) - LAGs should take into account not only statistics, but also the views of local actors;
- Description of the strategy and its objectives - LAGs define the vision and objectives in accordance with the priority themes of IPARD, including clear and measurable targets for outputs;
- Description of the process of community involvement in the preparation of the strategy, partnership structure and internal decision-making rules, with the description of the capacity to implement LDS;
- Action plan of the LDS with all proposed activities related to the selected priority topics. The action plan sets a minimum (binding) level of activity (minimum level of objectives). The action plan was later translated into more detailed annual plans;
- Financial plan with indicative budget for the duration of the LDS divided into: running costs of the LAG, animation / capacity building, small projects.

Detailed requirements for the Local Development Strategy will be given in the guidelines of the IPARD Managing Authority/Directorate for rural development.

### **8.3.4.6. Eligible support activities**

This measure will include the following activities related to the priority themes defined in the Local Development Strategy (LDS):

- “Acquisition of skills, animation of residents of LAG territories” for capacity building and animation of selected LAGs;
- “Running costs” to start selected LAGs;
- Implementation of "small projects";
- “Cooperation projects” for inter-territorial (within the country) or transnational projects (between countries); this activity should be carried out in the latest phase of implementation by the most advanced LAGs that have gained experience.

The relevant application procedure for this activity will later be developed by the IPARD Managing Authority/Directorate for rural development and described in the Programme.

Acquisition of skills, animation of LAG area residents

- Animation, organization of information and publicity events, including the preparation of promotional materials (seminars, workshops, meetings, etc.);
- Training and education (preparation of business plans, preparation of project applications, accounting, etc.);
- Preparation of relevant field studies for further development (socio-economic, regional, marketing, etc.);
- Networking, participation in national and international seminars, workshops, meetings, study visits, including events of the national and European network for rural development.

At least 30% of the budget for the implementation of the Local Development Strategy (LDS) should be allocated for these activities.

Running costs of the Local Action Group

Running costs are related to running a Local Action Group (LAG), such as office equipment, including IT and communication equipment (hardware and software), staff costs, office costs, and external services (such as accounting, IT services, etc.), service expenses, office supplies and consumables salaries of LAG employees are usually a major part of running costs.

Small projects

Small projects are considered those with an IPARD III grant of up to EUR 5,000. They are of a collective nature for the benefit of the local community, for example social and cultural associations, sports organizations, producer organizations or the municipality. The budget can exceed EUR 5,000 if other partners or donors contribute to a small project.

Small projects must be related to the priority themes defined by the Local Development Strategy.

The selection of small projects should be done by the LAG Steering Committee based on the proposals of the LAG managers or relevant stakeholders (municipalities, social organizations, etc.). An overview of projects planned for a particular year is set out in the Annual Implementation Plan.

LAGs should be promoters of small projects; even if other organizations are involved in the implementation of the small project, the final invoice is always for the LAG.

Examples of small projects:

- Events (such as village festivals, competitions, participation in fairs and similar actions);
- Purchase of materials, machinery and equipment (such as computers, production, processing, packaging and marketing equipment, advertising and marketing materials, tourism information boards, boards, solar panels, composters, materials for cultural and youth groups, furniture and equipment for common areas and the like items);
- Minor renovation of community buildings, improvement of public spaces and tourist trails and small-scale infrastructure (i.e. playgrounds), provision of environmental equipment and machinery
- and similar actions;

- Design plans for the restoration of historic buildings;
- Arrangement of village cafes, tasting rooms and visitors' centres and machinery/equipment for local souvenirs
- Provision of website for collective marketing of local tourism products;
- Cultivation, reservation and recording of local cultural/historical assets/values and their use for touristic purposes;
- Boosting cultural and social life of the community and supporting collective local organisations, associations and NGOs.

Travel costs are acceptable, but due to the nature of the trip they should be linked and included in the above groups (acquisition of skills and animation, running costs or small projects).

#### **8.3.4.7. Procedure for selecting acceptable LAGs**

Calls for LAG selection must be open to all rural areas and ensure competition between Local Action Groups setting out Local Development Strategies.

The selection process consists of two phases:

- Checking the suitability of the LAG by the IPARD Agency/Directorate for payments;
- Evaluation of LDS of eligible LAGs according to selection criteria by the Evaluation Committee.

The Evaluation Committee consists of representatives of the IPARD Managing Authority/Directorate for rural development and other relevant rural actors and NGOs involved in rural development. The members of the evaluation committee will be nominated by the Minister or another senior official, at the proposal of the IPARD Managing Authority/Directorate for rural development.

#### **8.3.4.8. Eligibility criteria**

Eligibility criteria refer to the territory covered by the Local Development Strategy, the composition of the LAG and its legal form and the presentation of the Local Development Strategy.

#### **8.3.4.9. Territory**

- The territory covered by the LAG must have 3,000-150,000 inhabitants, and include settlements with less than 25,000 inhabitants. One settlement must territorially belong to only one LAG, so the principle of "one partnership, one strategy, one territory" must be respected.
- The same municipality / settlement belongs to only one LAG. No overlap is allowed – which means "one partnership, one strategy, one territory".

#### **8.3.4.10. Legal form**

LAG will be an officially registered legal entity based on applicable relevant legal acts. In accordance with national law, it can be registered as an organization whose statute guarantees satisfactory management and governance of the partnership and the ability to manage public funds. The internal rules of operation and statutes of the established organization clearly describe the obligations of the members, roles and responsibilities for the development of the territory and the implementation of the strategy. Montenegro is in the process of preparing national legislation to recognize LAGs. In order to create the possibility to recognize LAGs, the procedure for amending the Law on Agriculture and Rural Development, which allows for the formation and recognition of LAGs, has been initiated.

#### **8.3.4.11. Partnership**

At the decision-making level, the economic and social partners, as well as other representatives of civil society, such as farmers, rural women, young people and their associations, must make up more than 50% of the partnership. It is necessary to show how partners adequately ensure the representation of civic, social or economic groups when they are individuals. Moreover, at least 20% will be representatives of local authorities.

However, public bodies, as defined in accordance with national rules, or any individual interest group, will represent less than 50% of the voting rights;

LAG board have to ensure age diversity and gender equality by:

(a) providing a minimum of 1/3 of the women in its composition;

(b) providing a minimum of 1/3 of members up to the age of 40.

The members of the LAG decision-making body are residents or otherwise evidently operating in the area covered by the LDS.

### Local development strategy:

The LAG must propose an integrated Local development strategy that includes at least the minimum elements and priority themes as set out in the IPARD III programme.

#### 8.3.4.12. Selection criteria

- Quality of the partnership, its rules for representation, management, decision-making, avoidance of conflicts of interest, incl. participation of young people and women;
- Coherence of the LAG territory and sufficient critical mass in terms of human, financial and economic resources;
- The quality of the intervention logic of the Strategy (including SWOT analysis, etc.);
- Coherence of the proposed actions with the SWOT analysis and priority topics of IPARD;
- Involvement of stakeholders in the preparation of the Local Development Strategy;
- The ability of the LAG to manage the application of the LDS, including animation capacity;
- Projects supported from sources other than IPARD should be considered as added value, however double funding should be avoided.

#### 8.3.4.13. Aid intensity and EU participation rate

The intensity of support, expressed as the share of public support in eligible costs is 100%, where the share of EU funds is 90%, and national funds 10%.

The maximum possible annual amount of funds for animation and skills acquisition, running costs and small projects will be defined later.

Local action groups that sign a financing agreement with the IPARD Agency/Directorate for payments may request an advance payment for start-up activities from national funds. The amount of the required advance payment may not exceed 50% of the annually allocated public support funds intended for running costs, animation, skills acquisition and small projects.

#### 8.3.4.14. Indicative budget

Table 53: Financial allocation of funds per measure (5)

Year	Total eligible cost	Public aid					
		Total		EU contribution		National contribution	
	(EUR)	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)
2021	-	-	100%	-	90%	-	10%
2022	-	-	100%	-	90%	-	10%
2023	-	-	100%	-	90%	-	10%
2024	-	-	100%	-	90%	-	10%
2025	277,778	277,778	100%	250,000	90%	27,778	10%
2026	333,333	333,333	100%	300,000	90%	33,333	10%
2027	411,111	411,111	100%	370,000	90%	41,111	10%
<b>Total</b>	<b>1,022,222</b>	<b>1,022,222</b>		<b>920,000</b>		<b>102,222</b>	

Annual allocation per LAG will be defined.

### 8.3.4.15. Indicators and targets

Table 54: Indicators and Targets

Indicators	Target
Number of local development strategies (LEADER)	5
Number of new jobs created	5
Number of IPARD recipients with support in investments in renewable energy production	0
Population covered by LAGs	15,000
Number of small projects paid	30

### 8.3.4.16. Administrative procedure

The IPARD Agency/Directorate for payments shall publish the call and select the local action groups as recipient on the basis of the Agency's eligibility check and the evaluation of the evaluation committee set up by the IPARD Managing Authority/Directorate for rural development. After the selection of the LAG's, the agreement between the IPARD Agency/Directorate for payments and the LAG's for the implementation of the local development strategy will be signed. After the signing of the Agreement and the procedures carried out, an advance is paid to the LAG. It provides cash flow for the operation of the LAGs.

Each year, the LAG submits an annual implementation plan (detailing the LDS action plan) to the IPARD Agency/Directorate for payments and the IPARD Managing Authority/Directorate for rural development.

The LAG performs animation, capacity building and executes small projects in accordance with the annual plan. The LAG also ensures that prices are reasonable and that the choice of suppliers is impartial.

The LAG submits a regular (e.g. every month or quarter) request for payment to reimburse the costs of capacity building, running costs and costs of implemented small projects. Each disbursement request must be clearly linked to the Annual Action Plan (back to the Local Development Strategy). The IPARD Agency/Directorate for payments will inspect the LAG in accordance with contractual obligations (administrative and on-the-spot checks, including justification of the price). The IPARD Agency/Directorate for payments makes (regular) payments to LAGs based on approved payment requests.

### 8.3.4.17. Geographical scope of the measure

The LEADER measure will be implemented in rural areas throughout Montenegro.

## 8.3.5. MEASURE 6 - INVESTMENTS IN RURAL PUBLIC INFRASTRUCTURE

### 8.3.5.1. Legal basis

Article 27 of the Sectoral Agreement.

### 8.3.5.2. Rationale

The rural area which covers majority of territory of Montenegro is characterized by a lag in economic development and underdeveloped supporting infrastructure, including the availability of services and assurance of living and working conditions which has led to the depopulation of rural areas and a lack of interest from young families to live and work in rural areas.

In Montenegro there are many rural areas with poorly developed transport, social and economic infrastructure. For example, the distance from grocery stores and primary schools is 3-4 km on average, and from secondary schools and banks 10 km. The distance to a bus stop is 2.5 km, and to a post office on average about 7.5 km. According to statistical data for 2020, 1,315 km or 13.5% of the total road network in Montenegro fall into the

category of dirt and uncategorized roads. In addition, the water network and electricity supply in many villages are in poor condition and there is no developed telecommunications network with the possibility of using the Internet. Consequently, further economic decline and depopulation of remote rural areas can be expected, where these areas and national policies do not provide favourable conditions for life and the economic environment.

Fostering the development and improvement of the basic infrastructure is one of preconditions for the development of a balanced economic growth in the rural area and for the enhancement of the socio-economic living conditions of the rural population in Montenegro.

Competitiveness of agriculture and forestry in Montenegro is impeded by poor public access to the agriculture and forest land parcels. Provision of access of electricity on agriculture land is needed to sustain the modernisation investments of the agriculture production systems (i.e. automated irrigation systems for efficient water use).

Rural settlements are also affected by climate change and lack of investment in flood management (e.g. maintenance of river beds) and protection against landslides pose a constant threat to rural inhabitants.

Necessary investments in rural areas relate to the construction and reconstruction of local roads, uncategorized local roads leading to katuns,<sup>31</sup> investments in water supply, sewage, and waste disposal, rehabilitation of bridges and landslides.

In accordance with the Law on regional development, each local self-government has the obligation to adopt a Strategic Plan for the development of the municipality, which also defines the priority infrastructure projects and general goals for the development of the municipality.

Some municipalities in Montenegro had access to the sources of IFAD project for investments in rural infrastructures, so some level of knowledge about implementation of projects exist. Despite the above, further training of all stakeholders is needed.

### **8.3.5.3. General objectives**

The general objective is to support economic, social and territorial development, leading to a smart, sustainable and inclusive growth through the development of physical infrastructure in Montenegro.

Facilitate business and community development, growth and employment in rural areas.

#### **8.3.5.3.1. Specific objectives**

- To provide infrastructure needed for the development of rural areas;
- To contribute towards the improvement of living standards for rural populations;
- To support public investments necessary to achieve sustainable development;
- To increase the attractiveness of rural areas for local and outside investors.
- To increase climate resilience

### **8.3.5.4. Linkage to other IPARD measures in the Programme and national measures**

This measure is linked in particular to the Measure (1) 'Investments in physical assets of agricultural holdings', Measure (3) 'Investment in physical assets concerning processing and marketing of agricultural and fishery

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<sup>31</sup> For the need of temporary residence for people and livestock in the mountains during the summer months, settlements are built and used only seasonally. It is believed that this "pastoral village" has been called katun since the 13<sup>th</sup> century. According to various researchers, katuns are defined as "summer villages on the mountain", "summer dwellings", "summer dwellings", "temporary summer dwellings" or "groups of wooden huts on summer pastures".

"Katuni" consists of "pastoral dwellings" of the simplest form of houses-cabins. Besides huts, other basic elements of katun are cattle pens. Livestock migration or transhumance is the seasonal movement of people and livestock between permanent summer and winter pastures, between permanent villages and temporary seasonal settlements - katuns.

products' and Measure (7) 'Rural diversification and business development'. These measures allow, among other eligible investments, investments in the strengthening of infrastructure on the farms/processing plants themselves, including internal roads, electricity supply, water supply and waste treatment, while the Measure (6) 'Investments in rural public infrastructure' aims at the construction and reconstruction of public infrastructure in rural and agricultural areas. The support granted under this measure will not overlap with the support granted under the national support schemes for agriculture and rural development.

#### **8.3.5.5. Recipients**

Recipients under this measure are municipalities in rural area.

#### **8.3.5.6. Common eligibility criteria**

- The projects must be noted in the adopted Strategic Plan for the development of the municipality;
- The project must concern infrastructure needed for the development of rural areas including community roads, local access to roads of particular importance for the local economic development, access to farm and forestland, energy supply, waste and water management, local access to information and communication technology points etc;
- All projects must be procured in accordance with the rules for external aid of the Commission contained in the Financial Regulation. For this purpose, the application of PRAG could be adapted to the specificities of the beneficiary country. However, public procurement may be done on behalf of the recipient by a centralized competent public authority;
- The recipient must provide/ensure the maintenance of the project for at least five years after the final payment of the project. However, maintenance costs are not eligible for EU-co-financing;
- Each project must comply with the relevant national legal requirements and the relevant Union standards in force before final payment of the investment by the IPARD Agency/Directorate for payments.

#### **8.3.5.7. Specific eligibility criteria**

Eligible for support are investments whose location is outside the city centre, defined in accordance with the decisions of local governments.

**Roads:** Roads must connect areas where agricultural production takes place and must be shown in spatial plans.

**Water management:** The municipality must have established a public body for the provision of water supply services to which it entrusts the management of the investment object.

**Waste management:** The municipality must have established a public waste disposal service to which it entrusts the management of the investment object.

An environmental impact assessment must be prepared for the investment.

**Energy supply:** Energy production only for public consumption is acceptable.

**Modern technologies:** Modern technologies, apart from broadband internet, must have built-in components that use energy from renewable sources to power them (solar, wind, etc.).

#### **8.3.5.8. Eligible expenditure**

Eligible investments shall be limited to:

- The construction/reconstruction and fixed equipment of immovable infrastructure;
- General costs linked to expenditure, such as architects', engineers' and consultation fees and costs for feasibility studies shall be eligible. The maximum eligible amount for general costs must not exceed 10% of the costs;

- General costs although eligible retroactively (since they may occur before contract conclusion) can only be considered eligible if the project to which they relate is actually selected and contracted by the IPARD Agency/Directorate for payments;
- Under this measure advanced payments are allowed;
- EU-co-financing shall not cover normal maintenance interventions.

### 8.3.5.9. Demarcation of assistance

Demarcation IPARD III measures and measures implemented through national support measures are primarily reflected in the type of recipients, where through IPARD III support is granted to local governments, while the plan is to support individual requirements of individuals through national measures and for those investments that are not acceptable by this Programme.

### 8.3.5.10. Eligible investments

The eligible investments shall refer to:

1. Roads:
  - Construction/reconstruction and equipping of existing municipal roads and bridges (main roads, village bypasses, village roads, public access roads to farms, farmlands and forestry).
2. Water management
  - Construction/reconstruction/rehabilitation/equipping of the water supply system, sewerage system, installations, related facilities, and stream channels.
3. Waste management
  - Construction/reconstruction/equipping of small infrastructure (dumping sites and/or waste collection points, fulfilling all environmental requirements).
4. Energy supply
  - Construction/reconstruction/equipping of renewable energy plants and installations in order to supply farms and villages with energy power.
5. New technologies
  - Providing conditions for local access to information and communication technologies and the development of fast and ultra-fast broadband.

### 8.3.5.11. Selection criteria

Table 55: Ranking criteria

Criteria		Points
1.	<b>Size of the municipality</b>	Up to 30
1.1	Up to 5.000 inhabitants	30
1.2	Up to 10.000 inhabitants	20
1.3	Up to 20.000 inhabitants	10
2.	<b>Municipality from the northern region of Montenegro</b>	10
3.	<b>Type of investment</b>	Up to 20
3.1	Investment in road infrastructure	20
3.2	Investment in water supply systems	10
4.	<b>The entire investment is located above 600 m above sea level</b>	20
5.	<b>Competitiveness index of the municipality<sup>32</sup></b>	Up to 20
5.1	IV group (below 75%)	20
5.2	III group (from 75% to 100%)	10
<b>TOTAL</b>		<b>100</b>

<sup>32</sup> According to the Rulebook on the Establishment of the List of Development Levels of Local Self-Government Units in Montenegro.

### 8.3.5.12. Aid intensity and EU-contribution rate

The aid intensity shall be expressed as the share of public aid within the eligible expenditure of the investment amounts:

- Up to 100% (75% EU, 25% national funds) per eligible investment not of a nature to generate substantial net revenue;
- Up to 50% (of which 75% EU, 25% national funds) for other eligible investments in rural infrastructure.

The maximum total eligible expenditure per investment project will be EUR 1,000,000.

Total number of supported projects per municipality, per public call, is limited to one.

The total number of supported projects for this programming period, per municipality, for this measure is limited to two projects.

Applicant can apply for new support only after the final decision for payment, rejection or termination of a previously contracted project within this measure.

Under this measure, costs incurred by the recipient can be reimbursed in instalments by the IPARD Agency/Directorate for payments.

EU contribution rate shall be 75% of the public aid.

### 8.3.5.13. Indicative budget

Table 56: Indicative budget for Measure 6

Year	Total eligible cost	Public aid					
		Total		EU contribution		National contribution	
	(EUR)	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)
2021	-	-	100%	-	75%	-	25%
2022	-	-	100%	-	75%	-	25%
2023	666,667	666,667	100%	500,000	75%	166,667	25%
2024	960,000	960,000	100%	720,000	75%	240,000	25%
2025	1,333,333	1,333,333	100%	1,000,000	75%	333,333	25%
2026	2,080,000	2,080,000	100%	1,560,000	75%	520,000	25%
2027	2,600,000	2,600,000	100%	1,950,000	75%	650,000	25%
<b>Total</b>	<b>7,640,000</b>	<b>7,640,000</b>		<b>5,730,000</b>		<b>1,910,000</b>	

### 8.3.5.14. Indicators and targets

Table 57: Indicators and targets

Indicator	Target
Total investment in rural infrastructure (EUR)	7,000,000
Number of new jobs created	10
Number of supported local infrastructure	25
Number of IPARD recipients with support in investments related to care for the environment or climate change	10

### 8.3.5.15. Administrative procedure

The entire procurement procedure must be carried out in accordance with the PRAG rules.

The administrative procedure for the implementation of this measure will include the following phases: check of completeness's and eligibility of the application; allocation of funds; implementation of activity; accounting

and payments of support. The administrative procedure will respect the requirements of the IPARD III regulatory framework and will be reflected in the respective manuals and procedures.

### **8.3.5.16. Geographic scope of the measure**

This measure shall be implemented in the whole territory of Montenegro.

## **8.3.6. MEASURE 7 - FARM DIVERSIFICATION AND BUSINESS DEVELOPMENT**

### **8.3.6.1. Legal basis**

Article 27 of Sectoral Agreement

### **8.3.6.2. Rationale**

Agriculture is the most important branch of the economy in rural areas. Diversification of agricultural activities and other economic activities, primarily by the state, can alleviate the trend of preventing migration of young people from rural areas and improve the quality of life and work. Residents of rural areas should see their chance for further progress in diversifying activities. In addition, through diversification, it will be possible to maintain existing jobs, because current unemployment is more pronounced in rural areas than in urban areas.

In part of diversification, and due to the characteristics of the territory and natural beauty, tourism is the activity that has the greatest potential. Tourists are already discovering rural areas of Montenegro as an extraordinary destination for holidays in nature. Rural tourism is a special form of tourism product that provides conditions to meet the needs of a growing number of tourists who strive for a healthy lifestyle and seek experiences that include pleasure in nature, traditional cuisine, hospitality of households in rural areas, enjoying tradition and preserved customs and others authentic experiences.

In the period 2017 – 2020 number of agricultural holdings registered in Register of agricultural holdings increased from 5,636 to 11,860, and between 83% (in 2017) and 89% (2020) of them were engaged in on-farm processing and rural tourism. As evident, there have been more and more of registered agricultural holdings from year to year, and the main reason for that is the increasing support of the Ministry of Agriculture, Forestry and Water Management through national funds as well as the EU funds.

With development of rural tourism, a new market for local products, processed products and crafts, such as traditional handicrafts, souvenirs, etc. is opening up in rural areas. In the last few years' new tourism products have been developed, such as the promotion of specific "tour-offers" and there is a need to continue to develop the offer in these areas.

The interventions under this measure aim at improving job opportunities in the rural areas of Montenegro. They address the major problems of rural areas, identified in the analysis, which are summarised as follows:

- Lack of job opportunities;
- High dependency on agriculture;
- Decline in the quality of living standards as a result of inaccessibility of basic services and infrastructure;
- Depopulation and demographic aging.

Activities in the implementation of this measure are divided into three parts, all with one goal in order to improve current production and diversify activities with a view to further development. The activities that will be supported under this measure are related to:

- Rural tourism;
- Processing on the farm;
- Craft development.

## **Rural tourism**

Natural resources in rural areas of Montenegro and the importance of their development are reflected in the fact that it contributes to the revival of the villages and a more balanced regional development and reduction of unemployment. Also, rural tourism creates conditions for meeting the needs of the growing number of tourists who find peace and contentment in nature, healthy lifestyle, and traditional cuisine, hospitality in rural holdings as well as preserved customs and traditions. The largest number of tourists who visited rural areas of Montenegro during the summer tourist season in 2018 comes from Western Europe (37.4%), while almost the same percentage are tourists from the Western Balkans (31.1%), as well as from Central and Eastern Europe (12%). When it comes to tourists from Montenegro, their representation in relation to the total sample was 7.6%<sup>33</sup>.

Activities in rural tourism will expand the scope of additional services available to the rural population and thus provide additional income, in addition to the income that the population from rural areas earned exclusively from agricultural production.

## **On farm processing**

Supporting the processing on family farms contributes to increasing the quality and more diverse offer of Montenegrin farmer's products. Products such as cheese, honey and honey products, meat products, various types of alcoholic and non-alcoholic beverages, processed fruits (including olives), vegetables, spice and medicinal plants represent an important part of the rural economy and contribute to increasing incomes of family farms. Rural areas have a long processing tradition of different animal and plant products on holdings, and this measure contributes the level of processed primary products, with the aim that through investments, objects for processing are improved and in line with hygienic standards, national minimum standards, food safety standards and environment standards. By improving and expanding the volume of processing of primary agricultural products, farms will increase the volume of production, generate additional income and enable the further development of agricultural enterprises.

## **Crafts**

Support for traditional crafts aims to improve handicraft products and promote the quality of services in rural area by supporting investment in the construction/reconstruction of facilities and supply of machinery, tools and technical equipment. In addition, support for these activities will save many of the traditional crafts from extinction.

### **8.3.6.3. General objectives**

- Fostering employment by creation of new jobs and maintaining existing jobs through the development of business activities, thus raising the economic activity level of rural areas and mitigating the trend of migration from rural areas;
- Economic growth and farm diversification for business development, employment, and sustainable development of rural areas contributes to a better territorial balance, both in economic and social terms. Increasing the scope of service for residents of rural areas as well as improving the quality of service provided;
- Improving the farmers' position in the value chain;
- Climate change adaptation and mitigation;
- Assisting young farmers who wish to diversify into new economic activities, while still keeping the farm production.

### **8.3.6.4. Specific objectives**

This measure shall aim at creation, diversification and development of rural activities, through support of investments for:

- Construction, reconstruction and equipping of complementary hospitality facilities in rural areas;
- Construction, reconstruction and equipping of processing facilities in accordance with food safety standards;
- Improving product quality control by implementing quality management systems and food safety

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<sup>33</sup> Rural Tourism Development Programme of Montenegro with the Action Plan until 2021.

standards;

- Renewable energy investment;
- Preservation of traditions and crafts.

### **8.3.6.5. Linkage with other IPARD III programme measures and national measures**

Farm diversification and business development is related to Measure (3) 'Investments in physical assets concerning processing and marketing of agricultural and fishery products' and Measure (1) 'Investments in physical assets of agricultural holdings'. The improvement of primary production encourages the improvement of on farm processing and supply of fresh products, while the improvement of the processing sector has positive effects on marketing and in increasing and stabilising the offer in rural tourism. Investments through Measure (1) refer to primary production where the facility in Measure (3) must be registered and approved by the technical body, while investments through Measure (7) refer to the processing of own products in facilities that must be registered but not approved. In addition, the measure Farm diversification and business development is related to the measure "Implementation of Local Development Strategies – LEADER approach. Also, Measure (7) – Farm diversification and business development is related to national measures such as: On-farm processing and a Programme of incentive measures for rural tourism. Demarcation between IPARD III measures and other measures with public support is presented in the Table 70, Chapter 11, of this Programme.

### **8.3.6.6. Recipients**

Recipients for this measure are farmers, natural persons in rural areas, legal persons, producer organisations (such as cooperatives, associations etc.) and micro and small sized enterprises in rural areas.

### **8.3.6.7. Common eligibility criteria**

Recipients in regards to the legal status:

For sub-measure 7.1 - Support of investments for development of rural tourism:

- Natural person, as a holder of family agricultural holding in accordance with relevant Law on Agriculture and Rural Development, registered in the Register of Agricultural Holdings no later than the day of the publishing of the public call;
- Legal person - micro and small enterprise, in accordance with the relevant Law on Accounting established or operating in rural areas, as a holder of family agricultural holding in accordance with relevant Law on Agriculture and Rural Development, registered in the Register of Agricultural Holdings no later than the day of the publishing of the public call.

For sub-measure 7.2 - Support of investments for on farm processing:

- Natural person, as a holder of family agricultural holding, in accordance with relevant Law on Agriculture and Rural Development, registered in the Register of Agricultural Holdings no later than the day of the publishing of the public call;
- Micro and small enterprise as a holder of agricultural holding.
- Producer organizations (cooperatives) registered in accordance with the relevant Law on Cooperatives

Besides registering in the Register of Agricultural Holdings, applicants have to be registered for primary production in some of the relevant registries of the Directorate for Food Safety, Veterinary and Phytosanitary Affairs and/or the Ministry of Agriculture, Forestry and Water Management, no later than the day of the publishing of the public call.

In case the recipients are legal entities (micro and small), it is necessary that their primary activity is related to agriculture and registered in the Central Register of Business Entities, and for the aquaculture sector, the primary activity must be related to aquaculture.

For sub-measure 7.3 - Support of investments for improvement of crafts:

- Natural person, with a place of residence in a rural area, where the investment will be realized.

#### Place of the investment realisation:

For sub-measure 7.1 and 7.3 - Investments must be realized in rural areas:

- a) Northern region of Montenegro (municipalities: Kolašin, Mojkovac, Bijelo Polje, Berane, Andrijevica, Gusinje, Plav, Rožaje, Petnjica, Pljevlja, Žabljak, Šavnik i Plužine), for all recipients and investments;
- b) All territory of Montenegro above 600 meters' altitude (all recipients and investments);

For sub-measure 7.1

- c) In areas less than 600 meters' altitude investments shall be eligible only for agricultural holdings engaged in the cultivation of vines and/or olives. The investment must be made in the area where the agricultural production takes place, respecting all the legal requirements for the construction area. Eligible investments are limited to construction and/or reconstruction and equipping of tasting rooms; reconstruction and/or equipping of complementary hospitality facilities. The recipients applying for support must meet the following minimum level of production at the time of publishing of the public call as follows:

#### ***Viticulture sector***

Area of vineyards minimum 0.5 ha.

#### ***Olive sector***

Olive growing plantation minimum 0.3 ha.

### **8.3.6.8. Economic viability of the recipient**

The economic viability of the recipient must be demonstrated by a business plan. The business plan includes a brief description of the business, its current assets and liabilities, human resources, a description of the proposed investment, its financing, and projections for future economic operations (including marketing).

The recipient must demonstrate economic viability using the form provided by the IPARD Agency/Directorate for payments. A full and detailed business plan is required for investments above EUR 50,000 and the simplified form of the business plan is required for investments below EUR 50,000.

The recipient should demonstrate that it would be able to service its liabilities on a regular basis without jeopardizing the normal operation of the farm. The purpose of the viability test is to ensure that the recipient can finance the investment and is able to maintain the economic activity linked to the aided investment.

The criteria that the IPARD Agency/Directorate for payments will use to assess the future economic viability of the recipient are set out in Annex V.

### **8.3.6.9. National standards/ EU standards**

Investments must be in accordance with relevant national standards, no later than the moment of final payment of support funds (see the List of relevant NMS in Annex III of the IPARD III programme).

Where a collective investment is implemented by a legally established entity on behalf of their members, the national standards apply to the assets of the entity and not to the assets owned by each participant/member of this entity.

### **8.3.6.10. Other eligibility criteria**

- The recipient, for sub-measure 7.1, before the final payment of support funds, in regards to the occupational skills must comply with the relevant Law on tourism and hospitality;
- The recipient, for sub-measures 7.2, shall prove minimum secondary school education or higher education by diploma/certificate or a minimum 3 years' experience in dealing with agriculture production, processing or services related to agriculture (proven by records of MAFWM and relevant institutions). A recipient that fails to meet the above skills and competences shall commit in writing that he/she will follow a training course on agriculture production, processing or services related to agriculture with a minimum duration of at least 50 teaching hours in the relevant sector before the final payment. The recipient shall provide a

training certificate issued by relevant vocational training institutions, educational and research institutions or public advisory services including the list of attended training modules with relevance to the investment.

- The recipient, before the final payment of support funds for sub-measure 7.3 for simple crafts no expert qualification is necessary for its undertaking, in accordance with the relevant Law on crafts. However, complex crafts can be performed by natural persons who possess a minimum of passed artisan's exam from the area which refers to this complex craft.

### **8.3.6.11. Specific eligible criteria**

#### ***Sub-measure 7.1- Support of investments for development of rural tourism***

- (1) For provision of services of accommodation and preparation of food, drinks and beverages, exclusively complementary hospitality facilities are eligible, whereas they must be registered in accordance with the relevant Law on tourism and hospitality, no later than the day of the final payment of support funds:
  - a) For natural persons/agricultural holdings (maximum up to 10 rooms/accommodation units or 20 beds) in the type of:
    - House;
    - Rural household;
    - Tourist apartment.For camp up to 15 accommodation units.
  - b) For legal persons (maximum up to 15 rooms/accommodation units or 30 beds) in the type of:
    - House;
    - Rural household;
    - Tourist apartment block (ten or more tourist apartments within the same building);
    - Tourist apartment;
    - Guesthouse, hostel, ethno village, resort, mountain home.
- (2) Accommodation capacity in registered complementary hospitality facilities is limited to a maximum up to 15 rooms/accommodation units or 30 beds per recipient, in accordance with the relevant Law on tourism and hospitality.
- (3) If the investment relates to procurement of equipment/furniture, the facility that is being equipped must be registered as a complementary hospitality facility in accordance with the relevant Law on tourism and hospitality, no later than the day of final payment of support funds.

Investments made in an area below 600 m altitude shall be eligible only if they are made at the location where agricultural production takes place.

#### ***Sub-measure 7.2 Support of investments for on farm processing***

- (1) Eligible sectors within this sub-measure are the following sectors of processing of primary agricultural products:
  - Milk processing sector,
  - Crop production sector: fruits, vegetables, cereals, spice and medicinal herbs (cultivated and wild herbs) and mushroom growing;
  - Wine production sector,
  - Olive processing sector;
  - Fisheries and aquaculture sectorin accordance with the relevant Law on food safety and the relevant Regulation on hygiene requirements for facilities and rooms where small quantities of primary products for nutrition are produced.
- (2) Support funds in the milk processing sector, crop production sector: fruits, vegetables, cereals, spice and medicinal herbs (cultivated and wild herbs) and mushroom growing; wine production sector, olive processing sector; fisheries and aquaculture sector must be obtained by recipients processing in a special facility, that is not part of the residential building, which is, no later than the day of the final payment of support funds registered in the Central register of registered facilities or approved (depending on the size of production) facilities for production, processing and distribution of food in

the Directorate for Food safety, Veterinary and Phytosanitary Affairs and which meet the prescribed processing requirements in accordance with the Law on Food Safety.

- (3) Applicants have to be registered for primary production in some of the relevant registries of the Directorate for Food Safety, Veterinary and Phytosanitary Affairs and/or the MAFWM, no later than the day of the publishing of the public call.
- (4) In the case when the recipients are legal entities (micro and small), it is necessary that their primary activity is related to agriculture and registered in the Central Register of Business Entities, and for the aquaculture sector, the primary activity must be related to aquaculture.

#### ***Sub-measure 7.3 - Support of investments for improvement of crafts***

- (1) Recipients must be registered in Register of persons engaged in craft activity, in accordance with relevant Law on Crafts, not later than the day before final payment.
- (2) List of crafts eligible for support is constituent part of IPARD III programme (see Annex VIII).

#### **8.3.6.12. Eligible expenditure**

Eligible expenditures for all sub-measures are:

- Construction and/or reconstruction of immovable property;
- The purchase of new machinery and equipment, including computer hardware and software, up to the market value of the asset. Other costs connected with the leasing contract, such as lessor's margin, interest on refinancing cost, overheads and insurance charges shall not be eligible expenditure;
- Construction and/or reconstruction of internal access roads on property;
- General costs related to investment expenditure - such as fees for architects, engineers and other consultancy services, feasibility studies - are eligible up to 10% of investment costs. In the case of collective investments, general costs may also include up to the same amount, costs of testing, marketing, and developing the products concerned and animation costs;
- The costs of preparing a business plan are eligible up to 5 % of the value of the eligible expenditure
- General costs may be accepted retroactively only if they relate to a project for which the IPARD Agency/Directorate for payments has concluded a valid contract with the recipient;
- Investment is acceptable for support if the subject of the investment is owned by the user not later than before final payment;
- Investment in equipping the facilities is eligible for support if the facility is owned by the recipient no later than before final payment;
- Investments related to the construction of new facilities are eligible only if the recipient makes an investment that includes investments in renewable energy in addition to the construction of new facilities.

#### **Investments in renewable energy plants**

In the case of investment in renewable energy, the investment is considered eligible when the (theoretical) power capacity of the renewable energy plant ('the investment') exceeds the 3 years-average 'self-consumption'

In case where the renewable energy investment is an integrated, part of a project (for example solar panels in rural tourism or other sectors as indicated in IPARD III programme) the "self-consumption" limit does not play a role and does not need to be checked.

#### **Eligible activities and examples of eligible investment**

- (1) Support funds for sub-measure 7.1 could be used for investments, for:
  - Construction and/or reconstruction and/or equipping of hospitality facilities for providing accommodation services, facilities for preparing food and drinks, arrangement of tourist infrastructure (thematic or amusement parks, tennis courts, swimming pools, entertainment or recreational trails or roads - fitness trails, viewpoints, panoramic roads, cycling and hiking trails) and associated recreation activities (horse riding, fishing);
  - Construction and/or reconstruction and/or equipment supply for renewable source of energy;

- Procurement of equipment and devices for waste and water waste treatment.

(2) Support funds for sub-measure 7.2 could be used for:

- Construction and/or reconstruction and/or equipping facilities for processing, storage, packaging of products of milk processing sector, crop production sector: fruits, vegetables, cereals, spice and medicinal herbs (cultivated and wild herbs) and mushroom growing; wine production sector, olive processing sector; fisheries and aquaculture sector;
- Construction and/or reconstruction and/or equipment supply for renewable source of energy;
- Procurement of equipment and devices for waste and water waste treatment;
- Collective investments in equipping facilities for processing, storage, packaging of products are eligible under this sub-measure.

(3) Support funds for sub-measure 7.3 could be used for:

- Construction and/or reconstruction and/or equipping facilities for performing craft activities;
- Construction and/or reconstruction and/or equipment supply for renewable source of energy;
- Procurement of equipment and devices for waste and water waste treatment.

### 8.3.6.13. Selection criteria

*Table 58: Selection criteria for sub-measure 7.1- Support of investments for development of rural tourism*

Selection criteria	Points
Professional qualifications	Up to 20
- Applicant owns higher education from the field of tourism – hospitality	20
- Applicant owns secondary school education from the field of tourism – hospitality	10
Recipient (executive director) is a woman	10
Recipient is under 40 years of age <sup>34</sup>	10
Project involves opening up new working positions based upon business plan	20
Investments in renewable source of energy	15
Investments in treatment of waste and water waste	15
All necessary documentation has been submitted	10
<b>TOTAL</b>	<b>Up to 100</b>

*Table 59: Selection criteria for sub-measure 7.2 – Support of investments for on farm processing*

Selection criteria	Points
Professional qualifications	Up to 10
- Applicant owns higher education from the field of agriculture and/or veterinary	10
- Applicant owns secondary school education from the field of agriculture and/or veterinary	5
Size of the holding	Up to 20
- Recipients owns more than 5LU	10
- Recipients owns more than 2 hectares (excluding pastures and meadows)	10
Recipients owns a certificate of organic production	10
For recipients in mountain areas (above 600 meters altitude)	5
Recipient (executive director) is a woman	10
Recipient is under 40 years of age <sup>35</sup>	10
Investments in renewable source of energy	10
Investments in treatment of waste and water waste	10
All necessary documentation has been submitted	15
<b>TOTAL</b>	<b>Up to 100</b>

<sup>34</sup> Recipient (executive director) is under 40 years of age at the time of submitting the application, possessing adequate occupational skills and competence.

<sup>35</sup> Recipient (executive director) is under 40 years of age at the time of submitting the application, possessing adequate occupational skills and competence.

Table 60: Selection criteria for sub-measure 7.3 – Support of investments for improvement of crafts

Selection criteria	Points
Applicant owns secondary school education from the field of craft activities	20
Recipient is a woman	15
Recipient is under 40 years of age <sup>36</sup>	15
Investments in renewable source of energy	10
Investments in treatment of waste and water waste	10
Applicant is registered in the Registry of Agricultural Holdings	20
All necessary documentation has been submitted	10
<b>TOTAL</b>	<b>Up to 100</b>

#### 8.3.6.14. Aid intensity and EU contribution rate

The amount of public aid is up to 60% of the total eligible cost. It can be increased up to 70% for:

- investments made by young farmers and/or certified organic farmers,
- collective investments.

An additional 10% can be given for:

- investments related to effluent and waste management, renewable energy

For the above types of investments, maximum aid intensity cannot exceed 75%.

EU co-financing rate is 75 % of the public aid.

Table 61: Minimum and maximum of total eligible expenditures for the sub-measure 7.1 Support of investments for development of rural tourism

Minimum of total eligible expenditure (EUR)	Maximum of total eligible expenditure (EUR)
10,000	200,000

Table 62: Minimum and maximum of total eligible expenditures for the sub-measure 7.2 Support of investments for on farm processing

Minimum of total eligible expenditure (EUR)	Maximum of total eligible expenditure (EUR)
10,000	30,000

Table 63: Minimum and maximum of total eligible expenditures for the sub-measure 7.3 Support of investments for improvement of craft

Minimum of total eligible expenditure (EUR)	Maximum of total eligible expenditure (EUR)
5,000	15,000

- The total number of projects per recipient, per public call, for this measure, is limited to one;
- Within this measure, per public call, applicant can apply for only one sub-measure;
- The total number of supported projects per recipient, for this measure, in this programming period, is limited to three projects;
- Applicant can apply for new support only after the final decision on payment, rejection or termination of the contracted project, within this measure.

<sup>36</sup> Recipient is under 40 years of age at the time of submitting the application, possessing adequate occupational skills and competence.

### 8.3.6.15. Indicative budget

Table 64: Financial allocation of funds for measure (7)

Year	Total eligible cost	Public aid						Private contribution	
		Total		EU contribution		National contribution			
	(EUR)	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)	(EUR)	(%)
2021	2,777,778	1,666,667	60%	1,250,000	75%	416,667	25%	1,111,111	40%
2022	3,066,667	1,840,000	60%	1,380,000	75%	460,000	25%	1,226,667	40%
2023	3,333,333	2,000,000	60%	1,500,000	75%	500,000	25%	1,333,333	40%
2024	4,000,000	2,400,000	60%	1,800,000	75%	600,000	25%	1,600,000	40%
2025	4,444,444	2,666,667	60%	2,000,000	75%	666,666	25%	1,777,777	40%
2026	5,333,333	3,200,000	60%	2,400,000	75%	800,000	25%	2,133,333	40%
2027	5,200,000	3,120,000	60%	2,340,000	75%	780,000	25%	2,080,000	40%
<b>Total</b>	<b>28,155,556</b>	<b>16,893,333</b>		<b>12,670,000</b>		<b>4,223,333</b>		<b>11,262,222</b>	

### 8.3.6.16. Indicators and targets

Table 65: Indicators and targets

Indicator	Target
Number of farms and agri-food processing enterprises supported by IPARD in modernisation	100
Total investment on farms and agri-food sector in modernisation	16,000,000
Number of recipients of IPARD investment support in rural diversification and business development	300
Total investment in rural diversification, business development and infrastructure (EUR)	29,000,000
Number of new jobs created	50
Number of young farmers receiving IPARD support for investment	100
Number of supported producer groups/organisations	0
Number of farmers participating in supported Producer Groups, Producer Organisations, local markets, short supply chain circuits and quality schemes	5
Number of collective investments	0
Number of IPARD recipients with support in investments related to care for the environment or climate change	50
Number of IPARD recipients with support in investments in waste treatment or management	25
Number of IPARD recipients with support in investments in renewable energy production	60
Number of organic farms with IPARD support to investments	15
Number of projects with circular economy-type investments	0

### 8.3.6.17. Administrative procedure

The administrative procedure for the implementation of this measure will include the following phases: Checking of completeness's and eligibility of the application; allocation of funds; implementation of activity; accounting and payments. The administrative procedure will respect the requirements of the IPARD III regulatory framework and will be reflected in the respective manuals and procedures.

### 8.3.6.18. Geographic scope of the measure

The investments in sub-measure 7.2 are eligible for the whole territory of Montenegro, and in sub-measures 7.1 and 7.3 in municipalities in Northern Montenegro (full list presented in chapter 8.3.6.7. Common eligibility criteria); areas above 600 m altitude, except for grape and olive producers where investments in sub-measure 7.1 are eligible also under 600 m altitude in accordance with requirements described in common eligibility criteria.

## **8.3.7. MEASURE 9 – TECHNICAL ASSISTANCE**

### **8.3.7.1. Legal basis**

Article 27 of Sectoral Agreement

### **8.3.7.2. Rationale**

This measure involves the provision of technical assistance and supports the costs associated with the implementation of the IPARD III programme. Support under this measure is necessary to ensure the preparation and implementation of all selected IPARD III measures, the regular and effective monitoring and evaluation of the IPARD III programme, and the effective implementation of the programme. One of the main objectives of the measure is also to promote the IPARD III measures.

### **8.3.7.3. General objectives**

The aim of this measure is to help in particular with the implementation, monitoring and evaluation of the programme. It also aims to promote IPARD III through various communication channels and to support the various bodies involved in preparing and implementing the IPARD III programme.

#### **8.3.7.3.1. Specific objectives**

The aim of this measure is to assist in particular in implementation and monitoring of the IPARD III programme and its possible subsequent modifications. In support of this aim, the objectives include:

- Providing support for the monitoring and evaluation of the programme;
- Ensuring an adequate flow of information and publicity on the IPARD III programme;
- Supporting studies, trainings, visits and seminars to improve the capacity of IPARD III administrations and of recipients;
- Providing support for external expertise;
- Support for establishment and preparation of potential LAGs;
- Improving the capacity of local entities (e.g. municipalities, regional entities) supporting the implementation of the IPARD III programme;
- Strengthening the national administrations managing the IPARD III programme.

#### **8.3.7.4. Linkage to other IPARD measures and national measures**

This measure will provide coverage for technical assistance needs for all the measures of the programme.

#### **8.3.7.5. Recipients**

The recipient under this measure is the IPARD Managing Authority of the IPARD III programme, namely Directorate for Rural Development within the Ministry of Agriculture, Forestry and Water Management.

Other IPARD III entities (e.g. IPARD Agency/Directorate for payments, other directorates within MAFWM, the management structure, advisory services, technical bodies, potential Local action groups (LAG's) and the Rural Development Network of Montenegro (RDNM) may benefit from the technical assistance measure through the activities implemented by the IPARD Managing Authority/Directorate for rural development.

If the funding benefits the IPARD Agency/Directorate for payments, segregation of duties in project approval will be ensured.

### **8.3.7.6. Common eligibility criteria**

Eligible expenditure is based on real costs, which are linked to the implementation of the co-financed operation and must relate to payments effected by the recipient, supported by receipted invoices or accounting documents of equivalent probative value<sup>37</sup>. Simplified cost options can also be used as an alternative for real costs.

All projects must be procured in accordance with the rules for external aid of the Commission contained in the Financial Regulation. For this purpose, the application of PRAG could be adapted to the specificities of the beneficiary country. The implementation of the Technical Assistance actions shall be compliant with public procurement.

Eligible expenditure will be reported as part of the annual implementation report. Some expenditure like transport costs (airplane tickets, train, bus, ferry or boat tickets), use of private vehicles for business purposes, registration fees, daily allowances, accommodation, etc. will be calculated on flat rate amounts, in accordance with the conditions and rates applicable in the public sector of the Montenegro concerned for similar actions where no EU co-financing is involved.

For this measure, actions financed or foreseen to be financed as part of twinning covenants or other projects supported under other IPA components will not be eligible.

Technical assistance to support the setting-up of management and control systems is eligible prior to the entrustment of budget implementation tasks for new measures, for expenditure incurred after 1 January 2021.

The full procedure for implementing this measure, including the PRAG rules, is set out in the Guideline for TA measure and other implementing documents.

### **8.3.7.7. Specific eligibility criteria**

N/A

### **8.3.7.8. Eligible expenditure**

Under this measure, the following actions are eligible provided they are covered by the annual indicative technical assistance action plan:

- a) Expenditure on meetings of the monitoring committee, including the costs of all experts and other participants, where their presence is considered to be necessary to ensure the effective work of the committee.
- b) Other expenditure necessary to discharge the responsibilities of the monitoring committee which falls under the following categories:
  - expert assistance to consider and review programme baselines and indicators;
  - expert assistance or advise to the monitoring committee concerning implementation and functioning of the monitoring arrangements;
  - expenditure associated with meetings and ancillary tasks of working groups;
  - seminars.
- c) Expenditure on information and publicity campaigns, including costs of internet presence, printing and distribution;
- d) Cost of translation and interpretation of documents mentioned in the framework, sectoral and financing agreements and those requested by the Commission;
- e) Expenditure associated with trainings, visits and seminars for administration officials. Seminars supported shall require the submission of a timely written report to the monitoring committee;
- f) Expenditure associated with "acquisition of skills" to prepare potential LAGs for the implementation of the measure "Preparation and implementation of local rural development strategies – Leader approach";
- g) Expenditure associated with the preparation, reduction of the administrative burden for recipients or streamlining of implementation of measures in the programme to ensure their effectiveness, including pilot projects for those measures where entrustment/implementation is foreseen at a later stage;

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<sup>37</sup> 'accounting document of equivalent probative value' means any document submitted to prove that the book entry gives a true and fair view of the actual transaction in accordance with current accountancy law.

- h) Expenditure for evaluations of the programme;
- i) Expenditure associated with the establishment and operation of a national network for rural development. This can also cover expenditure associated with the establishment of a national rural development network in line with the EU rules for Member States as well as the expenditure linked to participation in the European Network for Rural Development;
- j) Expenditure associated with the purchase of IT equipment and software licences (up to 5% of the TA budget) for the purpose of IPARD implementation;
- k) Expenditure associated with the implementation of a sustainable human resources policy in the IPARD III entities. Introduction of this expenditure can only be done after prior approval of the Commission and may be limited in time;
- l) Expenditure associated with capacity building of the national advisory services to perform tasks associated with implementation of IPARD;
- m) Expenditure associated with the establishment and operation of pilot projects in setting up cooperation in short value chains and value chains for quality products.

The eligible expenditure will be further in detail presented in the List of eligible expenditure.

Technical assistance should not be used for capacity building actions which are not linked to the administration and implementation of the IPARD programme.

### 8.3.7.9. Selection criteria

N/A

### 8.3.7.10. Aid intensity and EU contribution rate

Aid intensity, expressed as the share of public support in the eligible expenditures amounts up to 100%, where the EU contribution rate is 85%.

### 8.3.7.11. Indicative budget

Table 66: Indicative budget for measure (9)

Year	Total eligible cost	Public aid					
		Total		EU contribution		National contribution	
		(EUR)	(%)	(EUR)	(%)	(EUR)	(%)
2021	0	0	100%	0	85%	0	15%
2022	0	0	100%	0	85%	0	15%
2023	0	0	100%	0	85%	0	15%
2024	211,765	211,765	100%	180,000	85%	31,765	15%
2025	235,294	235,294	100%	200,000	85%	35,294	15%
2026	282,353	282,353	100%	240,000	85%	42,353	15%
2027	764,706	764,706	100%	650,000	85%	114,706	15%
<b>Total</b>	<b>1,494,118</b>	<b>1,494,118</b>		<b>1,270,000</b>		<b>224,118</b>	

### 8.3.7.12. Indicators and targets

Table 67: Indicators and targets

Indicator	Target
Number of National Rural Development Networks supported	1
Number of promotion materials for general information of all interested parties (leaflets, brochures etc.)	60,000
Number of publicity campaigns	300
Number of expert assignments supported	15
Number of trainings, workshops, conferences, seminars	250
Number of meetings of the IPARD monitoring committee	14
Number of studies on elaboration and implementation of Programme measures;	3
Number of Programme evaluation reports	3

Number of rural networking actions supported	10
Number of potential LAGs supported	5

### 8.3.7.13. Administrative procedure

In general, the MA is responsible for preparation of Annual Action Plan which should be, after consultations with the Commission, adopted by the Monitoring Committee on autumn session.

The outline of the action plan is as follows:

Type of expenditure	Action title and its short description incl. quantification (who will benefit, what actions, what subjects), quantification (number of activities, trainees, etc.)	Indicative budget	Indicative timetable for implementation

The List of eligible expenditure (LEE), contains acceptable expenditures for the realisation of all activities stipulated in the Action Plan.

The MA, carries out public procurement procedures for all activities.

All types of procedures are in detail described in the Practical Guide to Contract Procedures for EU External Actions (PRAG).

During the implementation of the Measure (9), the IA carry out control of documents and procedures for the implementation of public procurement process and approve the documents and procedures, perform administrative and on-the-spot verification, verifies the availability of funds for the implementation of an activity based on the amount of the annual action plan and make payments for the approved expenditures pertaining to a particular activity.

The whole procedure for implementation of the Measure (9) is in detail prescribed in documents (e.g. Manual of procedure etc.) which consist as part of the entire accreditation package for the Measure (9).

### 8.3.7.14. Geographical scope of the measure

N/A

### 8.3.7.15. Transitional arrangements

Technical assistance actions supported under the programming period 2021-2027 may concern preceding and subsequent programming periods. Therefore, the technical assistance allocated for the programming period 2021-2027 may be used to facilitate, e.g. the closure of the preceding programming periods, especially as regards the *ex-post* evaluations of 2014-2020 programmes or the preparation for the programming period post - 2027.

## 8.3.8. MEASURE 11 - ESTABLISHMENT AND PROTECTION OF FORESTS

### 8.3.8.1. Legal basis

Article 27 of the Sectoral Agreement.

### 8.3.8.2. Rationale

According to the results of National Forest Inventory (NIS) 2010, forests and forest land cover 827 536 ha which represents 60% total area of Montenegro, while un-forested forest land makes 9.7%. The total wood

volume of all forests is 133 million m<sup>3</sup> trees, of which 104 million m<sup>3</sup> is in forests that are available for use (they are accessible outside protected areas or other protection regimes).

Montenegro's forest territory under protection covers 13.41% or 185,269.69 ha. The biggest areas are the national parks: Durmitor, Lake Skadar, Lovćen, Biogradska gora, and Prokletije, which represent a total of 7.27% or 100,427 ha, while nature parks cover 79,583.10 ha or 5.76% of the territory of Montenegro.

According to the share in the area, beech (*Fagus moesiaca*) dominates covering 19.8%, followed by spruce (*Picea abies*) - 8.5%, fir (*Abies alba*) - with 4.1%, 2.0% of sessile oak (*Quercus petraea*) and black pine (*Pinus nigra*), with 1.6%. The share in the volume of dominant species is as follows: 42.6% of beech (*Fagus moesiaca*), 20% of spruce (*Picea abies*), fir (*Abies alba*) 12.5%. These species make-up 75.1% of the harvested wood volume. They are followed by black pine (*Pinus nigra*) with about 2.8% and oak cer (*Quercus cerris*), with a share of approximately 3.9%. Balkan endemic species of munica (*Pinus heldreichii*) and molika (*Pinus peuce*) have a significant share in the area of 1.1%. (*Pinus heldreichii*) and (*Pinus peuce*) has a share of 0.6% in volume.

Indicative gross annual increment is 2.6 mil. m<sup>3</sup> (in the Western Balkans region highest in Serbia (4 m<sup>3</sup>/ha), followed by Croatia, Bosnia and Herzegovina, Montenegro, and Kosovo (3–4 m<sup>3</sup>/ha), with a significantly lower increment found in North Republic of Macedonia and Albania (1.9 m<sup>3</sup>/ha and 0.8 m<sup>3</sup>/ha, respectively).

Due to intensive cutting during the last century (National forestry policy 2008), the stem's width is lower (34.6% 11-30 cm; 37% of stems 31 – 50 cm; 16.7% 71 – 70 cm).

About half of Montenegro's forests are state-owned and half are privately owned.

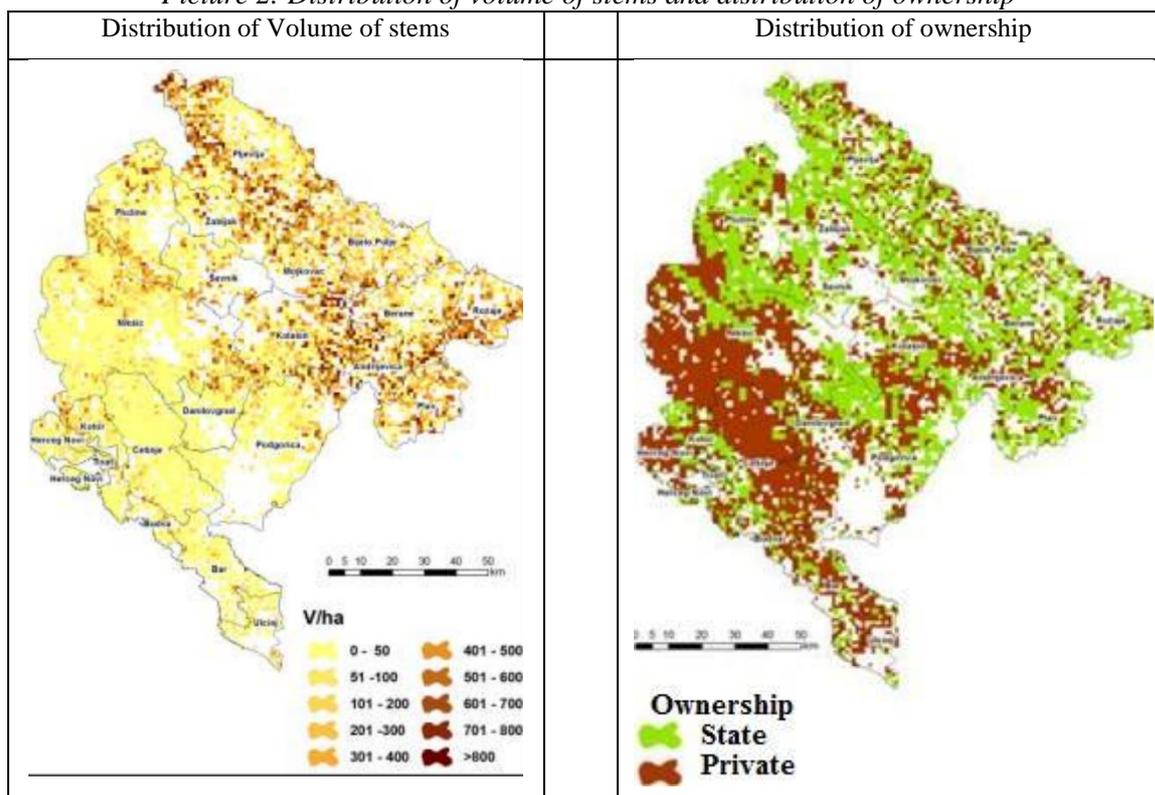
Table 68: Ownership structure

Ownership	Forest area for use (ha)	%	Wood stock (m <sup>3</sup> )	%	Wood stock (m <sup>3</sup> /ha)	Annual increment (m <sup>3</sup> )	Increase (m <sup>3</sup> /ha)
State	334,781	49.6	75,162,069	73.2	224.5	1,762,223.3	5.3
Private	340,608	50.4	29,812,676	26.8	87.5	763,027.7	2.2
<b>Total</b>	<b>675,389</b>	<b>100.0</b>	<b>104,974,746</b>	<b>100.0</b>	<b>155.4</b>	<b>2,525,251.0</b>	<b>3.7</b>

Source: National forestry strategy

The share of volume and increment is highest on the north and in the state owned forests, the lowest south – in mostly privately owned forests. The share of volume in the state owned forest amounts to 73.2%, in the private owned forests - 26.8%. The yearly increment in the state owned forests is 5.3 m<sup>3</sup>/ha, in privately owned - 2.2 m<sup>3</sup>/ha (source – Startegy 2016-2023).

Picture 2: Distribution of volume of stems and distribution of ownership

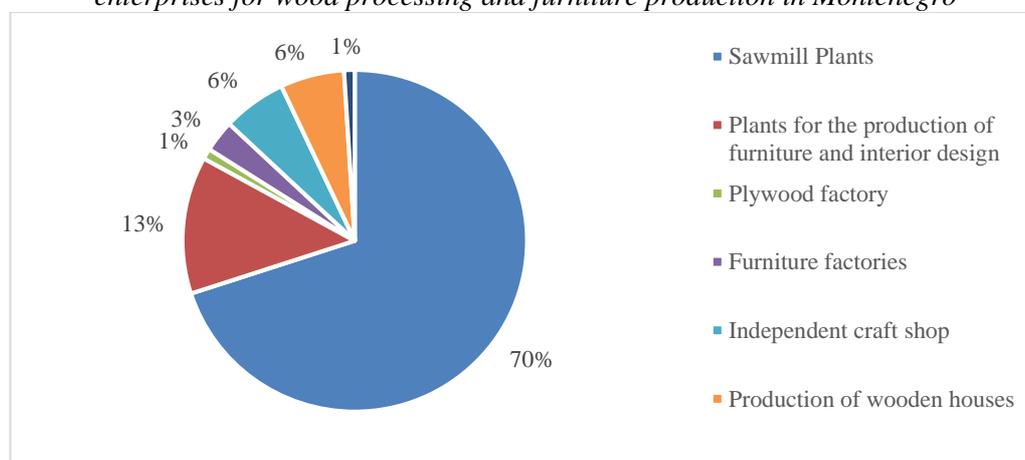


Source: National Forestry Strategy

The privately owned forests are located on karst and coastal region; they are younger, not well maintained and degraded, with significantly lower increment and volume. The fellings from 2016 – 2019 were 1.2 mil. m<sup>3</sup> of those 70% in state forests and only 30% in private forests.

The use of forest is important for Montenegro. Yearly about 0.7 mil. m<sup>3</sup> is used for heating. In the wood-based industry in mid-2012, 152 companies were active (including companies and entrepreneurs engaged in the production of furniture). The most represented activity of the company, observed by their number, is sawmilling, followed by plants for the production of furniture (mostly panel) and interior design and production of wooden houses. In the structure of companies engaged in wood processing, the representation of small companies is dominant. Six large companies processed a total of 97,380 m<sup>3</sup> of technical wood in 2011, which represents 29.8% of the total processed technical wood in Montenegro.

Graph 11: Representation of enterprises by individual types of production in relation to the total number of enterprises for wood processing and furniture production in Montenegro



Source: National Forestry Strategy

Out of a total of 107 active sawmills, the largest number is located in the municipality of Rožaje (51 of which

are engaged in the production of sawn timber and wooden houses), followed by Berane (14), Bijelo Polje (8) and Pljevlja (7).

The results of the conducted research show that the largest quantities of raw wood materials (technical round wood) are used for the production of sawn timber and plywood. These two products are predominantly represented in the primary wood processing in Montenegro.

The forestry sector is particularly vulnerable because of its sensitivity to decreasing precipitation and increasing air temperatures, meaning more frequent and intense occurrences of forest fires. Combined with the projected increase in floods and droughts, any gains in the long-term net primary productivity (NPP) of most trees from increased CO<sub>2</sub> concentrations will be limited (TNC, 2020). The coastal and central regions of Montenegro are identified as being most vulnerable to forest fires, as most droughts occur in these regions, and these droughts are projected to be more severe and frequent in the long term (Interreg-Danube 2019). Forest fires reduce trees' resistance to pests, which negatively impacts tree health, exacerbating vulnerabilities further.

In accordance to Monstat, forest fires affected 13 % of forest from 2007 – 2019 (of those in largest extent in 2011 – 49,009 ha (5.93%), and in 2017 – 21,216 ha (2.56%)).

The decrease of degradation of forests in costal and karst regions, and at the same time increase the share of mixed forests, can potentially raise the water accumulation capacity and at the same time raise the volume of forest, which will in time bring to higher reductions of emissions. The reduction of the area annually affected by wildfires by 70% would contribute to the annual emissions mitigation of 109.01 Gg CO<sub>2</sub>eq (Background report for NDC, 04/2021).

Forests form the basis for value-added networks in the areas of wood processing, renewable energy, food production and tourism. Sectors based on forest resources have great growth potential. Forests, together with mountains and waters, create an important part of the Montenegrin brand in the field of sustainable or green tourism. Forests are of a vital economic importance to the population in rural areas, where forests are one of the main sources of income and energy for heating.

Five priority areas have been defined:

- Forest improvement through sustainable management;
- Wood industry development;
- The role of forestry in rural development;
- Biodiversity protection and other forest ecosystem services;
- Fire protection.

### **8.3.8.3. General objectives**

This measure contributes to IPARD III objectives of facilitating growth and employment in rural areas, contributing to climate change mitigation and fostering sustainable management of natural resources. For Montenegro, it complements implementation of main principles of the Green Agenda for the Western Balkans.

The scope of the measure is restoring, preserving and enhancing ecosystems that are related to agriculture and forestry, whilst addressing the challenge of climate change. It is designed to contribute to extension and improvement of forest resources and forest-fire prevention.

#### **8.3.8.3.1. Specific objectives**

Specific objectives of the measure are:

- To increase the forest cover, or expanding the area of other wooded land, whether on agricultural, degraded or other land in order to provide environmental services for prevention against water or wind erosion, avalanches, landslides, desertification and drought, and for protection of water resources;
- To foster the agroforestry practices;
- To prevent and restore damage to forests from forest fires;
- To improve the resilience and environmental value of forest ecosystems through conversion of degraded forest stands, structurally degraded forest stands per tree species, and forest cultures into mixed high forest

stands of indigenous tree species.

#### **8.3.8.4. Linkage to other IPARD measures in the Programme and national measures**

Establishment of agroforestry systems is potentially linked with Measure (4) - Agri-environment-climate and organic farming measure. Prevention activities in some forests, such as thinning and pruning and removal of dry biomass in high forest fire risk zone areas, while decreasing the fire risk at the same time may also contribute to renewable energy production, as well as activities improving resilience and environmental value of forests and afforestation.

Afforestation and agroforestry are potentially supporting the same costs as the non-productive investments under Measure (1).

This will be clearly demarcated from the activities, supported under this measure and controlled through the administrative procedure.

#### **8.3.8.5. Recipients**

The final recipients under this measure will be private persons, legal persons and associations, holders of forests and/or agricultural land, non-agriculture land in rural areas.

#### **8.3.8.6. Common eligibility criteria**

##### **Definition of forests**

Forest is defined by Forest law (Art 3, 2010), as land larger than 0.5 ha, which is overgrown with forest trees whose canopy covers 10% of the soil surface and the height of the dominant trees is above 5 m, respectively, and trees that are able to reach that height at the time of physiological maturity

##### **Eligibility criteria for recipients**

- The recipient must provide ownership certificate (issued by the Cadastral administration of Montenegro), cadastral map and property card, demonstrating that he/she is the owner of the area, or the legal contract if he/she is the user of the area for which is submitting a project application. The contract should have a validity of at least 10 years at the moment of application in case of afforestation or agroforestry. Contract must be registered in the Cadastral administration of Montenegro;
- The recipient, if legal person or association, must be registered in the Business register, at the time of application;
- The recipient, which owns or possesses/uses also agriculture land in addition to forestry, should be registered in the Farm register, at the time of application.

##### **Eligibility criteria for projects**

- The applicant should prepare and submit a project proposal, including the design and bill of quantities for every proposed activity;
- All documents submitted must not be older than 12 months (except for the documents issued by the Tax Office and Court, where the validity must be 30 days);
- The proposed projects must be in compliance with the Forest management plan, which has been approved by the Ministry for Agriculture, Forestry and Water management. In case of afforestation project or the agroforestry project on land which is not included in the Forest management plan, the proposed project must be approved by the Ministry for Agriculture, Forestry and Water management with an afforestation permit;
- The project shall include at least the description of habitat conditions, e.g. determining the main environmental factors, which could have the influence on the results or success of investment, description and list of the trees, as well as their ratio, selection of tree species most suitable for given habitat conditions and set goal, work method (sowing or planting bare or coated root, etc.) with the justification and spatial arrangement and the number of plants and other particularities of the proposed technology;
- The project shall be prepared by a qualified technical specialist holding a professional permission/license regarding the project implementation. A copy of the professional permission/license must be attached to

the set of documentation in the application dossier;

- In case of replanting and phytosanitary interventions after finalization of investment, a formal recognition by public authorities acknowledging officially an occurrence of a calamity is necessary. The Environmental protection Agency of Montenegro will certify the percentage of failures replacement and phytosanitary measures to be applied. Replanting should be adapted to the real needs and justified in the request. The recipient should request an official authorization by the Paying agency before replanting.

### **8.3.8.7. Specific eligibility criteria**

#### **8.3.8.7.1. Afforestation**

##### **8.3.8.7.1.1. Description of the type of operation**

Afforestation of agricultural land and afforestation of non-agricultural and farm abandoned land contribute directly to carbon sequestration, wind protection and protection against soil erosion. Specific actions include afforestation with natural productive species, spatial planning of pastures, the restoration of green cover and re-planting. Support will be provided for the afforestation of agricultural and non-agricultural land.

##### **8.3.8.7.1.2. Specific eligible criteria**

###### **Eligible land**

- Agricultural land, non-agricultural land is eligible.

###### **Establishment**

- Native tree species, provenances and varieties or ecotypes that are well adapted to the site conditions and defined in the Forest management plan or in the afforestation plan approved by afforestation permit issued by the Ministry for Agriculture, Forestry and Water management;
- The short rotation coppice (SRC) and Christmas trees are excluded from assistance;
- No new forests can be established in protected natural areas, except for when the increase of forest cover is among the desired interventions provided for in the management plans or equivalent instruments set for managing such natural areas;
- In areas where planting of trees is made difficult by severe pedo-climatic conditions (scarce availability of water, poor soils etc.) support may be provided for planting other perennial woody species, such as shrubs or bushes, suitable to the local conditions;
- The support will not exclude the use of wood or non-wood materials or of other forest goods and services for economic reasons as long as this use does not harm the environmental or protective functions.

###### **Maintenance of afforested area**

- Maintenance costs of established afforested area will be supported for the period of 5 years;
- The maintenance works will be linked to finalized establishment and have to be compliant with the afforestation project approved by the Ministry for Agriculture, Forestry and Water management, with an afforestation permit;
- Recipient will provide yearly report on maintenance activities to the IPARD Agency/Directorate for payments.

#### **8.3.8.7.2. Agroforestry**

##### **8.3.8.7.2.1. Description of the type of operation**

Agroforestry means land-use systems and practices where planted trees are integrated with crops and/or animals on the same area of land. It is a multifunctional land-use approach that balances the production of food, feed, fuel etc. with outputs, such as environmental protection and cultural and landscape amenities.

The operation promotes the creation of agroforestry systems, namely assembled, systems that combine forestry with extensive farming practices, recognized for their importance for the maintenance of biodiversity and for their adaptation to areas with high susceptibility to desertification.

### **8.3.8.7.2.2. Specific eligible criteria**

#### **Eligible land**

- Agricultural land, non-agricultural land, forest land in case of silvopasture.

#### **Establishment of agroforestry system**

- The recipient shall be obliged to obtain an afforestation permit issued to his/her name and approved by the Ministry of Agriculture, Forestry and Water management. The permit shall be based on agroforestry project, to be made in accordance with the Law on forests by a professional forester, considering the site conditions and ecological features;
- The short rotation coppice (SRC) and Christmas trees are excluded from assistance;
- In areas where planting of trees is made difficult by severe pedo-climatic conditions (scarce availability of water, poor soils etc.) support may be provided for planting other perennial woody species, such as shrubs or bushes, suitable to the local conditions;
- The support will not exclude the use of wood or non-wood materials or other forest goods and services for economic reasons as long as this use does not harm the environmental or protective functions;
- Eligible plant species and limits:
  1. Forest tree species: Native tree species, at least two provenances and varieties or ecotypes that are well adapted to the site conditions and defined in the Forest and pasture management plan.
  2. Planting of fruit trees: maximum 20% of fruit species.
  3. Planting density:
    - minimum 80 trees/ha or 250 scrubs/ha,
    - maximum 250 trees/ha or 500 scrubs/ha.

#### **Maintenance**

- Maintenance costs of established agroforestry system will be supported for the period of 5 years;
- The maintenance works will be linked to the finalized establishment of agroforestry system and have to be compliant with the agroforestry project approved by the Ministry of Agriculture, Forestry and Water management with afforestation permit;
- Recipient will provide yearly report on maintenance activities to the IPARD Agency/Directorate for payments.

### **8.3.8.7.3. Restoration of forest after the forest fire**

#### **8.3.8.7.3.1. Description of the type of operation**

The actions of this operation are aimed at restoring the forest areas affected by forest fires.

#### **8.3.8.7.3.2. Specific eligibility criteria**

- Eligible land is forest land damaged by forest fire;
- The project for restoration of forest after the forest fire should be based on the Programme for restoration of forest after the forest fire, prepared by the Ministry of Agriculture, Forestry and Water management and approved by the Government, in accordance to Art. 48 of Forest Law.

### **8.3.8.7.4. Prevention of damage to forests from forest fires**

#### **8.3.8.7.4.1 Description of the type of operation**

The actions of this operation are aimed at preventing the damage to forest from forest fires. To this end, the operation will support the forestry works which would contribute to reducing risk of fire and its spreading and investments in construction/reconstruction and equipment for monitoring of forest fires.

#### **8.3.8.7.4.2 Specific eligibility criteria**

- Eligible land is forest land;
- The forest area concerned should be classified as medium to high forest fire risk according to the Forest

- management plan, approved by the Ministry for Agriculture, Forestry and Water management;
- Preventive actions against fire should be in-line with approved Forest Management Plan and/or with fire protection plan approved by the Ministry for Agriculture, Forestry and Water management in accordance with the Forest law (Art. 49).

### **8.3.8.7.5. Improving the resilience and environmental value of forest ecosystems**

#### **8.3.8.7.5.1. Description of the type of operation**

The operation contributes to the conversion of degraded forest stands into high forest stands and the conversion of forest cultures into mixed indigenous tree species forest stands. Within the framework of this operation, forest stands, whose tree species structure has been degraded due to the bad management in the past, resulting in the loss of their primary species, will be converted into mixed forest stands with a favourable share of primary tree species. Through this operation, a part of such forest stands will be gradually converted into mixed high forest stands of indigenous tree species. Thinning will be applied in order to form high quality forest stands.

#### **8.3.8.7.5.2. Specific eligibility criteria**

- Only forest land is eligible;
- The recipient must include in the project proposal the Conversion plan, which shall include the assessment of the current situation, and a plan of activities which will result in mixed forest with a favourable share of primary tree species and prescribe the selection of the tree species;
- The project shall include the main environmental factors, which could have the influence on the results or success of investment, such as the description and list of trees species, as well as their ratio, which are best suited and adapted to the habitats and local conditions and which are compatible with the environment, work method (sowing or planting bare or coated root, etc.), with the justification of the work method and spatial arrangement and the number of plants and description of other particularities of the proposed technique (such as formulas for planting, soil preparation, timing);
- The proposed project and conversion plan must be in compliance with the Forest Management Plans, which have been approved by the Ministry for Agriculture, Forestry and Water management prior to submission of the application.

### **8.3.8.8. Eligible expenditure**

#### **8.3.8.8.1 Afforestation and agroforestry**

##### 8.3.8.8.1.1 Establishment of new afforested area

- Cost of preparation, plantation and propagation material:
  - Cleaning shrubs, bushes and removal of stones;
  - Digging planting pits (up to 40x40x40), planting and picketing;
  - Cost of seedlings (2 years old) and pickets;
  - Cost of transport of seedlings and pickets;
  - Establishment of fence (maximum 150 m/ha) linked to area of establishment or individual plant protection, or cost of repellent against grazing;
- Construction/reconstruction of check dams and other ground works for soil erosion control, and water provision directly linked to the area of establishing the forest and compliant with forest management plan;
- Other necessary costs directly linked to plantation, such as preparation of afforestation plan, soil examination, soil preparation and protection (up to 12%).

##### 8.3.8.8.1.2 Maintenance for 5 years

The following costs will be eligible:

- Watering cost, 1st year of establishment of plantation, if water provision infrastructure is not established;
- Hoeing, 1st year of plantation establishment;
- Trimming/pruning seedlings, 2nd year after plantation;
- Weeding (3rd, 4th and 5th year);

- Maintenance of protection against grazing (3rd, 4th and 5th year) in the total amount of 20% of initial cost of fence or individual plant protection;
- Maintenance of pickets (3rd, 4th and 5th year) in the total amount of 20% of initial cost of pickets and picketing approved by the afforestation or agroforestry project.

The maintenance costs will be paid in a single amount, after finalization of the project.

#### **8.3.8.8.2 Restoring of forest after the forest fire**

- Cost of preparation, plantation and propagation material;
- Cleaning forest area damaged by the forest fire;
- Digging planting pits (up to 40x40x40), planting and picketing;
- Cost of seedlings (2 years old) and pickets;
- Cost of transport of seedlings and pickets;
- Establishment of fence (maximum 150 m/ha) linked to area of establishment or individual plant protection, or cost of repellent against grazing;
- Other necessary costs directly linked to plantation, such as preparation of forest restoration plan after forest fire, soil examination, soil preparation and protection (up to 12%).

#### **8.3.8.8.3 Protection of forest against the forest fires**

- Preventive forestry practices:
- Cleaning shrubs, bushes, fire protection belts and ditches;
- Thinning of grown trees and removal of residuals.
- Use of grazing livestock:
- Costs of contracted livestock and transport costs incurred in transferring animals to the area with fire risk.
- Construction, reconstruction of structures, such as ditches, fences and bays, the conservation and improvement of forest lanes, belts, and water systems for protection against forest fire.
- Construction/Reconstruction of observation points as a measure to prevent forest fires.
- Purchase and installation of fire monitoring equipment.
- Other necessary costs directly linked to project, such as preparation or update of Forest management plan related to the individual property, project preparation and development of forest protection plan (up to 12%).

#### **8.3.8.8.4 Improving the resilience and environmental value of forest ecosystems**

- Costs of “one-off” treatments: clearing the soil from shrubs, bushes, thorns, thinning, pruning.
- Costs of under-planting with species adapted to the site conditions and species mixture compatible to conversion plan.
  - Cleaning forest area damaged by the forest fire;
  - Digging planting pits (up to 40x40x40), planting and picketing;
  - Cost of seedlings (2 years old) and pickets;
  - Cost of transport of seedlings and pickets;
  - Cost of coppicing;
  - Establishment of fence (maximum 150 m/ha) linked to area of establishment or individual plant protection, or cost of repellent against grazing.
- Costs for soil protection works and construction/reconstruction of check-dams for soil erosion control;
- Costs for area and plant protection against grazing - fencing or individual plant protection;
- Other necessary costs directly linked to conversion, such as preparation of the conversion plan, update of the Forest management plan related to individual property, soil preparation and protection (up to 12%);
- The eligible expenditure shall be further detailed in the 'List of eligible expenditure'.

The eligible expenditure shall be further detailed in the 'List of eligible expenditure'.

#### **8.3.8.9. Selection criteria**

General principles for the selection criteria:

- Priority will be given to afforestation that is done for protective purposes, such as biodiversity, soil and

- water protection, etc. This is to be reflected in the selected species and sites to be afforested;
- In agroforestry, the priority will be given to multifunctional systems with higher public benefit, such as erosion/desertification control, animal welfare and biosafety actions (separation of grazing lands by forest belts), or supporting pollinators;
  - The priority will be given to intervention, which will be carried out in the areas with degraded forest;
  - The priority will be given to intervention, which will be carried out in the areas with high risk for forest fire;
  - The priority will be given to women applicants.

The selection criteria, which will be used and points to be allocated will be based on proposal prepared by the IPARD Managing Authority/Directorate for rural development, in cooperation with the IPARD Agency/Directorate for payments, approved by the Monitoring Committee before calls for applications, and published in the Guidelines for applicants.

### 8.3.8.10. Aid intensity and EU contribution rate

- Public expenditure 100%.
- EU contribution 85%.

### 8.3.8.11. Indicative budget

Table 69: Indicative budget for measure (11)

Year	Total eligible cost	Public aid					
		Total		EU contribution		National contribution	
		(EUR)	(%)	(EUR)	(%)	(EUR)	(%)
2021	-	-	100%	-	85%	-	15%
2022	-	-	100%	-	85%	-	15%
2023	752,941	752,941	100%	640,000	85%	112,941	15%
2024	952,941	952,941	100%	810,000	85%	142,941	15%
2025	1,176,470	1,176,470	100%	1,000,000	85%	176,470	15%
2026	1,411,765	1,411,765	100%	1,200,000	85%	211,765	15%
2027	1,529,412	1,529,412	100%	1,300,000	85%	229,412	15%
<b>Total</b>	<b>5,823,529</b>	<b>5,823,529</b>		<b>4,950,000</b>		<b>873,529</b>	

### 8.3.8.12. Indicators and targets to be used in the Programme

Table 70: Indicators and targets

Indicators	Targets
Afforested agricultural and non-agricultural land (ha);	20
Area of agroforestry systems established (ha);	10
Area of forests having benefited from support to improve the resilience and environmental value of forest ecosystems (ha).	725
Area of forest having benefited from support to prevent and restore from damages to forest from forest fires (ha).	140

### 8.3.8.13. Administrative procedure

The administrative procedure for the implementation of this measure will include the following phases: check of completeness's and eligibility of the application; allocation of funds; implementation of activity; accounting and payments of support. The administrative procedure will respect the requirements of the IPARD III regulatory framework and will be reflected in the respective manuals and procedures.

### 8.3.8.14. Geographical scope of the measure

This measure shall be implemented in the whole territory of Montenegro.

## 9. NETWORK FOR RURAL DEVELOPMENT OF MONTENEGRO

The Network for Rural Development of Montenegro has an important role to play in mobilizing civil society in rural areas and promoting the concept of rural development. It was established in 2012 with the aim of promoting rural development through the exchange of information, ideas and good practices, as well as to promote partnership among civil society and strengthen the capacities of all its members. The vision of the Network is that the entire rural population actively participates in social, economic and cultural development and in preserving and protecting the heritage of those areas in which they live.

The founders of the Network are 12 non-governmental organizations: NGO Agrogrupa; NGO Drenjina Days; NGO Agricultural Union of Montenegro; NGO Viola - association of medicinal plant collectors; NGO Status - Women's Network for Rural Development; NGO Revive the village; Agribusiness center; Cooperative Agrosjever; NGO Regional Development Agency for Komovi, Prokletije and Bjelasica; NGO Association of Olive Growers "BOKA" as well as NGO Center for knowledge transfer.

Currently, the Network has a total of 29 members - NGOs, each based in a particular city, and a number of expert advisors who make contact with several other cities. Most NGO members are mainly interested in environmental protection, promotion of cultural and historical heritage, education and social issues. The Network seeks to gradually expand its membership with the aim of achieving full geographical coverage of the country's rural areas and that the Network can confirm in a timely manner that it speaks on behalf of a large part of the rural population.

The conference "The role of the civil sector in the rural development of the Western Balkans", held in Niksic on June 6th 2012, was used for the official establishment and promotion of the Network for Rural Development of Montenegro, in cooperation with the MAFWM of Montenegro, Ministry of Economic Development and Tourism of Montenegro and the Standing Working Group for Rural Development of Southeast Europe - SWG RRD.

During 2013, the Network concluded two significant agreements that strengthened its role. First, an agreement was reached with the rural development networks of Serbia and the Republic of North Macedonia with the aim of establishing a Balkan Rural Development Network. The establishment of the Network was supported by the Permanent Working Group. Secondly, a Protocol on Cooperation was signed with the Ministry for Agriculture, Forestry and Water management, which will provide mutual support and cooperation while respecting the independence of the Network. In addition, many NGOs that are members of the network have good connections with municipalities; the main members of some NGOs are employed or are consultants in the municipalities. The network launched the first comprehensive Web portal in the field of agriculture and rural development - [www.ruralportal.me](http://www.ruralportal.me).

### **Objectives of the Network for Rural Development of Montenegro:**

- Support to local governments in developing local strategies for rural development;
- Capacity building of non-governmental organizations working in the field of rural development;
- Strengthening regional cooperation through the activities of the Balkan Rural Development Network (BRDN) and the European LEADER Association for Rural Development (ELARD);
- Promotion of LEADER approach in Montenegro. Solving the existing problems in the formation of LAGs (lack of geographically formed areas for quality formation of LAGs in relation to the EU criteria within LEADER). It is necessary to involve all actors in agriculture and rural development of Montenegro;
- Providing support to LAGs in providing the necessary documentation;
- Providing information on activities and programs implemented by the MAFWM;
- Development of a web portal – "Rural portal Montenegro", which will be regularly updated and contain all information relevant to the field of rural development and agriculture in Montenegro and the region;
- Involvement of agro-industrial and other sectors with an impact on rural development in Montenegro;
- Developing a set of services for Network members and other users;
- Establishment of mechanisms for exchange of information between members of the Network and relevant institutions;

- Mediation between recipients and relevant institutions in rural development;
- Acceptance of the Network as a relevant partner by the European institutions and rural networks, as well as a relevant actor in the field of rural development and promoter of values of rural Montenegro;
- Constant promotion of the bottom-up approach in recognizing the needs of local rural communities;
- Constant promotion of support measures implemented by the MAFWM through the Agrobudget as well as programs such as MIDAS, IPARD like, IPARD, etc.

In the meantime, the Network for Rural Development of Montenegro (NRDM) is working intensively on achieving the set goals through activities carried out at the local, national and international level. In the absence of institutional support, the activities of the Network depend on national and international projects, where in case of completion of the project, certain activities are stopped, so that the work of the Network depends on the way of financing the activities.

### **Activities at the international and regional level**

International and regional activities of the NRDM are carried out with the aim of better networking, exchange of information and participation in specific international projects in order to make a greater contribution to the overall rural development of both Montenegro and the region.

The Network is recognized as one of the key regional organizations operating in the field of rural development and as such is one of the founders of the Balkan Rural Development Network, which was formally established in December 2019 and will be based in Skopje, North Macedonia. The founding assembly of BRDN was held in Skopje on December 6th, when the rural development networks of Northern Macedonia, Montenegro, Kosovo and Croatia signed the registration documents as the founders of the Network. The other three partners of BRDN, the rural development network of Serbia, Albania and Bosnia and Herzegovina, will join later as full members. In this way, BRDN will continue to represent more than 200 rural development associations from the region and will represent the interests of more than 9 mil. people from rural areas from the Western Balkans: Albania, Bosnia, Croatia, Kosovo, Montenegro, Northern Macedonia and Serbia.

A significant regional activity of the Network is the organization of the Regional Rural Youth Camp, which is financially supported by the MAFWM and the Standing Working Group for Rural Development of Southeast Europe. The camp was organized 5 times, in 2016, 2017, 2018, 2019 and 2021, and during the two days the participants had the opportunity to hear, among other things, more about local action groups, LEADER approach, sustainable rural development, strengthening and diversification of rural areas. economy, while the third day is reserved for touring local farms. So far, over 120 participants from Montenegro, Serbia, Croatia, Albania, Bosnia and Herzegovina, Macedonia and Kosovo have participated in the camp.

One of the most important international activities of the Network is the participation in the EU event "NetworX" organized by the European Network for Rural Development, which was held from 11 to 12 April 2019 in Brussels. The event was an opportunity for the Network to present its activities at an event aimed at recognizing the value of networking for rural development, presenting the results of the last ten years of networking in rural areas and proactively looking at the future of rural development. Also, in 2019, the participation of the Network in the European Rural Parliament was planned, but due to lack of funds not realised. In addition, the Network has enabled its members to participate in important international events such as the LEADER REALOADED conference (Evora, Portugal).

Major and significant regional events in which the Network participated were: Forum of Agricultural Policy of the countries of Southeast Europe - APF (regular participant); The First Balkan Rural Parliament, the First Albanian Rural Parliament, the First Macedonian Rural Parliament as well as the Forum on Rural Development Policies of Southeast European Countries.

### **Activities at the national level**

#### *New Year's Fair of Agricultural Products*

The Network for Rural Development of Montenegro is one of the founders of the New Year's Fair of Local Products, which is held every year, at the end of December, in Nikšić. The aim of the fair is to strengthen the competitiveness of small Montenegrin agricultural producers by increasing their economic activity and

business environment for the placement of domestic products. Since 2013, a total of 6 fairs have been organized with over 1,200 exhibitors.

#### *National Conference on Agriculture and Rural Development*

The National Conference on Rural Development is a platform for transferring, implementing and enforcing Montenegro's strategic commitments in the field of agriculture and sustainable rural development, as well as a platform for cooperation of all relevant actors on agricultural and rural development in the context of Montenegro's general commitment to EU accession. The topics of the conference are the IPARD programme in Montenegro, LEADER approach and formation of local action groups in Montenegro, local rural development strategies and available support measures in Montenegro, as well as the perspective of green economy development in local communities in Montenegro. The conference includes an Agro Evening aimed at networking the public, private and civil sectors in the field of agriculture and rural development and within which national MOBA awards are given to prominent individuals at the national and local level for their contribution to agricultural and rural development. So far, two conferences have been organized, bringing together over 200 participants from six countries in the region: Montenegro, Serbia, Bosnia and Herzegovina, Macedonia, Kosovo, and Croatia.

#### *Membership in the IPARD III Monitoring Committee*

The President of the Network, as a full member, participates in the work of the IPARD III Monitoring Committee.

#### *Implementation of national and regional projects*

During the period from 2016 to the end of 2020, the Network for Rural Development of Montenegro implemented a total of 15 projects. The projects are supported by the European Union, the MAFWM, the Standing Working Group on Regional Rural Development (SWG) in Southeast Europe and the Višegrad Fund. In the following, we will present the main goals and activities of the two largest projects implemented by the Network so far, which are financed by the European Union and through co-financing by the Ministry of Public Administration of Montenegro:

- Active local territories for economic development of rural areas - ALTER is a project where the leading partner is the Rural Development Network of Serbia, the leading partner while the Rural Development Network of Montenegro is one of the 9 partners. Overall objective: Encourage the legal and financial environment for civil society, and empower civil society to be an efficient and accountable independent actor, and to improve its capacity for dialogue with governments to influence and sustain policies and decision-making processes in the sustainable development of rural communities responsible for its work towards citizens and society in general. Results: Promoted concepts of sustainable socio-economic rural development, social inclusion of rural communities and active involvement of civil society organisations (CSOs) in policy formulation and implementation; Increased participation of CSOs and citizen involvement in all aspects of local government and promotion of cooperation and partnerships between different sectors and stakeholders in rural areas, based on LEADER principles and concepts of local development in the community; etc.
- Networking and advocacy for the green economy - NAGE, a project where the leading partner is the Rural Development Network of the Republic of Macedonia, while the Rural Development Network of Montenegro is one of the 7 partners. The overall objective of the project is to provide support for strengthening the influence of the Balkan Rural Development Network (BRDN) and its members on policy and decision making, through involvement in agricultural and rural programme reform processes and policy reform processes to introduce the green economy concept.

The activities of the Network, its members as well as activities related to the overall rural development in Montenegro and the region are presented on the web portal that started operating, officially on May 1, 2013 (<http://www.ruralportal.me/>). The role of the portal is to inform target groups about opportunities for rural development in Montenegro, the region, the EU and the world, the transfer of good practices, advice and education. The portal publishes news, interviews and analyses of its own production, and also broadcasts current events published in other media in Montenegro and the Western Balkans region. The portal is essentially an online newsletter on all current developments in the field of agriculture, rural development and tourism in Montenegro and the region of the Western Balkans. Unfortunately, the portal is updated irregularly due to lack of funding, in addition, a complete redesign of the layout and concept of the portal is necessary in

order to present the activities of the Network, its members and current events in the field of rural development at their best.

*The concrete results of the Network's work are reflected in the following figures:*

- 15 implemented projects supported by the European Union, the MAFWM, the Standing Working Group for Regional Rural Development (SWG) in Southeast Europe and the Višegrad Fund;
- Supported the work of 8 organizations dealing with rural development with 8 projects with a total value of EUR 55,980.00;
- 1,200 agricultural producers participated in 6 New Year's fairs of local products;
- 274 representatives of civil society organizations dealing with rural development participated in over 30 workshops and trainings whose topics were:
  - ✓ LEADER and CLLD;
  - ✓ Green economy;
  - ✓ Transparent and accountable management;
  - ✓ Planning and reporting;
  - ✓ Lobbying, advocacy and networking;
  - ✓ Lobbying and advocacy;
  - ✓ Research and analysis;
  - ✓ Internal management, financial and project management, long-term planning and diversification of financing.

## **10. INFORMATION ON COMPLEMENTARITY OF IPARD WITH THE MEASURES FINANCED BY OTHER (NATIONAL OR INTERNATIONAL) SOURCES**

### **10.1. Demarcation criteria of IPARD with support under other IPA III Programming Framework Windows or within the same Window**

The conditions for the establishment of an operational framework for the further implementation of EU pre-accession programme for agriculture and rural development are created by using IPA III funds.

Demarcation criteria of IPARD III with support under other IPA Programming Framework are defined under description of the selected measures of IPARD III programme.

The main task of efficient financing for the implementation of the IPARD III programme is to achieve value added of IPARD III funding to priority sectors and achieving standards in production.

Complementarity is needed between the IPA III policies in terms of building the capacity of state institutions, especially the IPARD Managing Authority/Directorate for rural development and the IPARD Agency/Directorate for payments. Using funds from the policies and within the Twinning project, the MAFWM builds institutions and improves administrative capacity.

In view of the above, it takes a strong relationship and coordination between the selected measures of IPARD III measures under IPA III policy areas. The IPARD Managing Authority/Directorate for rural development, the IPARD Agency/Directorate for payments and the Accounting Body, in cooperation with the NAO office and NIPAC will ensure that there is no "double" funding through a variety of measures available. Also, the IPARD Agency/Directorate for payments will ensure complete control of double financing of domestic support programmes.

### **10.2. Complementarity of IPARD with other financial instruments**

Implementation of the Montenegro Second Institutional Development and Agriculture Strengthening Project (MIDAS 2) continues. Montenegro (Ministry of Finance as the signatory and Ministry of Agriculture, Forestry and Water Management as the beneficiary) signed a Loan Agreement with the World Bank on March 8, 2018, for the implementation of the Montenegro Second Project for Institutional Development and Strengthening of

Agriculture of Montenegro (MIDAS 2). In accordance with the requirements for EU accession, the project is designed to support Montenegro in meeting several specific criteria for the EU Chapters 11, 12 and 13. The value of the project is EUR 30 mil., and the project is expected to last 5 years, i.e. until the end June 2023. The total current amount of withdrawn funds is EUR 6.23 mil.

The Rural Clustering and Transformation Project (RCTP) is the first IFAD project in Montenegro and is designed to be implemented within 72 months starting in July 2017, with a project closure period until the end of 2023. For the overall implementation of the project, IFAD has committed EUR 5.76 mil., of which EUR 3.88 mil. in loans and EUR 1.88 mil. in grant support.

The main goal of the RCTP project is to contribute to the strengthening and transformation of small farms in the north of Montenegro, enabling them to become more competitive and resilient to climate change. This will be achieved by strengthening their competitiveness in the market and increasing the number of opportunities for their business, as well as their connection and inclusion in larger and more profitable value chains.

The project contains two main components (creating clusters of value chains for sustainable and resilient rural transformation and Supporting the development of rural cluster infrastructure), filled with many subcomponents as well as one component related to project management.

According to the relevant Law on Agriculture and Rural Development, Agrobudget will be implemented each year. After IPARD accreditation measures under the rural development policy area of Agrobudget will be clearly separated from the measures of the IPARD III programme. Part of the Agrobudget will be used for co-financing of the IPARD III measures, and other part for national support measures.

### **10.3. Demarcation criteria and complementarity of IPARD measures with national policy**

Montenegro as a candidate country for EU accession is planning to gradually align its policy instruments to the EU acquis. The national policy instruments will be designed and implemented in accordance with the following principles:

- National support measures that are not in line with EU support measures will be gradually phased out and substituted with new measures that follow the CAP 2021-2027 principles;
- New national support measures will be designed in accordance with the principles of the EU policy framework for the CAP, rural development and pre-accession policy for the period 2021-2027.

The national measures will continue focusing on priorities and recipients not supported under the IPARD III programme. According to the relevant Law on Agriculture and Rural Development, Agrobudget will be programmed and implemented each year. The IPARD III programme following demarcation principles will be applied in the annual programming of the national schemes:

- If sectors eligible under IPARD III programme are supported, national schemes will provide support to investments/recipients not eligible under IPARD (households below the minimum threshold for IPARD III, purchase of animals, seeds etc.);
- National schemes will have the maximum threshold of the investment that not overlap with IPARD III measures in case of the same investments, heaving in mind that the recipients are the ones that are not able to fulfil the IPARD III minimal criteria.

The IPARD Agency/Directorate for payments will be responsible for the cross-checking for double-financing between the IPARD III programme, other Union and national support schemes. Every project under the IPARD III Programme, which may fall under the scope of the Union or other national support schemes, will be checked for possible double financing before its approval and before final payment.

## 11. SUMMARY DESCRIPTION OF MANAGEMENT AND CONTROL STRUCTURE

Table 71: Demarcation and complementarity

IPARD III programme measure	Demarcation and complementarity in national policy
Investments in physical assets of agricultural holdings	The national budget supports Measures for strengthening the competitiveness of food producers, which aim to invest in primary production to meet national standards, while creating potential recipients of the IPARD III programme. The level of support and the definition of recipients are the main criteria for demarcation between national and IPARD III support.
Investments in physical assets concerning processing and marketing of agricultural and fishery products	Support for processing on family farms was provided in 2021 from the MIDAS 2 project in order to overcome the crisis caused by the COVID 19 pandemic. As investments were not realized in 2021, the implementation of this measure will continue in 2022. The maximum eligible support per project is EUR 8,000, while the adaptation and purchase of equipment are eligible costs. Upon completion of this project, investments in the processing of agricultural products will not be financed from the national budget. Expenditures related to investments in the processing of agricultural and fishery products in order to reach the EU standard will be exclusively supported through the IPARD III programme. Expenditures related to investments in the processing of agricultural and fishery products in order to reach the EU standard will be exclusively supported through the IPARD III programme.
Agri-environment-climate and organic farming measure	A clear demarcation of potential recipients will prevent overlapping support in measures related to sustainable management of natural resources. The support of the IPARD III programme will be available only to those recipients who undertake obligations by signing a support agreement which will also waive the support provided by national measures.
Investment in rural public infrastructure	Activities related to investments in rural infrastructure are implemented through the International Fund for Agricultural Development - IFAD until 2023. This Programme finances investments in 7 Montenegrin municipalities. The national Programme supports and finances individual requests of agricultural producers or groups of agricultural producers in cooperation with local governments. These applications for support refer to the private property of agricultural producers, i.e. investments related to road cleaning and solving the water supply of individuals are acceptable. The IPARD III programme will support only those investments for which a request has been submitted in accordance with the measure "Investment in rural public infrastructure" and the procedure for procurement and implementation of investments carried out in accordance with the rules. Only investments of public interest will be supported, i.e. roads and water supply systems not located on the private land, which will remain under the management of the end user after the completion of the investment.
Establishment and protection of forests	Demarcation will be established in the future programming of interventions in other IPA policy areas ensuring avoidance of overlapping of assistance.
Investments in rural tourism	
Investments in renewable energy production	
Other investments in rural areas	

Framework Agreement between the Government of Montenegro and the EC established the rules for cooperation concerning EC financial assistance to Montenegro in the framework of the implementation of the assistance under the IPA II ("Official Gazette of Montenegro", International Agreements, No. 05/15, signed on 14.05.2015).

In accordance with the requirements of Article 10 of the FPPA and Article 6 of the SA, the following bodies are responsible for IPA assistance in Montenegro:

- a) The National IPA Co-ordinator (NIPAC),
- b) The National Authorising Officer (NAO),
- c) The Management Structure, consisting of NAO Support Office and the Accounting Body (AB),
- d) An operating structure for rural development programme which is consisting of a IPARD Managing Authority/Directorate for rural development and an IPARD Agency/Directorate for payments,

f) The Audit Authority.

The designation of all relevant authorities and a summary description of the management and control structure (NIPAC, NAO, MA, IPARD Agency/Directorate for payments and Audit Authority)

*Table 72: Bodies responsible for IPA assistance in Montenegro*

Authority type	Name of authority/ body and department or unit, where appropriate	Head of authority/ body (position or post)	Address	Telephone	Email
Coordination function	National IPA Coordinator (NIPAC)	Dr Jovana Marović	Bulevar Revolucije 15, Podgorica, Podgorica	+382 20 481 301	jovana.marovic@gsv.gov.me
Certification function	National Authorizing Officer (NAO)	To be nominated			
Financial function	Accounting Body (AB)	Anja Amidžić	Bulevar Mihaila Lalića 1, 81000 Podgorica	+382 20 674 648	anja.amidzic@mif.gov.me
Control functions	IPARD Managing Authority/Directorate for rural development	Andrijana Rakočević	Rimski trg 46, 81 000 Podgorica	+382 20 482 292	andrijana.rakocevic@mpsv.gov.me
Implementation and executive function	IPARD Agency/Directorate for payments	Vladislav Bojović	Moskovska 101, 81 000 Podgorica	+382 20 672 007	vladislav.bojovic@mpsv.gov.me
The control function	Audit Authority	Nataša Simonović	Beogradska 24b, 81 000 Podgorica,	+382 20 513 149	natasa.simonovic@revizorskotijelo.me

### 11.1. National IPA Coordinator (NIPAC)

NIPACs responsibilities are in accordance with Articles 6, 16, 59 and 75 of the FFPA, for the overall coherence and coordination of programs supported under IPA III where budget implementation tasks are entrusted to the IPA III recipient, the NIPAC shall:

(a) take measures to ensure that the objectives set out in the actions or programmes for which budget implementation tasks have been entrusted are appropriately addressed during the implementation of IPA III assistance.

(b) In accordance with Article 56 of the FFPA, coordinate the drawing up of an evaluation plan in consultation with the Commission presenting the evaluation activities to be carried out in the different phases of implementation as per provisions of Article 55 of the FFPA.

The decision of the Government of Montenegro, No. 03-5835 of 24 May 2018, was that the Deputy Chief Negotiator from the Office for European Integration has been appointed as the National IPA Coordinator (NIPAC) for Montenegro.

### 11.2. National Authorising Officer (NAO)

Functions and responsibilities of the national authorising officer are in accordance with Article 10 and Article 11 of the FFPA and Article 7 of the SA.

The NAO shall bear the overall responsibility for the financial management of IPA III assistance in Montenegro and for ensuring the legality and regularity of expenditure. The NAO shall in particular be responsible for:

(a) the management of IPA III accounts and financial operations;

(b) the effective functioning of the internal control systems for the implementation of IPA III assistance in accordance with Annex B to this Agreement.

The decision of the Government of Montenegro, no. 03-5835 of 22 September 2011 was that the Deputy Minister of Finance has been appointed as the National Authorising Officer (NAO) of Montenegro.

A Memorandum of Understanding (Implementing agreement) between the NAO and IPARD OS (IPARD Agency/Directorate for payments and MA) shall reflect the institutional, procedural, reporting and communication arrangements and will be signed in due time.

### **11.3. Management Structure (Accounting Body (AB) - NAO support office)**

The management structure shall be composed of an Accounting Body and a support office for the NAO. The functions and responsibilities of the AB are given in the Rules of the Internal Organisation and Systematization of the Ministry of Finance in June 2017.

The AB is in charge of organizing bank accounts, requesting funds from the EC, authorizing the transfer of funds from the Commission to the operating structure or the final recipients and the financial statements to the EC. The AB is the body that acts as a central treasury and it shall support the NAO in fulfilling his tasks, which is in accordance with Article 11 of the FFPA.

### **11.4. Audit Authority (AA)**

Activities and responsibilities of the Audit Authority (AA) are in accordance with Article 11 of the FFPA. The IPA III recipient shall provide for an external audit authority which shall be independent from the NIPAC, the NAO, the management structure and the operating structure(s) and will ensure necessary financial autonomy. The audit authority shall carry out audits on the management and control system(s), on actions, transactions and on the annual accounts in line with internationally accepted auditing standards and in accordance with an audit strategy. Further guidance and definitions from the Commission may complement those standards.

Montenegro assumed responsibility for the establishment of a decentralized implementation system (DIS) of EU funds and the establishment of a body that will carry out the audit of the management and utilization of resources and the EU IPA funds. In accordance with these requirements on March 07, 2012 ("Official Gazette of MNE", No 14/12) came into force (as a temporary solution) January 13, 2009 an agreement was signed between the Government of Montenegro and the State Audit Institution of the establishment of the AA within the DIS for the Instrument for Pre-Accession Assistance (IPA). In accordance with this agreement, the Audit Office issued a decision to form a special audit body responsible for the control of effective and proper functioning of the IPA Management and Control System ("Official Gazette of MNE", No 09/10).

The Law on the audit of funds from European Union funds ("Official Gazette of Montenegro", No. 14/12), establishing of an independent audit body - the Audit Authority to audit the effectiveness and stability of the functioning of the management and control system of EU funds, which shall be functionally and operationally independent from participants in the management and control system of EU funds.

The AA is exclusively responsible for the audit of EU funds (pre-accession assistance instruments, structural funds after Montenegro's accession to the European Union and other EU funds).

The subjects of audit, in the sense of this law, are state bodies and organizations, bodies and organizations of local self-government units, natural or legal persons who receive, use or manage EU funds.

Pervious temporary Agreement on the Establishment of the Audit Authority within the Decentralized Instrument Management System pre-accession assistance ("Official Gazette of Montenegro", No. 5/10 and 46/10) ceased to be valid on the thirtieth day from adoption of acts on the internal organization and systematization of jobs of the AA.

## **12. DESCRIPTION OF THE OPERATING STRUCTURE, INCLUDING MONITORING AND EVALUATION**

### **12.1. Description of the operating structure (IPARD Managing Authority and IPARD Agency) and their main functions**

In accordance with relevant Rulebook of internal organisation and systematisation of the Ministry of Agriculture, Forestry and Water Management, Directorate for Rural Development is recognised as IPARD Managing Authority and Directorate for Payments as IPARD Agency.

All functions of MA and IA are in accordance with the Financial Framework Partnership Agreement and the Sectoral Agreement.

The relations between the MA and the IA are regulated by the Operational Agreement signed by the Head of IPARD Managing Authority/Directorate for rural development and Head of the IPARD Agency/Directorate for payments. The Agreement had a purpose to establish implementing arrangements between the MA and the IA for exchange of information, including the power to require information and a right to access to documents, the standards to be met and the procedures to be followed for effective and efficient implementation of the IPARD III programme.

In event of difference of views, in accordance with Operational Agreement article "Settlement of disputes" is precisely defined what to do: "Any question between the IPARD Managing Authority/Directorate for rural development and the IPARD Agency/Directorate for payments relating to the execution or interpretation of this Agreement shall be the subject of consultation between the IPARD Managing Authority/Directorate for rural development and the IPARD Agency/Directorate for payments, leading, where necessary, to an amendment of the Agreement which shall be done in consent with NAO, NIPAC and the Commission. Where there is a failure to carry out an obligation set out in the Agreement or the relevant instructions, and no sufficient remedial measures have been taken in due time, the NAO may take corrective actions within its powers. If the consultation does not lead to amicable settlement, the NAO may resort to the Government of Montenegro in accordance to the Decree for establishment of inter-relations between the authorities and structures on the basis of indirect management with IPA III policy area Agriculture and Rural Development of the EU. The provisions of the bilateral agreements between the Government of Montenegro and the EC related to IPA II implementation shall apply to all matters not addressed in this Operational Agreement and shall prevail over the unsettled disputes among the parties."

The IPARD Managing Authority/Directorate for rural development fulfils the functions and responsibilities as mentioned in Article 10 FFPA and Article 8 SA.

The IPARD Agency/Directorate for payments fulfils the functions and responsibilities as mentioned in Article 10 FFPA and Article 9 SA.

In addition to these functions, IA will continuously update the existing base of reference prices to verify the justification of the price of individual costs indicated by IPARD III tenders.

### **12.2. Description of monitoring and evaluation systems, including the envisaged composition of the Monitoring Committee**

Monitoring and evaluation system will be based on the "Commission's guidance regarding the monitoring arrangements for IPARD II implementation" and will monitor progress against the common indicators relating to the baseline situation as well as the inputs, outputs, results and impact of the IPARD III programme. The monitoring and evaluation system has the objective of providing to the institutions and partners, engaged in the IPARD III programme management; reliable information about programme outputs, results and impacts so as to enable them to take pertinent management decisions.

IPARD II MC was designated by the Decision of the Minister of Agriculture, Forestry and Water Management no. 022-20/15-11 from 06.05.2016, and since then was change several times. The members were selected in

accordance with the Rules of procedures of the monitoring committee, where is stated that national and territorial (local) authorities and bodies, representatives of economic, social, environmental, civil society partners but also representatives of the academic institutes and rural development network participate in the work of the Committee. The biggest Associations of agricultural producers were choosing in order to have more transparent and decision making. Also, the number of 'other stakeholders' members is bigger from the number of the members from the national authorities and bodies. The same principle will be applied when designating IPARD III MC.

The envisaged composition of the Monitoring Committee is appropriately balanced and consistent with the proposed strategy included in the programme.

### **13. RESULTS OF CONSULTATIONS ON PROGRAMMING AND PROVISIONS TO INVOLVE RELEVANT AUTHORITIES AND BODIES AS WELL AS APPROPRIATE ECONOMIC, SOCIAL AND ENVIRONMENTAL PARTNERS**

#### **13.1. Provision adopted for associating the relevant authorities, bodies and partners**

A consultation process has accompanied the IPARD III programme preparation with all relevant parties, which took different forms, depending on the stage of programming. In the beginning of the programming, the MAFWM established mechanisms for efficient intra-ministerial coordination and consultation as well as provisions were taken to associate the relevant other public authorities, bodies and socio economic and environmental partners.

The preparation of the Sector Analysis for meat, milk, fruit and vegetable, olive, wine, fishery and diversification took place in parallel with programme development and measure preparation process. The measure design of the IPARD III programme was organised in a way to take the view of sector experts working on the Sector Analysis. Identified strength, weaknesses and investment needs have been discussed with the technical experts involved in the Sector Analysis.

Relevant stakeholders' competent regional and local and other public authorities, economic and social partners, NGOs, will be involved in all stages of IPARD III programme implementation, monitoring and evaluation. The assistance under the IPARD III programme has implemented in close consultation with the Commission services. The involvement of specific expertise provided by bodies like AFSVPA, MONSTAT, Biotechnical Faculty, Advisory services (Department for Advisory service in Livestock and Department for Advisory service in Plant Production) has been encouraged at the different stages of the programme development. Relevant socio-economic and environmental partners have been identified and approached to discuss and contribute to the programme development and implementation.

The MAFWM was establish a working group with the purpose to facilitate an efficient consultation process of the IPARD III programme development. The working group consists of representatives of authorities, bodies and socio economic and environmental partners. The main aim of the working group is to steer the programming process, to provide comments and proposals on the completion of the IPARD III programme.

Members of the working group were representatives of the following institutions: Ministry of Agriculture, Forestry and Water Management, Ministry of Capital Investments, Ministry of Economic Development and Tourism, Ministry of Justice, Ministry of Human and Minority Rights, Ministry of Finance, Ministry of Labour and Social Welfare, Ministry of Ecology, Spatial Planning and Urbanism, National Tourism Organization, Rural Development Network of Montenegro, the National Association of Beekeepers, an Association of olive producers Bar, the National Association of Winegrowers, Biotechnical Faculty, Advisory services (Department for Advisory service in Livestock and Department for Advisory service in Plant production), and AFSVPA.

The consultative process was implemented in a manner, that the Draft document containing a description of the selected measures as well as a template containing guidance on how to comment on each measure individually, was sent for consultation to the members of the IPARD III working group.

Additionally, the mentioned documents were posted on the official website of the IPARD programme and MAFWM. All actors and members of the Monitoring Committee and all national associations and bodies involved in the implementation of the IPARD programme, received notification via email and social networks, where they can download the draft document and how they can contribute to the development of the IPARD III programme.

Particularly intensive consultations were conducted with the structure implementing the IPARD programme, all with the aim of preparing measures that will not encounter obstacles in implementation. Stakeholders who submitted comments mostly focused on specific eligibility criteria, eligible investments, as well as the level of support by measures.

Due to the situation with COVID 19 and current measures Government of Montenegro, the second phase of the consultation process was subsequently organized in the form of workshops, where representatives of the Ministry held presentations in the northern, central and southern part of Montenegro in front of more than a hundred agricultural producers, representatives of Producers associations, and local government representatives were presented new IPARD measures. Stakeholders who submitted comments were mainly focused on specific eligibility criteria, eligible investments, as well as the level of support under the measures.

The comments received have been consolidated and are attached to this Programme as Annex VII.

### **13.2. Designation of the partners consulted – summary**

Presentation of the list of the competent regional and local authorities and other public bodies consulted, the economic and social partners and any other appropriate body representing civil society, non-governmental organisations, including environmental organisations, and bodies responsible for promoting equality between men and women and non-discrimination.

The following groups of policy stakeholders have been identified for inclusion in different stages of the IPARD III programme preparation and implementation:

*Public authorities and bodies*, in order to ensure a good intra and inter-ministerial coordination:

- MAFWM sectoral directorates, AFSVPA, Advisory services;
- Line Ministries – Ministry of Capital Investments, Ministry of Economic Development and Tourism, Ministry of Justice, Ministry of Human and Minority Rights, Ministry of Finance, Ministry of Labour and Social Welfare, Ministry of Ecology, Spatial Planning and Urbanism and other Ministries responsible for the respective IPA policy areas.

*Economic, social and environmental partners*:

- Associations and Non-Governmental organisations in the field of agriculture and rural development, Branch associations in food processing industry, The Chamber of Economy of Montenegro, Environmental Protection Agency, Rural development network of Montenegro, Regional Development Agencies for Bjelasica, Komovi and Prokletije, National Association of Winemakers and Viticulture of Montenegro, NGO "Olive Society Boka - Boka Kotorska" Association of Beekeeping Organizations of Montenegro, NGO "Zdravo Zrno", Association "Valdanos", Ulcinj, "Association of Olive Growers Bar" etc.
- *Farmers and industry representatives*;
- *Regional and local authorities – represented by the Association of Montenegrin Municipalities.*
- *Bilateral and multilateral donor organisations*, such as the World Bank, UNDP, USAID, GIZ etc.
- *Academic and research institution.*

The participated in the consultation process, are listed below:

Name of institution / body / person	Competence/Expertise	Name of the Contact Person
Directorate for Agriculture		Miroslav Cimbaljević
Directorate for Agriculture - Department of livestock	Livestock breeding	Ranko Bogavac
Directorate for Agriculture - Department for Plant Production	Plant production	Amra Terzić
Directorate for Water Management		Željko Furtula, Zorica Đuranović, Dragana Đukić
Directorate for Fisheries		Katarina Burzanović, Nada Kosić, Milena Krasić
Directorate for Forestry		Dragan Otašević, Ranko Kankaraš
Directorate for IPARD payments		Vladislav Bojović, Danka Perović, Gordana Dujović, Branko Šarac, Dalia Perišić, Džemil Kalač, Vesna Korović, Marija Radunović
Monteorganica	Organic production	Jovan Nikolić
Advisory services	Extension service for plant production	Ljiljana Pajović
Advisory services	Livestock Selection Service	Gojko Babović
Administration for Food Safety, Veterinary and Phytosanitary Affairs	Veterinary Directorate	Biljana Blečić, Ljiljana Milovanović, Saša Lješević, Jelena Vračar, Milenka Perović, Sunčica Boljević, Ivan Ivanović, Verica Gomilanović
Administration for Food Safety, Veterinary and Phytosanitary Affairs	Phytosanitary Directorate	Zorka Prljević, Milka Petrušić
Biotechnical Faculty	Science and education	Milan Marković
Department for Economic Analysis and Market		Mirsad Spahić
Departments for Development, International Cooperation and IPA Projects		Milena Vukotić
Ministry of Capital Investments	Directorate for International Cooperation and EU Funds	Aleksandar Simonović
Ministry of Labour and Social Welfare	Advisor for Labour Law	Marko Čipović
Ministry of Economic Development and Tourism	Advisor for Crafts	Lidija Radović
Ministry of Economic Development and Tourism	Advisor for Tourism	Anka Kujović
Ministry of Human and Minority Rights	Directorate for Gender Equality	Biljana Pejović
Ministry of Labour and Social Welfare	Directorate for Management Structure	Ivana Maksimović
Ministry of Labour and Social Welfare	Department for Budget Procedures	Dragana Nedić
Ministry of Ecology, Spatial Planning and Urbanism	Directorate for Ecology	Bojana Kalezić
Statistical Office of Montenegro	Department of Statistics, Agriculture and Fisheries	Melinda Lučić
Association of Municipalities of Montenegro	EU Projects Service of the Municipality of Mojkovac	Jelena Vučetić
Association of Municipalities of Montenegro	Union of Municipalities for International Cooperation and EU Integration	Vanja Starovlah

NGO "Olive Society Boka - Boka Kotorska"		Ilija Moric
Association of Beekeeping Organizations of Montenegro		Miodrag Radulović
Regional Development Agency Komovi, Bjelasica and Prokletije	Agro tourism	Jelena Krivčević
Agency for Environmental Protection		Dušan Raspopović
Ministry for Human and Minority Rights	Provision of Gender Equality	Biljana Pejović
Chamber of Commerce	Representing the general interest of the economy and all business entities	Lidija Rmuš
Network for Rural Development of Montenegro	Rural development	Ratko Bataković
National Association of Winegrowers of Montenegro	Grape and wine production	Rade Rajković
Union livestock breeders of northern Montenegro	Livestock breeding	Milko Živković
NGO "Zdravo Zrno"	Crop production	Željko Macanović
Association "Valdanos", Ulcinj	Olive and olive oil production	Džadet Cakuli
Association of olive producers Bar	Olive and oil production	Ćazim Alković

### 13.3. Results of consultations – summary

The results of consultations are summarised in Annex VII.

## 14. THE RESULTS AND RECOMMENDATIONS OF THE EX-ANTE EVALUATION OF THE PROGRAMME

### 14.1. Description of the process

An *ex-ante* evaluation of the IPA Rural Development Programme 2021-2027 of Montenegro (abbreviation: IPARD III), coordinated by Ecorys Croatia, was carried out by a team of evaluators in the period July – November 2021. The work comprised (i) review of relevant documents/studies, (ii) assessment of the programme-related SWOT analysis, (iii) assessment of expected impacts, (iv) assessment of proposed implementation procedures, including monitoring, evaluation, and financial management, and (v) preparation of the *ex-ante* evaluation report. The *ex-ante* evaluation furnishes the responsible authority (Ministry for Agriculture, Forestry and Water Management of Montenegro) with comments and recommendations aiming at improving the IPARD III programme's relevance, coherence, quality, efficiency, effectiveness, EU added value, consistency, and synergy with relevant policies

#### Approach & methodology

The evaluation approach and methodology largely follow the instructions provided in the EC's Guidelines for ex-ante evaluations of rural development programmes under the Instrument for Pre-Accession Assistance Rural Development (IPARD III programme) from October 2020. A combination of qualitative and quantitative evaluation methods was employed. The basis for the evaluation was the Draft IPARD III programme for 2021-2027, version 1.0 dated September 2021. The consultant also studied numerous other documents and statistical information. Additionally, a series of interviews with relevant stakeholders and representatives from MAFWM and IPARD Agency/Directorate for payments has been undertaken. The relevance of the *ex-ante* evaluation is achieved through a comparative assessment of (i) the situational analysis in the Montenegrin agricultural and food sectors presented in the draft programme chapters 2 to 4; and (ii) the strategy, the selected measures and their design as presented in chapters 6 to 8. Efficiency is achieved through an estimation of the expected results and impacts generated by the programme interventions compared with the resources spent. Effectiveness is achieved by assessing the implementing structure in terms of the effectiveness of applied systems. The *ex-ante* evaluation also provides recommendations to the beneficiary regarding possible improvements to the programme text reflecting initiatives to increase relevance, efficiency, and effectiveness.

## Key findings

### *Situation analysis*

The analysis of the situation in the various sectors of agriculture, food processing and rural areas in Montenegro is in many informative, provides a lot of relevant information about the state of play in the sectors and the future challenges, and needs to be addressed. The analysis is useful for the identification of needs to be pursued. However, the analysis of the situation suffers from weak data. The ex-ante evaluator is aware that this also is a major concern for MAFWM and MA and those initiatives have been taken to improve the situation. The situation analysis lacks comparative data to EU countries and/or countries in the region. These reference data are needed to put the situation in Montenegro into perspective.

### *SWOT, strategy, needs and objectives*

Chapter 4 of the draft IPARD III programme presents the mandatory SWOT analysis according to the programming guidelines. However, the chapter contains too many SWOT tables covering all targeted sub-sectors. A summary SWOT for the three main sectors: 1) Agriculture and food processing 2) Environment, nature, climate change, land management and 3) Rural economy and quality of life will be appropriate. It is also the observation, that some SWOT elements are inserted in the tables without being described in the analysis of the situation on chapter 3. It is another observation that many SWOT elements are not categorized correct but belong to other categories of the SWOT tables. Furthermore, some elements are symptoms on challenges, which are not described. Additionally, some factors are referred to as opportunities, although they are not opportunities in a SWOT context.

Chapter 6.2 of the draft IPARD III programme presents the major needs identified in the analysis of the sectors and in the SWOT: 1) Improving competitiveness, 2) Improving food safety and food quality, 3) Improving sustainable resource management, 4) Improving quality of life and development of rural areas, 5) Improving administrative capacities. The five groups of needs are comprehensive and cover all what can be considered of relevance for the development of the sector. However, the text in the chapter does not provide any information about the ranking of the needs, their importance in the short or long term, about the prioritization in the IPARD III programme or in the Strategy for agricultural and rural development in Montenegro in general.

### *Measures and balance of the programme*

The selected measures for the implementation of the Programme are well described and justified. Only few, although also important, amendments and clarifications are needed in the text for each measure.

The balance of the programme based on an assessment of the financial plan is relatively appropriate, when it comes to investment support measures and rural infrastructure, while specific measures such as organic production, establishment of forests and LEADER are without appropriate funding.

### *Expected results and impacts*

The expected economic, environmental, and social impacts of IPARD III are summarized. The economic results and impacts are summarized in the table below.

## Economic impacts

Table 73: Expected economic impacts, all measures, GVA and jobs

Measure	Total investments, million EUR	GVA generated, million EUR	Total jobs	New jobs	Maintained jobs
Investments in physical assets of agricultural holdings	38.5	3.1	427	213	213
Investments in physical assets concerning processing and marketing of agricultural and fishery products	39.4	3.1	206	103	103
Agri-environment-climate and organic farming measure	6.3	0.5	70	35	35

Implementation of local development strategies - LEADER approach	0.4	0.03	4	4	0
Investments in rural public infrastructure	6.9	0	155	77	77
Farm diversification and business development	29.3	2.3	325	325	0
Establishment and protection of forests	5.8	0.5	65	32	32
<b>Total</b>	<b>126.6</b>	<b>9.53</b>	<b>1,252</b>	<b>789</b>	<b>460</b>

The total investment of 126.6 million EUR in the Programme<sup>38</sup> period will support more than 1,000 recipients across the various measures and will generate additional 9.53 million EUR in GVA and creates 789 new jobs. Furthermore 460 jobs will be maintained. Additional effects will be generated from investments in rural infrastructure, but it is not possible to determine these effects, for example caused by faster and better transport.

### **Environmental impacts**

Increase of agriculture production and food processing, more intensified agricultural production and diversification and development of economic activities in rural areas may lead to additional pressures and negative impacts on nature and environment. However, enforcement and compliance with National Minimum Standards and EU standards will have important positive impact on the environment and nature.

### **Social impacts**

Social impacts will include increased welfare and economic opportunities in rural areas for those able to take advantage of the possibilities provided by the IPARD III programme. However, there will be growing disparities between the regions, which will take advantage of the possibilities provided by the IPARD III programme and those, who will not. Thus, other support schemes, such as the national and donor-funded schemes targeting this large group of family holdings with investment support and advice on how to improve their working and living conditions, will be urgently needed for their further growth and development.

### **Implementing structures**

The effectiveness of the implementing structures was low in the beginning of the implementation of IPARD II. Today the effectiveness is better, which is also needed, if the MA and the IA shall be able to process remaining IPARD applications and payment claims as well as new IPARD III applications with the same effectiveness as experienced over the last year. Recruitment of new staff and training has contributed to the improvements, but more staff is needed in the years to come with the launch of IPARD III and new measures to be implemented. The IT system and digitization of the internal processes also between IA and MA can still be improved and this will also contribute to increased effectiveness. One major problem is the data situation, which still needs to be solved. In addition, work with improving the agricultural registers is needed and will continue.

IPARD Agency/Directorate for payments and MA will continue with the employment policy, that has the main goal to fulfil the needs of accreditation of Measure 7 and all other measure proposed for implementation in the new programming period.

Based on the experiences from IPARD II, the dead weight risk is considerable according to the draft On-going evaluation report (15 October 2021). More than 70% of the investments under IPARD II would probably also have been accomplished even without public support. Therefore, MAFWM must take steps to reduce the risks for deadweight.

### **Stakeholder involvement**

The involvement of stakeholders in the programming is not described in the programme, but interviews with stakeholders verify that involvement has taken place. However, it is difficult to judge about the quantity and quality of the consultations.

<sup>38</sup> Not including Measure 9 - Technical assistance.

## **14.2. Overview of the recommendations**

The overview of the ex-ante recommendations is given in the Annex VI - Ex-ante evaluation report-summary

## **15. PUBLICITY, VISIBILITY AND TRANSPARENCY IN ACCORDANCE WITH IPA LEGISLATION**

Transparency of the programme and its implementation should be ensured at all levels.

Information on the IPARD III programme, its operations and the Community contribution shall be provided and publicized in line with the obligations set out in Article 23 and Article 24 of the FFPA and in Article 29 and Article 30 of the SA.

All information, publicity and visibility actions will be planned, implemented, monitored and evaluated within the framework of the Plan of visibility and communication activities for the period 2021-2027. The IPARD Managing Authority/Directorate for rural development shall draw up a coherent plan of visibility and communication activities consult and inform the Commission, having taken advice from the IPARD III monitoring committee. The plan shall in particular show the initiatives taken and those to be taken, with regard to informing the general public about the role played by the European Union in the IPARD III programme and its results. Activities from the Plan of visibility and communication activities will be financed under the Technical assistance measure.

The IPARD Managing Authority/Directorate for rural development is responsible for the overall monitoring and implementation of the Plan of visibility and communication activities and prepares reports on progress in implementing the information and publicity activities. The Chairperson shall report the results of the visibility and communication actions at the meetings of the IPARD III monitoring committee and provide the Committee members with examples of such activities.

In order to ensure transparency concerning support under this Programme, the IPARD Agency/Directorate for payments shall be responsible for the publication of the list of the operations and recipients of IPA III assistance in accordance with the conditions established by Article 29 of the SA.

The IPARD Agency/Directorate for payments is also responsible for undertaking publicity actions in particular preparing to inform the recipients of IPARD III assistance of the EU contribution, publishing announcements for Calls under this Programme prepare and publicise Guidelines for recipients. In addition, the IPARD Agency/Directorate for payments shall regularly publicise a list of most “frequently asked questions and answers” and “most common mistakes during application”. The IPARD Agency/Directorate for payments maintains its own database of visibility and communication actions. For all undertaken actions under the Plan for visibility and communication, the IPARD Agency/Directorate for payments shall report periodically to the MA.

### **15.1. Actions foreseen to inform potential recipients, professional organisations, economic, social and environmental partners, bodies involved in promoting equality between men and women and NGOs about possibilities offered by the programme and rules of gaining access to funding**

The MA and IPARD Agency/Directorate for payments will be responsible for informing potential recipients as follows:

Phase 1: IPARD III programme preparation phase – adoption of the Programme – introducing the Programme to potential recipients and the general public; there will be organised one big event to publicise the launch of the Programme, and other activities defined by the Plan of visibility and communication activities.

Phase 2: IPARD III programme implementation – keeping recipients abreast with measure requirements and the public informed about progress in Programme implementation. IPARD website is established, and all information about IPARD, Public calls and all documentation are posted on the website. The focal point during

this phase will be to keep recipients informed about the funding opportunities and the launching of public calls; Before the public call is announced, in any time the updated version of IPARD programme is posted on the IPARD website, so all interested potential applicants and parties can be familiar with: the eligibility of expenditure conditions to be met in order to qualify for support under the IPARD III programme; a description of procedures for examining applications for funding and of the time period involved; the criteria for selecting the operations to be supported; the contacts at national, regional or local level that are able to provide information on the Programme; the responsibility of potential recipients to inform the public about the aim of the operation and support from the Funds to the operations in accordance with point 2.2. of Annex XX of the SA. Best practice and practical lessons learned from the measure implementation process will be studied and publicized.

Phase 3: IPARD III programme final phase – summing up experience. This phase will summarize positive and negative experiences from implementation of the IPARD III programme and draw lessons for planning for the next programming period. Conclusions can be drawn as to what measures/activities should be given priority and reinforced in the future programming period, as well as how Programme implementation can be further improved.

The communication means will include seminars, press releases, radio and TV commercials in national and local media, Programme website and IPARD III social media networks – Facebook, LinkedIn, Instagram.

### **15.2. Actions foreseen to inform the recipients of the EU contribution**

The MA and IA must ensure that IPARD recipients adequately represent the EU contribution to the financing of their project.

The recipients have to fulfil all requirements from the SA, Annex XX.

The recipients who have been contracted under the IPARD III programme measures will be provided with detailed written guidelines on project implementation, including instructions for the preparation of payment claims and guidelines on visibility. The MA and IA will ensure that the grant recipients strictly fulfil the visibility rules set out in the Guide for Applicants and in the Standard Contract.

### **15.3. Actions to inform the general public about the role of EU in the Programme and the results thereof**

The MA shall provide information to the general public on and publicize the IPARD III programme after its adoption by the Commission. The MA will publicize regularly the IPARD III programme updates, main achievements in the implementation process and results, using all media at appropriate national and territorial level. A special emphasis will be placed on information about the contribution of the EU to the IPARD III programme. The MA will highlight the role of the European Union and ensure transparency of European Union assistance. The MA will plan and implement in the framework of the Plan of visibility and communication activities a range of publicity measures using different tools – press conferences, media, information seminars, promotion of successful projects, and press conferences after each Monitoring Committee meeting regular publications on the IPARD website. The transparency of operations will also be ensured by publication of the list of recipients and European Union and national contribution to their projects on the IPARD/MAFWM web sites.

## **16. EQUALITY BETWEEN MEN AND WOMEN AND NON- DISCRIMINATION PROMOTED AT VARIOUS STAGES OF PROGRAMME (DESIGN, IMPLEMENTATION, MONITORING AND EVALUATION)**

### **16.1. Description of how equality between men and women will be promoted at various stages of Programme (design, implementation, monitoring and evaluation)**

In terms of the IPA Regulation No. 231/2013 and No. 236/2013 and of the IPA Implementing Regulation (Regulation (EC) No 447/2014), MAFWM will appreciate that EU assistance is used for the promotion and protection of human rights and fundamental freedoms and enhanced respect for minority rights and promotion of gender equality and non-discrimination. The principles of equality of men and women and non-discrimination are followed in the preparation, implementation, monitoring and evaluation of the IPARD III programme. All steps in the Programme will be open to all members equally, regardless of their race, ethnic origin, religious beliefs or creed, disability, age or sexual orientation.

The Constitution of Montenegro in the Chapter of Human Rights and Freedoms (Article 6) provides that the state guarantees gender equality and develops a policy of equal opportunity. Montenegro has so far established two institutional mechanisms for gender equality: The Gender Equality Committee of Parliament was founded on the 11<sup>th</sup>. July 2001. And the Office for Gender Equality was established on the 27<sup>th</sup>. March 2003. Support Programme of the World Bank (the period June 2009 - June 2013) for the project of institutional development and strengthening of agriculture in Montenegro - MIDAS, investments are realized, women are among the key priorities of the ranking of the submitted requests for funding. Women in rural areas are encouraged to participate in the Programme and receive financial assistance for the improvement of production conditions on their farms. Through this program, a total of 11.47 % of the applicants were women and the total number of approved projects in 10.93 % are headed by women.

During the design phase of the IPARD III programme several activities were undertaken and some are planned, that will ensure respect for the principle of equal opportunity for men and women, and provisions on non-discrimination. The IPARD III programme will be submitted to the Committee for Gender Equality of the Office for Gender Equality. Developed measures of the Programme took into account the situation of men and women in the supported sectors, and proposed criteria in ranking the measures (1), (3) and (7) give priority to projects implemented by women. To gender issues adequately included in the Programme, working meetings were held with representatives of the Ministry Human and Minority Rights, as well as with NGOs dealing with gender equality, so there could be discussions on the priorities of the Programme and the specific situation of women and minorities in rural areas. Equal opportunities for men and women will be fully respected in the preparation of the IPARD III monitoring committee and other expert committees in the implementation, monitoring, evaluation and communication of the IPARD III programme. Monitoring and evaluation of the Programme will be in accordance with a common framework for EC monitoring and evaluation, and will provide data by gender so that the MA and the IPARD III monitoring committee will be able to monitor the implementation of the Programme and see absorption funds granted to agricultural holdings and enterprises run by women. In terms of implementation of the IPARD III programme, the Ministry for Human and Minority Rights, as well as representatives of NGOs dealing with gender equality, have been proposed as members of the IPARD III monitoring committee with voting rights. Planned activities for information and publicity shall take into account the equal participation of women and men in the publications and events. The MA will ensure that the printed material, place and date of the event do not represent a barrier to women's participation. In order to promote gender equality, MA will select and publish best practice examples of successful projects implemented in holdings and enterprises run by women.

### **16.2. Describe how any discrimination based on sex, race, origin, religion, age, sexual orientation, is prevented during various stages of programme implementation**

The implementation of the IPARD III programme will not tolerate any discrimination against potential recipients on the basis of religion, ethnicity, gender or disability. Equal opportunities for men and women, as well as human and minority rights will be fully respected within the sectoral monitoring committee and elsewhere, where it is needed.

The principle of equality is taken into account in the preparation of the IPARD III programme in accordance with the provisions arising from the Constitution, where the basic freedoms and rights cannot be discriminated against on grounds of sex, race, colour, language, religion, national or social origin, material or social status.

## **17. TECHNICAL BODIES AND ADVISORY SERVICES**

### ***General rules***

The Advisory service will be available to farmers and all interested stakeholders through its offices. The Advisory service staff will be trained on an ongoing basis to provide basic information about the Programme so that they can identify whether an individual unit is eligible to become a recipient of IPARD funds.

The Advisory service is also responsible for referring potential recipients to addresses where more detailed information on the Programme can be obtained.

In doing so, the staff of the Advisory service, as well as other actors involved in the implementation of the Programme, are not allowed to refer the recipient to a specific advisor.

The MA is responsible for the training of the staff of the Advisory service, which organizes training courses and seminars attended by the staff of the Advisory service from the funds of the TA measure.

In addition to the Advisory service, all other bodies connected with preparation and/or implementation of the IPARD programme, such as the Network for Rural Development of Montenegro and the future Local Action Groups, will be educated by MA and invited to workshops, study tours and seminars financed by TA measure.

### ***Advisory services***

Advisory services are available to farmers through municipal advisory services and Advisory services of MAFWM. The obligation to establish a system of agricultural advisory reform is one of the main elements of the reform of the Common Agricultural Policy.

The Agricultural Advisory Service carries out its activity on the basis of public authority through regional centres (Bar, Berane, Cetinje, Nikšić, Bijelo Polje, Herceg Novi i Podgorica, Advisory service for plant production, respectively Podgorica, Pljevlja, Bar, Nikšić, Berane, Bijelo Polje through Advisory service in Livestock).

Advisory services are specialized public institutions for performing advisory activities in agriculture and rural development. Jobs and activities that make up the basic activities of Advisory services are:

- Technical-technological improvement of farms and providing technical assistance to farmers in order to increase income from agriculture and additional activities on farms;
- Providing expert advice, giving instructions and practical advice in the field of agriculture, transfer of knowledge and skills needed to develop and maintain the values of rural areas and sustainable development;
- Participation in the preparation of development plans for farms and rural areas;
- Support for the establishment of various associations;
- Information and publishing for the development of agriculture and rural areas.

### ***Technical bodies***

In order to meet the relevant national minimum standards, technical bodies are supportive in order to meet all the above conditions on time, i.e. no later than before final payment of the investment. The technical bodies issue a document confirming that IPARD III recipients will meet the relevant national standards in terms of farm registration, animal welfare, environmental protection, food and feed hygiene, as well as animal identification and registration.

In addition, the technical bodies shall ensure that the completed investment complies with the relevant European Union standards regarding environmental protection and animal welfare for measure 1 and environmental protection, public health, animal welfare and occupational safety for measure 3.

The technical bodies are:

- Administration for Food Safety, Veterinary and Phytosanitary affairs;

- Environmental Protection Agency;
- Ministry of Economic Development and Tourism;
- Ministry of Ecology, spatial planning and urbanism;
- Ministry of Health;
- Inspection Directorate<sup>39</sup>;
- “Monteorganica”.

## **Administration for Food safety, Veterinary and Phytosanitary affairs**

### ***Food safety sector***

Performs sector tasks relating to: the safety of food of animal origin, food safety, animal safety of food of non-animal origin, by-products of animal origin, the preparation of professional basis, implements, coordinates and monitors the terms and conditions in these areas; issue expert instructions, brochures, manuals, instructions and measures; establishes and monitors the fulfilment of conditions for performing his duties; establish and maintain a central register of approved and registered establishments for food and feed; participates in the work of international institutions in this field; planning, financing, preparation of planning documents, strategies, reports, analyses, information and other materials, provides expert opinions and perform other tasks that are specific to the jurisdiction.

### ***Veterinary sector***

Performs sector tasks relating to: the provision of permanent and preventive health care animals on the epizootically territory of Montenegro, animal welfare, veterinary practices, animal identification and registration, transfer of the execution of public works in the field of veterinary medicine in line with the mandatory protection of animal health and other Programmes for the control of animal diseases and zoonosis, the eligibility for the performance of veterinary services, transport of animals and other activities in accordance with the laws, preparation of expert basis for regulations, planning documents, Programmes and plans, monitoring and control of implementation of measures for the protection of health, identification and registration, animal welfare and assessing the effectiveness of measures and controls in this area, planning official controls, cooperation with relevant EU institutions and international organizations, veterinary services of other countries.

### ***Sector for Phytosanitary affairs***

Performs sector tasks pertaining to the laws in the field of plant health protection, plant protection products, plant nutrition products, narcotics, seed material of agricultural plants, planting materials, GMO, plant variety protection, plant genetic resources and other regulations in the jurisdiction.

## **Environmental Protection Agency**

The Environmental Protection Agency is an independent public administration body. The Ministry of Ecology, Spatial Planning and Urbanism carry out the supervision over the legality and purposefulness of the Agency’s work. The Agency carries out tasks related to: the organisation, planning and participation in monitoring of the environment; ensuring the implementation and enforcement of environmental legislation; development of a technical basis for development of environmental legislation; co-operation, communication and co-ordination with national and international organisations and institutions; management of the Environmental Information System; keeping the cadastre of polluters; first instance proceedings in the following fields: protection of air against pollution, climatic changes, ozone layer protection, protection against ionising radiation and security of radioactive sources, protection against non-ionising radiation, chemicals, protection against noise, genetically modified organisms, protection against accidents involving hazardous substances, waste management, strategic environmental impact assessments and environmental impact assessments; issuing of integrated work permits for plants for which the separate regulation prescribes the requirement of having an integrated permit; issuing of permits for collecting, use, farming, keeping and trade in wild animal species; issuing of permits for collecting, use, cultivation, keeping and trade in wild plant and mushroom species; issuing of permits for import and export of ozone depleting substances, issuing of permits for cross-border movement of waste; issuing of permits for scientific-education research on natural resources under

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<sup>39</sup> Inspectors in charge of veterinary affairs, food safety, phytosanitary affairs, agriculture and fisheries have been separated from the Inspection Directorate.

protection; nature protection; development of studies on natural resources protection; development of plans and Programmes of protection and development of objects under protection; keeping of the Central Register of objects under protection on the territory of Montenegro; development of the protection of nature in Montenegro; development and publication of technical publications in which the issue of nature protection is addressed as well as publication of results of various papers; as well as other activities falling within its scope of authority.

**Ministry of Economic Development and Tourism** performs administrative tasks related to: determination of the proposal and implementation of the development strategy; strategy and policy of regional development; preparation and evaluation of development investment projects of interest to Montenegro, which are within the competence of this ministry, coordination of activities in implementing the regional development policy, cooperation with local self-government units; participation in the preparation of strategic and operational documents for the use of the funds of the pre-accession funds of the European Union and other international sources of funding for regional development; creating conditions for sustainable and balanced growth and development of the Montenegrin economy and its competitiveness; policy aimed at supporting the development of economy and entrepreneurship, small and medium enterprises and crafts; defining the strategy of development of small and medium enterprises and other activities related to small and medium enterprises, ; new production and business technologies; industrial production energy policy; monitoring of the situation and development of domestic and foreign trade; cooperation with regional and international economic organizations and institutions, in particular with the World Trade Organization (WTO) and others; implementation of development policy and construction of information and communication infrastructure in Montenegro; development of tourism, hospitality industry; co-ordination of activities for preparation and monitoring of tourism seasons; organisation, mediation, supply level in tourism areas and structure of consumption in tourism; keeping records on the number of tourists, accommodation facilities, financial effects and business results in the tourism industry; organisation of activities related to provision of information and advertising in tourism; development of co-operation between the tourism sector and complementary sectors; co-operation with the National Tourism Organization and organization of tourism representative offices in other countries; collective housing; housing relations; management and maintenance of housing resources; transformation of separate and joint parts of collective housing into business premises; housing co-operatives; the policy of improving the housing fund; private-public partnership in the housing field.

**Ministry of Ecology, Spatial Planning and Urbanism** carries out administrative activities with regard to: integrated planning, management and valorisation of the space; sustainable development; strategic spatial and environmental planning; development of public planning documents; giving opinions and approvals for local planning documents; coastal management; issuing of construction permits; issuing of certificates of occupancy; issuing of approvals and zoning and technical requirements for placing temporary facilities; licences for carrying out the activities of development of planning documents, development of technical documentation and building; energy efficiency through the system of planning and construction of facilities; system of integrated environmental protection and sustainable use of natural resources; the field of environmental impact assessment and strategic environmental impact assessment, integrated pollution prevention and control; nature protection; air quality; climatic change and approval and monitoring of projects implemented with the objective of alleviating the climatic change effects; industrial pollution control and risk management; use of new and clean production technologies; waste and wastewater management; system of public services and utilities; development of environmental protection standards; monitoring of the environment; monitoring of investments falling within the scope of the Ministry; co-operation with international financial institutions and the EU funds with regard to the implementation of environmental protection and public services and utilities projects; administrative supervision in areas for which the Ministry has been established, as well as other activities falling within its scope of authority.

### **Ministry of Health**

The Ministry of Health carries out administrative activities with regard to: health protection; health insurance and provision of health care from public revenues; establishing and organisation of health institutions and setting the conditions relating to premises, human resources and equipment of health institutions; professional development and specialisation of health workers and health associates; health safety of food and general use items; protection of the population against communicable diseases; production and trade in medicinal products and medical devices; protection of the population against use of tobacco products; issuing of approvals for transport of toxic substances across the state border and in internal transportation; production and trade in toxic

substances; production and trade in narcotics and precursors and psychotropic substances; co-ordination and monitoring of cross-sectorial activities and enforcement of policies in the field of narcotics; management of medical waste; international co-operation and international agreements falling within the competence of the Ministry; harmonisation of national legislation within its competence with the EU Acquis; co-operation with non-governmental organisations; administrative supervision in the fields for which the Ministry has been established; as well as other activities placed under its competence.

### **Inspection Directorate**

The Inspection Directorate was established with the aim of achieving greater efficiency in the exercise of control, gain control aspects of the economy, preventing the occurrence of positive and negative conflict of duties, mutual cooperation to achieve adequate inspection authorities, enhancing the professionalism of the inspectors and the suppression of any element of corruption, as well as to improve cooperation with inspections other authorities in the exercise of inspection. Due to the reorganization of the state administration, certain inspection departments have been merged with other institutions.

**Sector for Food Safety - Department for Food Inspection** - The Department performs official controls/inspection supervision over the implementation of regulations in the field of: food and feed safety, plant protection products, GM food and feed, agriculture, agricultural products market regulation, genetically modified organisms, by-products of animal origin and other areas in accordance with the competencies and authorities to combat corrupt and illegal activities; and other tasks in accordance with the competencies and authorizations.

**Veterinary Sector - Department for Veterinary Inspection** - The Department performs official controls/inspection supervision over the implementation of regulations in the field of: veterinary medicine, identification and registration of animals, protection of animal welfare, safety of products of animal origin and animal feed, plant protection products, genetically modified organisms, agriculture, regulation of the market of agricultural products, trade and use of veterinary drugs and other areas in accordance with competencies and authorities, granting health status to herds officially free of certain animal diseases, combating corruption and illegal activities and other activities in accordance with competencies and powers.

**Phytosanitary sector - Department for phytosanitary inspection** - The department performs official controls/inspection supervision over the implementation of regulations in the field of: plant health, plant protection products, plant nutrition products, agricultural plant seeds, planting material, GMO's, plant protection varieties, plant genetic resources; food safety, prevention of drug abuse, nature protection, agriculture, regulation of the market of agricultural products, biocides and other laws in accordance with the competencies and authorities; combating corrupt and illegal activities and other activities.

Supervision and control over these three inspection departments is performed by the Administration for Food Safety, Veterinary and Phytosanitary Affairs.

**Inspection supervision department** - The Department conducts inspection supervision over the application of laws and other regulations and general acts in the field of agriculture, winemaking, fisheries and spirits; conducting administrative procedures and making decisions in accordance with the Law on Inspection Supervision, the Law on Administrative Procedure and other laws; taking administrative and other measures and actions in order to eliminate the identified irregularities and ensure proper application of regulations; acting on complaints and objections to the work of inspectors; conducting supervision over the application of anti-corruption principles and other activities in the field of inspection supervision by order of the superior. Supervision and control over this department is performed by the MAFWM.

### **Monteorganica**

Monteorganica is an association of control and certification in organic production, founded in 2005 by the Cooperative Union of Montenegro. Monteorganica is the accredited certification body for control and certification in organic production according to the requirements of the standard MEST EN ISO 17065:2013 - Certificate of Accreditation ATS - 0094, issued by the Accreditation Body of Montenegro. Authorized the activity carried out by the MAFWM.

## **18. ANNEXES**

- ANNEX I – CLASSIFICATION OF LEGAL ENTITIES
- ANNEX II - RURAL AND MOUNTAIN AREAS
- ANNEX III - LIST OF RELEVANT NATIONAL MINIMUM STANDARDS
- ANNEX IV - METHODOLOGY FOR CALCULATING THE PAYMENT LEVELS FOR AGRO-ENVIRONMENTAL-CLIMATE, ORGANIC FARMING, AND FORESTRY-RELATED ACTIONS
- ANNEX V - DESCRIPTION OF THE METHODOLOGY FOR ASSESSMENT OF THE ECONOMIC VIABILITY OF RECIPIENTS.
- ANNEX VI - EX-ANTE EVALUATION REPORT-SUMMARY.
- ANNEX VII - RESULTS OF CONSULTATIONS – SUMMARY
- ANNEX VIII- LIST OF ELIGIBLE CRAFTS

## ANNEX I – CLASSIFICATION OF LEGAL ENTITIES

### Classification of Legal Entities

According to the relevant Law on Accounting, **Article 5**

#### Classification of legal entities Article 5

Legal entities, in terms of this Law, are classified into micro, small, medium and large, depending on the average number of employees, total annual income and total assets, as follows:

- 1) micro-legal entities are legal persons that at the date of drawing up the balance sheet meet two of the following three criteria:
  - the average number of employees in the business year is not more than 10;
  - the total annual income does not exceed EUR 700,000;
  - total assets do not exceed EUR 350,000;
- 2) small legal entities are legal persons that at the date of drawing up the balance sheet meet two of the following three criteria:
  - the average number of employees in the business year is greater than 10 and less than 50;
  - the total annual income is over EUR 700,000 and less than EUR 8,000,000;
  - total assets are more than EUR 350,000 and less than EUR 4,000,000;
- 3) medium-sized legal entities are legal entities that at the date of drawing up the balance sheet meet two of the following three criteria:
  - the average number of employees in the financial year is greater than 50 and less than 250;
  - the total annual income is over EUR 8,000,000 and less than EUR 40,000,000;
  - total assets are more than EUR 4,000,000 and less than EUR 20,000,000;
- 4) large legal entities are legal entities that, at the date of drawing up the balance sheet, fulfil two of the following three criteria:
  - the average number of employees in the business year is greater than 250;
  - the total annual income is over EUR 40,000,000;
  - total assets are more than EUR 20,000,000.

The classification in accordance with the criteria referred to in paragraph 1 of this Article shall be carried out by a legal person on its own day on the date of drawing up the financial statements and the data obtained on the basis of which the classification of the benefits for the next business year has been carried out.

Newly founded legal entities are classified in accordance with paragraph 1 of this Article based on data from the financial statements of the current business year and the number of months of business, and the established data are used for the current and next business year.

The average number of employees is calculated in such a way that the total number of employees at the end of every month, including employees abroad, is divided by the number of months in the business year or the number of months of business of a legal entity.

If on the balance sheet date, in two consecutive financial years there is a deviation from the limit values of two of the three criteria referred to in paragraph 1 of this Article, a legal entity shall perform its classification in the appropriate category for the next business year.

## ANNEX II - RURAL AND MOUNTAIN AREAS

The most frequently used methodology for defining rural areas is OECD methodology, according to which a community is considered rural if its population density is lower than 150 inhabitants per km<sup>2</sup>, while a community is considered urban if population density is above 150 inhabitants per km<sup>2</sup>.

Rural areas are classified further at the regional level as follows:

1. Predominantly rural region – more than 50% of the population lives in rural local communities;
2. Intermediate regions – between 15% and 50% of a region's population lives in rural local communities;
3. Predominantly urban regions – less than 15% of a region's population lives in rural local communities.

Analysing the three regions of Montenegro according to the OECD methodology, the Northern region, covering 14 municipalities, belongs to predominantly rural regions (59.7% of the population lives in rural local communities), while the Coastal (41.7%) and the Central (20.4%) belong to intermediate regions. Even in case of applying the OECD methodology at the local level, the situation would be, as follows:

- Predominantly rural municipalities (15 in total): Kolašin, Mojkovac, Tuzi, Žabljak, Šavnik, Plužine, Andrijevica, Berane, Bijelo Polje, Plav, Petnjica, Gusinje, Rožaje, Danilovgrad, Bar;
- Intermediary (9 municipalities): Cetinje, Nikšić, Pljevlja, Podgorica, Kotor, Tivat, Ulcinj, Herceg Novi and Budva, with Cetinje, Podgorica and Budva at the very edge of predominantly urban municipalities. However, the reasons for such a high share of urban population in the total population of the three municipalities are quite different among them.

Judging by the data presented above and the OECD methodology, the whole territory of Montenegro could be considered rural. However, taking into account the pronounced inequalities among territorial units at the local level (municipalities) and taking into account other specific features of Montenegro, the following approach in defining the rural areas is proposed for the purpose of this IPARD III programme.

In municipalities with population in urban centres above 10,000, i.e. in settlements classified by Statistical Office of Montenegro as urban and which in administrative terms belong to urban centres, such settlements are excluded from the rural areas, and the remaining ones, that is, the area they cover, belong to rural areas, while for municipalities which, according to the Census 2011, have population of less than 10,000, the whole territory of such a municipality would be considered a rural area.

Detailed map with a clearly defined geographical borders of settlements used by Statistical Office of Montenegro, i.e. rural areas, have been presented to the Sector for Rural Development by Statistical Office of Montenegro, while names of the settlements in relevant municipalities, together with the rural or urban qualification are given further below.

According to the Census 2011, the following 9 municipalities: Andrijevica, Kolašin, Mojkovac, Plav, Plužine, Rožaje, Šavnik, Žabljak and Danilovgrad are rural in entirety (additionally 2 new municipalities were recognized: Gusinje and Petnjica), so Montenegro in total have 11 municipalities completely rural. The territories of the remaining 12 municipalities: Pljevlja, Bijelo Polje, Berane, Podgorica, Nikšić, Bar, Ulcinj, Budva, Tivat, Kotor, Herceg Novi and Cetinje are divided into rural and urban.

### **ANNEX III - LIST OF RELEVANT NATIONAL MINIMUM STANDARDS**

List of national minimum standards was presented according to the currently applicable regulations. Those national minimum standards that are in force at the moment when decision to grant support is taken will be performed.

Relevant national legislation related to Measures supported under IPARD III programme.

Montenegrin legal framework	National Minimum Standards	Measure
Law on agriculture and rural development	In accordance with this Act is entitled to an incentive carrier agricultural holding, applying, with the necessary documentation for eligibility for incentive and who is entered in the Register of agricultural holdings.	M1 M3 M4 M6 M7
Law on Livestock	1) This Law regulates the manner and conditions of breeding of domestic animals, the method of adoption and implementation of breeding-selection programme, maintaining genetic variability, turnover of breeding animals to the genetic material, rights and obligations of livestock and other issues of importance for animal husbandry. 2) This Act shall apply to the breeding of: cattle, buffalo, sheep, goat, equine, swine, poultry, fur animals, rabbits and bees.	M1 M3 M4 M7
Law of Wine	This law regulates the production and distribution of grapes used for wine production and distribution of wine and other grape and wine products, labelling, geographic origin of wine and other issues of importance for viticulture and wine production.	M1 M3 M7
Law on olive growing and olive oil	This law regulates the processing and placing on the market of olives and olive oil, as well as other issues of importance for the development of olive growing in Montenegro.	M1 M3 M7
Law on Plant Health Protection	Pursuant to this Law, within the competences of the Phytosanitary sector, the following activities are performed: entry into the register for treatment and/or labelling of wooden packaging material, registration of producers, processors, importers, distributors and persons who store plants, plant products and facilities under supervision and entry into the register of importers and distributors.	M1 M3 M4 M7 M11
Law on Agricultural Plant Seeds Material	Pursuant to this Law, within the competences of the Phytosanitary sector, the following activities are performed: entry into the register of producers of agricultural plant seed materials, import and transit of seed material consignments, entry into the register of importers of seed materials, entry into the register of importers and distributors and certification of seed material.	M1 M3 M4 M7 M11
Law on Planting Material	Pursuant to this Law, within the competences of the Phytosanitary sector, the following activities are performed: importation and transit of consignments with planting material, entry into the register of importers of planting material, entry into the register of importers and distributors, certification of planting material and entry into the register of planting material producers.	M1 M3 M4 M7 M11
Law on Plant Protection Products	Pursuant to this Law, within the competences of the Phytosanitary sector, the following activities are performed: entry into the register of importers and distributors, laying the rules for usage of the plant protection products.	M1 M3 M4 M7 M11
Law on Plant Nutrition Products	Pursuant to this Law, within the competences of the Phytosanitary sector, the following activities are performed: entry into the register of importers and distributors, laying the rules for usage of the plant nutrition products.	M1 M3 M4 M7 M11
Food Safety Law	Pursuant to this Law, within the competences of the Phytosanitary sector, the following activities are performed: entry into the register of primary producers of food of plant origin; within the competences of the Veterinary sector the following activities are performed: entry into the register of registered and approved establishments dealing with food of animal origin and animal feed; entry into the register of approved establishments dealing with food of plant origin after primary production is performed.	M1 M3 M4 M7
Veterinary Law	The Law stipulates obligations of animal holder, pursuant to the Law, importation, exportation, transit of animals, semen for artificial insemination, egg cells and fertilized egg cells are performed.	M1 M3 M4 M7

Law on Identification and Registration of Animals	Pursuant to the Law identification and registration of animals and holdings are performed. Registration of holdings is obligatory for all holdings where animals are kept or bred. Animal identification is obligatory for all domestic animals bred at holdings, i.e. farms, as well as for other animals. The Veterinary sector manages the Central Register of Holdings and Electronic Database, while animal holders manage the Holding register.	M1 M3 M4 M7
Law on Animal Welfare Protection	This Law governs the rights, obligations and responsibilities of natural and legal persons with respect to the protection of animal against suffering during their raising and breeding; mercy killing and slaughtering; interventions; transporting; experiments; the rules for dealing with animals, and other issues of importance for the protection of animal welfare. The Veterinary sector performs the entry into the register of animal carriers.	M1 M3 M4 M7
Law on Environment	This Law regulates environmental protection and sustainable development principles, subjects and instruments of environmental protection, public participation in environmental issues and other issues relevant to the environment.	M1 M3 M4 M5 M6 M7 M11
Law on environmental impact assessment	This Law regulates the impact assessment procedure for projects that may have significant impact on the environment, contents of the Environmental Impact Assessment Study, participation of authorities, organisations, and the public concerned, evaluation and procedure of approval issuing, exchange of information on projects that may have significant impact on the environment in another state, supervision and other issues of relevance for the Environmental Impact Assessment (EIA).	M1 M3 M4 M5 M6 M7 M11
Law on planning space and construction of facilities	This law regulates the system of spatial planning in Montenegro, the manner and conditions for the construction of buildings, as well as other issues important for Spatial Planning and Construction.	M1 M3 M4 M5 M6 M7 M11
Decree on projects that are made subject to environmental impact assessment	This decree defines the projects for which environmental impact assessment was conducted on the environment and projects that may require environmental impact assessment.	M1 M3 M4 M5 M6 M7 M11
Law on Organic Production	Pursuant to this Law, within the competences of the MAFWM, entry into the Register of producers in organic agriculture is performed.	M1 M3 M4 M7
Law on Waters	The Law on Waters governs the legal status and the integrated management of waters, water and coastal land and water bodies, the conditions and method of carrying out the water-related activities and other issues of relevance for the management of waters and water resources.	M1 M3 M5 M4 M6 M7
Energy Law	This Law shall determine the energy activities and regulate the conditions and manner their performance, work quality and reliable supply to final customers energy; Public services and other activities in the energy sector of interest for Montenegro; The organization and functioning of the electricity and gas; manner and terms of use of renewable energy sources and cogeneration; Energy efficiency in sector production, transmission and distribution, as well as other issues of importance energy.	M1 M3 M4 M5 M6 M7

Law on Crafts	This law establishes the conditions for carrying out craft activity and other issues of importance for craft activity	M7
Law on cooperative	This law regulates the manner of establishing of the cooperatives, the acquisition and termination of membership status in the cooperatives, cooperative management and other issues relevant to the work of cooperatives	M1 M3 M7
Law on tourism and catering	Activity of tourism services in rural tourism can be performed by companies, legal entities and entrepreneurs, as well as natural persons - farmers, who are engaged in agriculture alone or as members of the family farm	M7
Law on Marine fisheries and Mariculture	Pursuant to this Law, within the competences of the MAFWM, entry into the Register of fishing vessels and entry into the Register of fishermen	M1 M3 M7
Law on Freshwater Fishery and aquaculture	This Law regulates the way to benefit, keeping, breeding and catching fish in the fishing waters. The provisions of this law apply to crabs; frogs and other aquatic animals are useful in fishing waters. Fish and other aquatic fauna are the property of general interest, owned by the state and used under the conditions of this Law	M1 M3 M7
Law on Internal Trade	This Law regulates the internal trade conditions and types of performing trade, protection from unfair competition in trade and supervise the implementation of this Act	M1 M3 M7
Law on Administrative Procedure	According to this law are obliged to handle the state authorities and local self-government when, in administrative matters, direct enforcement of legislation, dealing with the rights, obligations or legal interests of individuals, legal persons or other parties, as well as perform other tasks stipulated by this law	M1 M3 M4 M5 M7 M11
Law on Territorial Organization of Montenegro	This Law regulates the territorial organization of Montenegro, the condition, manner and procedure of territorial organization and other issues of importance to the territorial organization.	M1 M3 M7 M4 M5 M6 M11
Law on Local Self-Government	This Law defines the organization and functioning of local self-governments	M5 M6
Law on State Property	This Law regulates the use, management and disposal of items and other goods belonging to Montenegro or local self-government.	M5 M6
Law on Roads	This Law regulates the legal status of public and uncategorized roads, the manner of management, financing and construction of public roads, maintenance, protection, supervision and other issues of importance for roads	M6
Law on Financing Local Governments	This Law regulates the sources of funds, the manner of financial equalization and financing of local self-government activities	M5 M6
Law on Communal Activities	This Law determines communal activities, regulates the conditions and manner of performing communal activities and other issues of importance for communal activities	M5 M6
Law on Occupational Health and Safety	This Law regulates protection and health at work is provided and implemented by applying modern technical-technological, organizational, health, social and other measures and means of protection in accordance with this law, other regulations, ratified and published international agreements	M1 M3 M7 M4 M5 M6 M11
Law on Regulation of the Market of Agricultural Products	This Law regulates the conditions for placing agricultural products on the market, organization of agricultural producers, measures to be implemented within interventions in the market of agricultural products and other issues of importance for the market of agricultural products	M1 M3 M7

Law on Forests	Forestry Law clearly defines the concept of forest as well as creating conditions for full realization of individual forest functions and their mutual alignment, rational management and ensuring more efficient system of forest protection	M1 M3 M4 M5 M6 M7 M11
Law on National Parks	This Law protects nature as a whole, and in particular areas of special natural values, natural sights and natural rarities that are due to health care, cultural, educational, scientific, historical, aesthetic and recreational values of tourism and of particular importance to the life and work of the working people, citizens and the community	M1 M3 M4 M5 M6 M7 M11
Law on Accounting	This law regulates the classification of legal entities, the conditions and method of keeping business books, the organization of accounting, the preparation, delivery and publication of financial statements (hereinafter referred to as: accounting), the conditions and manner of valuation of assets and other issues of relevance to accounting. This law shall apply to a legal entity registered for the performance of an economic activity, a non-governmental organization and a part of a foreign company (hereinafter: a legal entity). This law does not apply to the accounting and final account of the budget of the state, that is, the local self-government unit.	M1 M3 M4 M5 M6 M7 M11
Law on Audit	This law regulates the conditions and the manner of carrying out the audit of financial statements (hereinafter referred to as: audit), the issuance and revocation of licenses for conducting the audit to an authorized auditor, and the audit license to the audit company, the audit obligation, as well as other issues related to the audit	M1 M3 M4 M5 M6 M7 M11
Law on Companies	This Law regulates the types of economic activities and the performance of their registration, economic activities performed by companies and entrepreneurs. Forms of performing business activities, which are registered in accordance with this Law shall before the commencement of the activity acquisition activity has been approved, if approval the activity provided by a special regulation	M1 M3 M4 M5 M6 M7 M11
Nature Protection Law	This Law protects nature as a whole, and in particular areas of special natural values, natural sights and natural rarities that are due to health care, cultural, educational, scientific, historical, aesthetic and recreational values of tourism and of particular importance to the life and work of the working people, citizens and the community	M1 M3 M4 M5 M6 M7 M11
Law on Agriculture land	Pursuant to this Law, agriculture land, as a resource of general interest, shall enjoy special protection, and is used under the conditions and in the manner prescribed by this Law. Agricultural land in terms of this Law, considered: arable fields, gardens, orchards, vineyards, meadows, pastures, reeds, ponds and swamps, and other land which by its natural and economic conditions, may serve the general interest, if it is used or can be used for agricultural production. Arable agriculture land, according to this Law, is: arable fields, gardens, orchards, vineyards and meadows.	M1 M3 M4 M5 M6 M7 M11

## **ANNEX IV - METHODOLOGY FOR CALCULATING THE PAYMENT LEVELS FOR AGRO-ENVIRONMENTAL-CLIMATE, ORGANIC FARMING, AND FORESTRY-RELATED ACTIONS**

Final amounts need to be discussed and agreed with DG AGRI before accreditation of this measure.

## **ANNEX V - DESCRIPTION OF THE METHODOLOGY FOR ASSESSMENT OF THE ECONOMIC VIABILITY OF RECIPIENTS**

Investments whose derivative values from the Business Plan (primarily the net present value in the average-fifth year, as well as at the end of the analysed period) indicate the sustainability of the investment are acceptable, while for legal entities basis for analysis of submitted financial statements, whose derivative values should indicate adequate business-financial solvency of the company, with the obligation that the value projections from the Business Plan have a basis in financial statements.

Economic analysis of projects uses the following criteria:

1. Net present value (NPV) represents the sum of discounted net inflows generated by the project. In this case, when the net present value is positive (greater than 0), the project is acceptable and profitable;
2. The repayment period, which is calculated by counting the number of years it will take to recover the cash invested in a project, taking into account the specifics of individual applications (significant amount of investment, long-term benefits after the observed period, time to reach full fertility in cases of raising new plantations).

The same indicators of economic viability of the project are used for investments below and above EUR 50,000.

## ANNEX VI - EX-ANTE EVALUATION REPORT-SUMMARY

			Recommendation	A/NA	How recommendation has been addressed, or justification as to why not taken into account																																																
The SWOT analysis, needs assessment																																																					
1	October 29, 2021.	Chapter 3	It is recommended to improve chapter 3.3 on environmental management. High priority.	A	<p style="text-align: center;">Added text:</p> <p>The institutions of Montenegro through various instruments (including IPARD III) will provide further support to reducing the climate change risks - particularly reducing the risks of forest occurrence which contribute substantial Gg emissions; raising the quality of water by application of good agriculture practice standards to investments in agricultural production and agricultural processing, and with investments in waste management and communal infrastructure in rural areas.</p>																																																
2	October 29, 2021.	Chapter 3	It is recommended to add trends in development of organic farming and description of market situation. High priority.	A	<p>Instead of the table showing the level of organic production in 2020, a new table has been inserted to cover the period 2016 - 2020. The table shows that organic production in Montenegro tends to increase.</p> <p style="text-align: center;">Added text/table:</p> <p>According to the data for the period 2016 - 2020, there is a significant increase in agricultural land and crops in organic farming. Thus, the increase in the area under permanent crops is 36%, while the increase in organic meadows and pastures in the observed period is even 47%.</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Area of production</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Perennial plantings (ha)</td> <td>412</td> <td>426</td> <td>456</td> <td>508</td> <td>564</td> </tr> <tr> <td>Arable land (ha)</td> <td>272</td> <td>262</td> <td>309</td> <td>321</td> <td>307</td> </tr> <tr> <td>Meadows and pastures (ha)</td> <td>2,680</td> <td>2,032</td> <td>3,696</td> <td>3,925</td> <td>3,952</td> </tr> <tr> <td>Cattle breeding (heads)</td> <td>-</td> <td>-</td> <td>403</td> <td>39</td> <td>393</td> </tr> <tr> <td>Sheep breeding (heads)</td> <td>1,428</td> <td>863</td> <td>1,092</td> <td>1,309</td> <td>1,369</td> </tr> <tr> <td>Beekeeping (hives)</td> <td>506</td> <td>839</td> <td>1,103</td> <td>1,964</td> <td>3,381</td> </tr> <tr> <td>Poultry (hens)</td> <td>267</td> <td>390</td> <td>170</td> <td>160</td> <td>300</td> </tr> </tbody> </table>	Area of production	2016	2017	2018	2019	2020	Perennial plantings (ha)	412	426	456	508	564	Arable land (ha)	272	262	309	321	307	Meadows and pastures (ha)	2,680	2,032	3,696	3,925	3,952	Cattle breeding (heads)	-	-	403	39	393	Sheep breeding (heads)	1,428	863	1,092	1,309	1,369	Beekeeping (hives)	506	839	1,103	1,964	3,381	Poultry (hens)	267	390	170	160	300
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Beekeeping (hives)	506	839	1,103	1,964	3,381																																																
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3	October 29, 2021.	SWOT Chapter 4	<p>It is recommended to edit the SWOT and take the basic SWOT principles described in this report into consideration when the SWOT is edited. High priority.</p> <p>It is recommended to move the tables to an annex and instead to make a summery SWOT for the 3 main sectors: 1) Agriculture and food processing 2) Environment, nature, climate change, land management and 3) Rural economy and quality of life. High priority.</p>	A  NA	<p>The SWOT analysis were refined and harmonized according to observations in the on-going evaluation. Duplicate entries were deleted and correctly categorized</p> <p>Summary SWOT Table added at the beginning of the chapter. SWOT Analysis by sector remain in this part of the document.</p>
4	October 29, 2021.	Identification of needs Chapter 6.2	It is recommended to use a prioritization model and make transparent the prioritization of the needs and the distribution of funds on the individual measures.	NA	Based on the experience to date in implementing the IPARD programme, as well as the anticipated start of implementation of measures that have not yet been accredited, we believe the allocation is appropriate. Should there be greater interest in a measure (e.g. Measure 4, which we consider to be extremely important), funds will be reallocated from other measures through programme amendments.

			High priority.		
5	October 29, 2021.	Measure 4 Chapter	It is recommended to improve description of rationale. High priority.	A	<p>Added new text:</p> <p>Agro-environmental measures aim to contribute to the implementation of the Green Agenda for the Western Balkans and extends the elements of the EU Green Deal in the Western Balkans region, by facilitating sustainable development of agriculture and rural areas, and contributing to climate change mitigation and adaptation in agriculture.</p> <p>In general, agriculture in Montenegro is mostly extensive, which means that it has low application of fertilizers, herbicides and other chemical input, which would lead to soil, water and air pollution. But some agricultural holdings, with highly specialized production are mainly focused on monoculture, aiming to produce the largest possible yield per unit area, which requires large amounts of synthetic fertilizers and pesticides.</p> <p>Manure is regularly applied on many farms, but very often at unsuitable times and in unsuitable quantities, which then has a negative impact on groundwater, which is abundant in Montenegro.</p> <p>The aim of the measure is to encourage farming practices that are beneficial to the environment, mitigate the negative effects of agriculture and increase biodiversity, as well as to increase number of organic producers in Montenegro.</p> <p>Montenegro has recognized the need to support activities similar to those under further Measure 4 through the Agro-Budget (conservation of indigenous genetic resources in agriculture, sustainable use of mountain pastures, organic production).</p> <p>IPARD Measure 4 remain a voluntary measure for farmers, but it is necessary to motivate them to apply as a recipient to this measure. Therefore, the criteria, procedures and requirements should be made as clear and simple as possible.</p> <p>Through Agro-environmental measure the support will be focused on organic farming, adequate management of mountain pastures and conservation of indigenous genetic resources.</p>
6	October 29, 2021.	Measure 4 Chapter 8	It is recommended to describe relevant elements of the baseline and clarify certain eligibility criteria. High priority.	NA	Already in measure.

7	October 29, 2021.	Measure 4 Chapter 8	It is recommended to give the definition of pasture manager. High priority	A	<p>Added as a footnote (25)</p> <p>In the context of this measure, the pasture manager is the holder of a registered agricultural holding which is also the holder of at least 5 LU (registered in accordance with the applicable law on animal identification), and which has a minimum of 5 ha of agricultural land classified as pastures registered in the LPIS-SIZEP system, and its right to use is not disputed in the LPIS-SIZEP system by a third party.</p> <p>At the moment we have no basis in law to present managers as a person at the local community level who manages pastures on behalf of all farmers in the area.</p>
8	October 29, 2021.	Measure 5 Chapter 8	It is recommended to provide detailed justification for derogation of the rule on minimum number of inhabitants per LAG (3,000 instead 10,000). High priority.	A	<p>New text added:</p> <p>Derogation from the requirements for Montenegro</p> <p>The current demographic data show that there is a low probability of forming more than one LAG or none at all in up to 9 municipalities, if the condition is that the minimum number of inhabitants in one LAG is 10,000.</p> <p>These are municipalities in the north of Montenegro, whose population is mainly engaged in agriculture. At the same time, these are the municipalities that would benefit most from the LEADER measure.</p> <p>In addition, there are 4 municipalities with less than 20,000 inhabitants, where one or possibly two LAG's could also be formed.</p> <p>In addition, the population density in rural areas, which make up half of the territory of Montenegro, is less than 25 inhabitants per 1 km<sup>2</sup>.</p> <p>This shows further complicates the formation of LAGs, because the territory of a LAG with 10,000 inhabitants is too large for the common objectives of this LAG to be identical for the entire territory, which would at the same time lose the importance of the local.</p> <p>In view of the data presented, it was decided that the rule on the minimum number of inhabitants of a LAG will be deviated for the territory of Montenegro, so that in this case this number will be 3000 in order to give the initiative a chance to develop in the smallest municipalities, which in turn cover a large rural area.</p>
9	October 29, 2021.	Measure 6 Chapter 8	It is recommended to improve the rationale and a needs assessment. Medium priority.	A	<p>The current text has changed. The new text is:</p> <p><b>Rationale</b></p> <p>The rural area which covers majority of territory of Montenegro is characterized by a lag in economic development and underdeveloped supporting infrastructure, including the availability of services and assurance of living and working conditions which has led to the depopulation of rural areas and a lack of interest from young families to live and work in rural areas.</p>

				<p>In Montenegro there are many rural areas with poorly developed transport, social and economic infrastructure. For example, the distance from grocery stores and primary schools is 3-4 km on average, and from secondary schools and banks 10 km. The distance to a bus stop is 2.5 km, and to a post office on average about 7.5 km. According to statistical data for 2020, 1,315 km or 13.5% of the total road network in Montenegro fall into the category of dirt and uncategorized roads. In addition, the water network and electricity supply in many villages are in poor condition and there is no developed telecommunications network with the possibility of using the Internet. Consequently, further economic decline and depopulation of remote rural areas can be expected, where these areas and national policies do not provide favourable conditions for life and the economic environment.</p> <p>Fostering the development and improvement of the basic infrastructure is one of preconditions for the development of a balanced economic growth in the rural area and for the enhancement of the socio-economic living conditions of the rural population in Montenegro.</p> <p>Competitiveness of agriculture and forestry in Montenegro is impeded by poor public access to the agriculture and forest land parcels. Provision of access of electricity on agriculture land is needed to sustain the modernisation investments of the agriculture production systems (i.e. automated irrigation systems for efficient water use).</p> <p>Rural settlements are also affected by climate change and lack of investment in flood management (e.g. maintenance of river beds) and protection against landslides pose a constant threat to rural inhabitants.</p> <p>Necessary investments in rural areas relate to the construction and reconstruction of local roads, uncategorized local roads leading to katuns,<sup>40</sup> investments in water supply, sewage, and waste disposable, rehabilitation of bridges and landslides.</p> <p>In accordance with the law on regional development, each local self-government has the obligation to adopt a Strategic Plan for the development of the municipality, which also defines the priority infrastructure projects and general goals for the development of the municipality.</p> <p>Some municipalities in Montenegro had access to the sources of IFAD project for investments in rural infrastructures, so some level of knowledge about implementation of projects exist. Despite the above, further training of all stakeholders is needed.</p>
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<sup>40</sup> For the need of temporary residence for people and livestock in the mountains during the summer months, settlements are built and used only seasonally. It is believed that this "pastoral village" has been called katun since the 13<sup>th</sup> century. According to various researchers, katuns are defined as "summer villages on the mountain", "summer dwellings", "summer dwellings", "temporary summer dwellings" or "groups of wooden huts on summer pastures".

"Katuni" consists of "pastoral dwellings" of the simplest form of houses-cabins. Besides huts, other basic elements of katun are cattle pens. Livestock migration or transhumance is the seasonal movement of people and livestock between permanent summer and winter pastures, between permanent villages and temporary seasonal settlements - katuns.

					<p><b>Linkage to other IPARD measures in the programme and national measures</b></p> <p>This measure is linked in particular to the measures 'Investments in physical assets of agricultural holdings', 'Investment in physical assets concerning processing and marketing of agricultural and fishery products' and 'Rural diversification and business development'. These measures allow, among other eligible investments, investments in the strengthening of infrastructure on the farms/processing plants themselves, including internal roads, electricity supply, water supply and waste treatment, while the measure 'Investments in rural public infrastructure' aims at the construction and reconstruction of public infrastructure in rural and agricultural areas. The support granted under this measure will not overlap with the support granted under the national support schemes for agriculture and rural develop.</p> <p><b>Common eligibility criteria – <u>added new one</u></b></p> <ul style="list-style-type: none"> <li>• The projects must be noted in the adopted Strategic Plan for the development of the municipality</li> </ul>
10	October 29, 2021.	Measure 9 Chapter 8	It is recommended to adjust the rationale and other relevant aspects in the text, in a such a way that the text reflects country-specifics (instead of just copying 100% the text from the EC Fiche on Measure 9). Low priority.	A	<p>The current text has changed. The new text is:</p> <p style="text-align: center;"><b>Rationale</b></p> <p>This measure involves the provision of technical assistance and supports the costs associated with the implementation of the IPARD III programme. Support under this measure is necessary to ensure the preparation and implementation of all selected IPARD III measures, the regular and effective monitoring and evaluation of the IPARD III programme, and the effective implementation of the programme. One of the main objectives of the measure is also to promote the IPARD III measures.</p> <p style="text-align: center;"><b>General objectives</b></p> <p>The aim of this measure is to help in particular with the implementation, monitoring and evaluation of the programme. It also aims to promote IPARD III through various communication channels and to support the various bodies involved in preparing and implementing the IPARD III programme.</p> <p style="text-align: center;"><b>Recipients</b></p> <p>The recipient under this measure is the IPARD Managing Authority of the IPARD III programme, namely Directorate for Rural Development within the Ministry of Agriculture, Forestry and Water Management.</p>

				<p>Other IPARD III bodies (e.g. Paying Agency, other directorates within MAFWM, advisory services, technical bodies, potential local action groups (LAG's) and the Rural Network of Montenegro (RNM) may benefit from the technical assistance measure through the activities performed by IPARD Managing Authority/Directorate for rural development.</p> <p><b>Common eligibility criteria</b></p> <p>Eligible expenditure is based on real costs, which are linked to the implementation of the co-financed operation and must relate to payments effected by the recipient, supported by receipted invoices or accounting documents of equivalent probative value<sup>41</sup>. Simplified cost options can also be used as an alternative for real costs.</p> <p>All projects must be procured in accordance with the rules for external aid of the Commission contained in the Financial Regulation. For this purpose, the application of PRAG could be adapted to the specificities of the beneficiary country. The implementation of the Technical Assistance actions shall be compliant with public procurement.</p> <p>Eligible expenditure will be reported as part of the annual implementation report. Some expenditure like transport costs (airplane tickets, train, bus, ferry or boat tickets), use of private vehicles for business purposes, registration fees, daily allowances, accommodation, etc. will be calculated on flat rate amounts, in accordance with the conditions and rates applicable in the public sector of the Montenegro concerned for similar actions where no EU co-financing is involved.</p> <p>For this measure, actions financed or foreseen to be financed as part of twinning covenants or other projects supported under other IPA components will not be eligible.</p> <p>Technical assistance to support the setting-up of management and control systems is eligible prior to the entrustment of budget implementation tasks for new measures, for expenditure incurred after 1 January 2021.</p> <p>The full procedure for implementing this measure, including the PRAG rules, is set out in the Guideline for TA measure and other implementing documents.</p>
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<sup>41</sup> 'Accounting document of equivalent probative value' means any document submitted to prove that the book entry gives a true and fair view of the actual transaction in accordance with current accountancy law.

11	October 29, 2021.	Support for recipients, IPARD bodies and the LEADER programme Chapter 17	It is recommended to provide information about the current institutional capacities, gaps and the capacity building programme that needs to be put in place to provide a sound support for recipients, IPARD bodies and the LEADER programme. Medium priority.	A	<p>New text added - The current situation in the IPARD Managing Authority/Directorate for rural development is covered by 9 out of 12 places envisaged by the systematization, as follows:</p> <ul style="list-style-type: none"> <li>- Programming Directorate 5 employees (out of the planned 7 employees) and</li> <li>- Directorate for M&amp;E, coordination and public relations 4 employees (out of the planned systematization 5 employees).</li> <li>- Additional two short term employees are engaged in the Programming Directorate, of which one of them will change into a long term contract.</li> </ul> <p>In terms of employment, the same number of employees is maintained as during 2021. Given that Montenegro submitted entrustment request submitted in January 2022 and which considered by DG AGRI as incomplete and non-compliant with Annex 3 to the SA II, it is planned to complete the accreditation package and resubmit it, with the intention of accrediting Measure 9 during 2022, when a person will be appointed who will be in charge of monitoring this measure from the Programming Directorate within the IPARD Managing Authority/Directorate for rural development. Also in the next period, a person will be appointed who will be in charge of the LEADER measure.</p> <p>The Technical Assistance measures will further strengthen the NMRD as well as the LEADER approach in creating the preconditions for its implementation (eg. development of local Development Strategies).</p> <p>The process of recognizing LAGs through the Law on Agriculture and Rural Development has been initiated.</p> <p>In the IPARD Agency/Directorate for payments, 74 employees are engaged on the IPARD activities:</p> <ul style="list-style-type: none"> <li>- 55 employees on long-term contract;</li> <li>- 17 employees on short-term contract;</li> <li>- 2 internal auditors on long-term contract (Internal Audit Division of the MAFWM).</li> </ul>
<b>Construction of the intervention logic</b>					
12	October 29, 2021.	Chapter 6	It is recommended to draft a text for the IPARD III strategy, which is a part of the overall national strategy.		For the purpose of drafting the new Strategy of Agriculture and Rural Areas 2022-2028 with the Action Plan, the Ministry hired a company in 2021 through the MIDAS 2 project to draft sector studies approved at the end of October 2021, after which the preparation phase of the Strategy began. The Ministry has formed a working group consisting of representatives of relevant institutions, academia and the NGO sector, as well as hired experts through the MIDAS 2 project, whose common task is to adopt this document. The first draft of the Strategy was made at the beginning of February 2022. In accordance with the Action Plan for addressing the key

					recommendations from the EC Report for 2021, the final draft of the Strategy will be submitted to the European Commission by the end of the second quarter 2022 for review and opinion. In accordance with the Government's Work Program for 2022, it is envisaged that the Strategy with the Action Plan will be adopted by the end of the third quarter of 2022.
13	October 29, 2021.	Lessons learnt Chapter 5	It is recommended to insert a text referring to the on-going evaluation of IPARD II. Medium priority.	A	<p>Added text:</p> <p><b>IPARD II interim evaluation</b></p> <p>During the development of the IPARD III programme, an interim evaluation of the IPARD II programme was carried out, covering the period up to the end of 2020.</p> <p>The main recommendations that will have an impact on the implementation of the IPARD III programme are listed below:</p> <p>The state of play for the programme implementation by the end of 2020 is to some extent disappointing compared to the expectations at the time when the Programme was developed.</p> <p>First, not all planned measures are implemented since they are not requested to be entrusted. It is the case for Measure 4 - Agro-environment, Measure 5 - Implementation of local development strategies – LEADER approach and Measure 6 - Investments in public rural infrastructure.</p> <p>Only Measure 1 - Investment in physical assets on agricultural holdings and Measure 3 - Investment in physical assets related to production and marketing of agricultural and fishery products, beside technical assistance, has been implemented from the start of the programme in 2018.</p> <p>The reason to postpone the implementation of measure 4, 5 and 6 was linked to the level of capacity of the implementing structures and based on the factual implementation of measure 1 and 3, it was a reasonable decision to wait with the measures to IPARD III programme planned to be ready for implementation in 2022.</p> <p>Measure 1 and measure 3 has been implemented since 2018 with 2 calls in the period covered of interim evaluation. The total number of received applications under measure 1 under these first two calls is 569, of which 143 are rejected. By the end of 2020, 285 projects are contracted of which 163 are paid with an average total investment of 42,000 EUR.</p> <p>The total financial commitment rate is 33% by the end of 2020, and the project implementation rate is 47.5%.</p> <p>The total number of applications under measure 3 is 97, where 40 were rejected. The rejection rate is 41.2%. Only 6 projects are paid by the end of 2020 with an average investment of 628,000 EUR.</p>

				<p>The final date of eligibility of expenditures under the IPARD II programme is December 31<sup>st</sup>, 2023.</p> <p>This means again that the implementation speed must be increased dramatically if all resources allocated to the accredited measures shall be utilized.</p> <p>Measure 7 - On farm diversification and business development is accredited late in the process, first opened for calls in 2021 and is not reviewed in performed interim evaluation.</p> <p><b>Effectiveness of implementation</b></p> <p>It is the conclusion that the effectiveness of the implementing structures has not been at a sufficient level to ensure a smooth implementation of the accredited measures. There has been a need for additional staff in the IPARD Agency/Directorate for payments, and there is also a big need for strengthening the IT system.</p> <p>More staff has been recruited to the Agency during 2020, but the evaluator has so far, no information about important improvement in the IT infrastructure, which is necessary in order to improve the digitalisation of the work processes in the IPARD Agency/Directorate for payments.</p> <p>To what extent this capacity enhancement is sufficient to ensure a faster and more effective implementation during the remaining 3 years of the Programme period remains to be seen, but the IPARD Agency/Directorate for payments must increase the effectiveness of processing applications and payment claims.</p> <p>Interim evaluators gave the main recommendations, as follows, which have the great importance for successful implementation of IPARD III programme:</p> <ul style="list-style-type: none"> <li>• Assess in detail the need for an improved IT based management information system (MIS) for MA to improve monitoring and evaluation and take steps to enhance the systems accordingly.</li> <li>• Take steps to establish improved data systems for the analysis of the economic development in agriculture and food industry, either in MAFWM or in MONSTAT.</li> <li>• Assess to what extent all prioritized sectors and not only milk and F&amp;V are supported appropriately.</li> <li>• Assess to what extent the priority of investment support to renewable energy projects is realistic and take steps to increase the prioritization of the sector, if relevant and needed.</li> <li>• Implement the FADN system as soon as possible.</li> </ul>
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					<ul style="list-style-type: none"> <li>• Take steps to introduce a project evaluation model for reducing the risk for deadweight of supported projects.</li> <li>• Increase the effectiveness of work processes in IPARD Agency/Directorate for payments with the help of enhanced IT systems.</li> <li>• Take steps to consider and assess the possibilities for introducing a digitalization of the full work processes, including introduction of electronic applications.</li> <li>• Increase the transparency in decisions about approval and rejection of applications and adjustment of payment claims with the help of improved guidelines for applicants, better information to recipients and rejected applicants and better dialogue.</li> <li>• Take steps to assess the work processes of the IPARD Agency/Directorate for payments in order to simplify and make faster and more effective the work processes wherever possible.</li> </ul>
14	October 29, 2021.	Lessons learnt Chapter 5	It is recommended to insert a text regarding achieved effects from previous interventions other than MIDAS, primarily for beneficiaries of the project support, from direct payments and other forms of support to the sector, if this information is available. Medium priority.	NA	Data on direct payments and other forms of paid investment support, are given in Chapter 5 - MAIN RESULTS OF PREVIOUS INTERVENTIONS. Data on objectives achieved at the user level, such as increase in turnover, GVA, etc., are not available.
15	October 29, 2021.	Measure 3 Chapter 8	It is recommended to adjust the maximum criterion in measure 3 so that it is in line with measure 1: Maximum total eligible	A	Harmonized in such a way that for both measures the maximum support for the recipient is determined instead the maximum value of the investment.  <b>New text added in Measure 1:</b> In this programming period, the recipient is not limited by the number of supported projects, but can receive a total support of maximum EUR 2,000,000 of public support under this measure from the IPARD III programme.

			investments of 5,000,000 EUR.		
16	October 29, 2021.	Measure 3 Chapter 8	It is recommended to make two budget lines. One for each type of recipient in order to be able to control and monitor the implementation.	NA	We believe that the separation of finances for each of the groups of recipients could pose a problem in the possible redistribution of funds in the future. The separation of finances by groups of recipients has not been applied to any other measure.
17	October 29, 2021.	Measure 7 Chapter 8	For investments over 50,000 EUR it is recommended to consider using the viability model from M3, where PBT, NPV and cash flow are the core parameters.	A	<p>The same model will be used for all investment measures. It will be explained in detail in the Business Plan template that will be published with the calls for applications. Chapter “The economic viability of the recipient” has been reformulated to read as follows:</p> <p>The recipients must demonstrate economic and financial viability with the business plan. The business plan includes a brief description of the business, its current assets and liabilities, human resources, a detail description of the investment proposed, its financing and projections on the future economic operation (incl. marketing).</p> <p>The business plan has to demonstrate in what way the implementation of the project will lead to the improvement of the overall performance of the business activity via presentation of prospect of financial and economic viability.</p> <p>Recipients of support funds for investments, whose total costs for investment realization are equal or over EUR 50,000 complete detailed business plan, presenting that the equity capital of the holding and its stocks in terms of liquidity and assets meet the operational costs and, where applicable, to allow growth while maintaining the resource base. while Recipients whose total costs are up to EUR 50,000 complete simplified business plan.</p> <p>As minimum criteria, the business plan should show that the equity capital of the recipient and its stocks in terms of liquidity and assets meet the operational costs.</p> <p>The IPARD funds granted to the recipient must be taken into account when calculating the economic viability of the recipient.</p> <p>The templates of the Business Plan with explanation how to fill it shall be prepared by the IPARD Agency/Directorate for payments.</p>

18	October 29, 2021.	Measure 7 Chapter 8	It is recommended to make three budget lines. One for each sub-measure in order to be able to control and monitor the implementation.	NA	Based on past experience in the implementation of Measures 1, 3 and 7, we consider this method of identifying finances to be appropriate and simpler in the event of possible changes to the Programme. The monitoring of the use of funds is carried out through monitoring tables in which each of the 3 sectors of measure 7 is monitored separately.
19	October 29, 2021.	Measure 6 Chapter 8	It is recommended to define more precisely the recipients and specific eligibility criteria. Medium priority.	A	<p>The term “Public administrative entities” has changed into “Municipalities from the list in Annex X of the IPARD III programme”</p> <p>Added new specific eligibility criteria:</p> <p><b>Roads</b></p> <ul style="list-style-type: none"> <li>- Roads must connect areas where agricultural production takes place and must be shown in spatial plans.</li> </ul> <p><b>Water management</b></p> <ul style="list-style-type: none"> <li>- The municipality must have established a public body for the provision of water supply services to which it entrusts the management of the investment object</li> </ul> <p><b>Waste management</b></p> <ul style="list-style-type: none"> <li>- The municipality must have established a public waste disposal service to which it entrusts the management of the investment object.</li> <li>- An environmental impact study must be prepared for the investment</li> </ul> <p><b>Energy supply</b></p> <ul style="list-style-type: none"> <li>- Energy production only for public consumption is acceptable</li> </ul> <p><b>Modern technologies</b></p> <ul style="list-style-type: none"> <li>- Modern technologies, apart from broadband internet, must have built-in components that use energy from renewable sources to power them (solar, wind, etc.).</li> </ul>
20	October 29, 2021.	Measure 6 Chapter 8	It is recommended to re-check with the EC about the eligibility of the expenditures listed as “Facilities of social importance”. High priority.	A	Unacceptable investment. Deleted from the Programme

21	October 29, 2021.	Measure 6 Chapter 8	It is recommended to re-define selection criteria using only criteria which can be objectively verified. High priority.	A	<p>All the selection criteria have changed. Specific eligibility criteria – New table added</p> <table border="1"> <thead> <tr> <th colspan="2">Criteria</th> <th>Points</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Size of the municipality</td> <td>Up to 30</td> </tr> <tr> <td>1.1</td> <td>Up to 5,000 inhabitants</td> <td>30</td> </tr> <tr> <td>1.2</td> <td>Up to 10,000 inhabitants</td> <td>20</td> </tr> <tr> <td>1.3</td> <td>Up to 20,000 inhabitants</td> <td>10</td> </tr> <tr> <td>2.</td> <td>Municipality from the northern region of Montenegro</td> <td>10</td> </tr> <tr> <td>3.</td> <td>Type of investment</td> <td>Up to 20</td> </tr> <tr> <td>3.1</td> <td>Investment in road infrastructure</td> <td>20</td> </tr> <tr> <td>3.2</td> <td>investment in solving water supply problems</td> <td>10</td> </tr> <tr> <td>4.</td> <td>The entire investment is located above 600 m above sea level</td> <td>20</td> </tr> <tr> <td>5.</td> <td>Competitiveness index of the municipality</td> <td>Up to 20</td> </tr> <tr> <td>5.1</td> <td>III group (from 75% to 100%)</td> <td>20</td> </tr> <tr> <td>5.2</td> <td>IV group (below 75%)</td> <td>10</td> </tr> <tr> <td colspan="2"><b>TOTAL</b></td> <td><b>100</b></td> </tr> </tbody> </table>	Criteria		Points	1.	Size of the municipality	Up to 30	1.1	Up to 5,000 inhabitants	30	1.2	Up to 10,000 inhabitants	20	1.3	Up to 20,000 inhabitants	10	2.	Municipality from the northern region of Montenegro	10	3.	Type of investment	Up to 20	3.1	Investment in road infrastructure	20	3.2	investment in solving water supply problems	10	4.	The entire investment is located above 600 m above sea level	20	5.	Competitiveness index of the municipality	Up to 20	5.1	III group (from 75% to 100%)	20	5.2	IV group (below 75%)	10	<b>TOTAL</b>		<b>100</b>
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22	October 29, 2021.	Measure 9 Chapter 8	It is recommended to remove support to Advisory Services from the list of specific objectives. High priority.	A	Deleted																																										
23	October 29, 2021.	Measure 11 Chapter 8	It is recommended to detail eligible expenditures as required in the EC Fiche for Measure 11, following the examples provided in Annex I of the Fiche. High priority.	A	<p>New text added: <i>Afforestation and agroforestry</i></p> <p>Establishment of new afforested area:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Cost of preparation, plantation and propagation material.</li> <li><input type="checkbox"/> Fencing or individual plant protection.</li> <li><input type="checkbox"/> Construction/reconstruction of check dams and other ground works for soil erosion control, and water provision directly linked to the process of establishing the forest.</li> <li><input type="checkbox"/> Other necessary costs directly linked to plantation, such as preparation of afforestation plan, soil examination, soil preparation and protection (up to 12%).</li> </ul> <p>Maintenance for 5 years</p>																																										

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					The eligible expenditure shall be further detailed in the 'list of eligible expenditure'.
24	October 29, 2021.	Measure 11 Chapter 8	It is recommended to detail the selection criteria. Medium priority.	NA	<p style="text-align: center;">Text added:</p> <p>General principles for the selection criteria:</p> <ul style="list-style-type: none"> <li>- Priority will be given to afforestation that is done for protective purposes, such as biodiversity, soil and water protection, etc. This is to be reflected in the selected species and sites to be afforested.</li> <li>- In agroforestry, the priority will be given to multifunctional systems with higher public benefit, such as erosion/desertification control, animal welfare and biosafety actions (separation of grazing lands by forest belts), or supporting pollinators.</li> <li>- The priority will be given to intervention, which will be carried out in kart areas</li> <li>- Priority will be given to afforestation that is done for protective purposes, such as biodiversity, soil and water protection, etc. This is to be reflected in the selected species and sites to be afforested.</li> <li>- The priority will be given to intervention, which will be carried out in areas with the high risk of forest fire</li> <li>- The priority will be given to women applicants.</li> </ul> <p>The selection criteria which will be used and points to be allocated will be, based on proposal prepared by the IPARD Managing Authority/Directorate for rural development, in cooperation with the IPARD Agency/Directorate for payments, approved by the Monitoring Committee before calls for applications, and published in the Guidelines for applicants.</p>
<b>Establishment of targets, distribution of financial allocations</b>					

25	October 29, 2021.	IPARD strategy and financial plan Chapter 6	The balance of the programme can be improved with reallocations of funds in particularly to measure 4 environment and climate change and measure 11 forestry. High priority.	NA	<p>As Montenegro has no experience with the implementation of measures 4 and 11, which are expected to start at a later stage of implantation of IPARD III, we believe that the funds allocated to these two measures can cover the needs in the first years of implementation. In case of greater interest in relation to available funds, additional funds will be allocated through programme amendments.</p> <p>Some of the sub measures present in Measure 4 are already implemented throughout national budget, based on witch we proposed the budget.</p> <p>The mention measures have sub-measures, which leaves the possibility of partial implementation of measures. In this way, the possibility for timely reallocation of funds will be left, if necessary.</p>																						
26	October 29, 2021.	Quantified targets table Chapter 6.6	It is recommended to fill in the missing targets, where it is relevant. High priority.	A	All missing targets filled																						
27	October 29, 2021.	Measure 4 Chapter 8	It is recommended to correct and explain targets and results for M4. High priority.	A	<p>New table added:</p> <table border="1"> <thead> <tr> <th>Indicator</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Number of contracts</td> <td>500</td> </tr> <tr> <td>Agricultural land (ha) under environmental contracts</td> <td>24.000</td> </tr> <tr> <td>Total area per type of type of operation</td> <td></td> </tr> <tr> <td>- Organic farming (ha)</td> <td>750</td> </tr> <tr> <td>- Area of pastures supported (ha)</td> <td>23.250</td> </tr> <tr> <td>Within the support for endangered plant varieties:</td> <td></td> </tr> <tr> <td>- Total area under supported plant variety (ha)</td> <td>80</td> </tr> <tr> <td>Within the support for endangered breeds:</td> <td></td> </tr> <tr> <td>- Number of supported species</td> <td>5</td> </tr> <tr> <td>- Number of supported animals</td> <td>2750</td> </tr> </tbody> </table>	Indicator	Target	Number of contracts	500	Agricultural land (ha) under environmental contracts	24.000	Total area per type of type of operation		- Organic farming (ha)	750	- Area of pastures supported (ha)	23.250	Within the support for endangered plant varieties:		- Total area under supported plant variety (ha)	80	Within the support for endangered breeds:		- Number of supported species	5	- Number of supported animals	2750
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28	October 29, 2021.	Measure 5 Chapter 8	It is recommended to increase the number of small projects. High priority.	A	<p><b>Number of small projects increased</b></p> <p>Taking into account the proposed budget allocation for the implementation of this measure and the general rule that 30% of sources from LDS must be spent on Acquisition of skills, the indicators are modified. The number of new jobs will be reduced to 5 and the number of small projects will be increased to a total of 30. The main objective of the measure is not to create new administrative jobs in the administration LAG.</p>																						

29	October 29, 2021.	Measure 6 Chapter 8	It is recommended to re-check and correct the number of investments in different types of infrastructure – and align these with the budget available, so that an average amount per investment is more realistic. High priority.	A	The table of indicators and targets has changed. The number of projects has been reduced by 50%. Given the start of implementation of the measure in 2024 and the budget set, we consider the adjusted number of projects to be realistic.										
30	October 29, 2021.	Measure 9 Chapter 8	It is recommended to include in the list of indicators the two missing indicators from the EC Fiche on Measure 9. Low priority.	A	Added new one: - Number of programme evaluation reports										
31	October 29, 2021.	Measure 11 Chapter 8	It is recommended to set numerical targets for each of the four indicators. Remove the text: “The measure is planned to be implemented from 202X”. High priority.	A	<p>Table of indicators with numerical targets inserted in the Programme</p> <table border="1"> <thead> <tr> <th>INDICATORS</th> <th>TARGETS</th> </tr> </thead> <tbody> <tr> <td>Afforested agricultural and non-agricultural land (ha);</td> <td>20</td> </tr> <tr> <td>Area of agroforestry systems established (ha)</td> <td>0</td> </tr> <tr> <td>Area of forests having benefited from support to improve the resilience and environmental value of forest ecosystems (ha).</td> <td>140</td> </tr> <tr> <td>Area of forest having benefited from support to prevent and restore from damages to forest from forest fires (ha).</td> <td>140</td> </tr> </tbody> </table> <p>Deleted “The measure is planned to be implemented from 202X”</p>	INDICATORS	TARGETS	Afforested agricultural and non-agricultural land (ha);	20	Area of agroforestry systems established (ha)	0	Area of forests having benefited from support to improve the resilience and environmental value of forest ecosystems (ha).	140	Area of forest having benefited from support to prevent and restore from damages to forest from forest fires (ha).	140
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Programme implementing, monitoring, evaluation, and financial arrangements						
32	October 29, 2021.	Context indicator table Chapter 3.6	It is recommended to complete the context indicator table. If this is not possible due to lack of data or other reasons, it is recommended to indicate in the table what MAFWM will do to collect the data, if the process is on-going, or if not, what the reason for this is. High priority.		Due to the lack of relevant statistics, it is impossible to determine the indicators that are not inserted in the table. In the future, it is planned to engage enough quality experts (or institutions) from TA funds that are able to determine the baseline values for certain indicators (e.g. FBI – Farmland bird index) and monitor their evolution over the years. The baseline values of certain indicators can be determined by the recipients of the actions through a questionnaire that they can submit together with the application and the progress will also be calculated through a questionnaire when evaluating the programme (e.g. increase in GVA).	
33	October 29, 2021.	National instrument Chapter 10	It is recommended to prepare a text and/or a table describing the objective and measurable demarcation lines between IPARD III and national instruments. High priority.	A	Added table with demarcation lines between IPARD III and national instruments:	
					<b>IPARD III programme measure</b>	<b>Demarcation and complementarity in national policy</b>
					Investments in physical assets of agricultural holdings	The national budget supports Measures for strengthening the competitiveness of food producers, which aim to invest in primary production to meet national standards, while creating potential recipients of the IPARD III programme. The level of support and the definition of recipients are the main criteria for demarcation between national and IPARD III support.
Investments in physical assets concerning processing and marketing of agricultural and fishery products	Support for processing on family farms was provided in 2021 from the MIDAS 2 project. As investments were not realized in 2021, the implementation of this measure will continue in 2022. The maximum eligible support is EUR 8,000, while the adaptation and purchase of equipment are eligible costs. upon completion of this project, investments in the processing of agricultural products will not be financed from the national budget.  Expenditures related to investments in the processing of agricultural and fishery products in order to reach the EU					

					standard will be exclusively supported through the IPARD III programme.
				Agri-environment-climate and organic farming measure	<p>A clear demarcation of potential recipients will prevent overlapping support in measures related to sustainable management of natural resources.</p> <p>The support of the IPARD III programme will be available only to those recipients who undertake obligations by signing a support agreement which will also waive the support provided by national measures.</p>
				Investment in rural public infrastructure	<p>Activities related to investments in rural infrastructure are implemented through the International Fund for Agricultural Development - IFAD until 2023. This Programme finances investments in 7 Montenegrin municipalities.</p> <p>The national Programme finances individual requests of agricultural producers or groups of agricultural producers in cooperation with local governments. These applications for support refer to the private property of agricultural producers, i.e. investments related to road cleaning and solving the water supply of individuals are acceptable.</p> <p>The IPARD III programme will support only those investments for which a request has been submitted in accordance with the measure "Investment in rural public infrastructure" and the procedure for procurement and implementation of investments carried out in accordance with the rules. Only investments of public interest will be supported, i.e. roads and water supply systems not located on the private land, which will remain under the management of the end user after the completion of the investment.</p>
				Establishment and protection of forests	Demarcation will be established in the future programming of interventions in other IPA policy areas ensuring avoidance of overlapping of assistance.
				Investments in rural tourism	
				Investments in renewable energy production	
				Other investments in rural areas	

34	October 29, 2021.	IPARD Managing Authority - functioning Chapter 12	It is recommended that MA takes steps to solve the data problem in cooperation with MONSTAT.	A	In discussions with MONSTAT, attention was drawn to a large number of missing data to be collected in the next period. For some values that are not monitored at statistical level, separate data collection by the relevant institutions will be funded from the TA measure.
35	October 29, 2021.	IPARD Managing Authority - functioning Chapter 12	A Training Needs Assessment should be made followed by the implementation of a more structured training programme.	NA	The training needs assessment is part of the overall accreditation package. It is carried out for each member of staff each year in accordance with the rules set out in the general Manual of procedures of MA.
36	October 29, 2021.	IPARD Managing Authority - functioning Chapter 12	Improve the monitoring tables so that they can provide a full overview of the financial situation of the programme implementation (by a glance)  High priority.	A	The monitoring tables and the monitoring system in general is defined in the Agreement between the MA and the PA and it clearly describes the responsibilities and obligations of the both parties. Monitoring tables have been prepared defining all elements in accordance with this Programme. The tables will be part of the accreditation package.
37	October 29, 2021.	Monitoring and evaluation Chapter 12	It is recommended to establish a comprehensive monitoring and evaluation system in MAFWM covering both IPARD III and national instruments.  High priority.	NA	According to the provisions of SA, one of the main tasks of MA is to monitor the Programme and adjust it on the basis of the results obtained.  The monitoring of IPARD measures is carried out according to the established rules, which differ significantly from the system of monitoring national measures, the monitoring of which is the responsibility of other organizational units of the Ministry.  It is planned to improve the monitoring and evaluation system during 2022 in accordance with the previous experience of IPARD implementation but only for IPARD funds.  Due to the limited human resources in MA, the establishment of proposed unique monitoring system is not possible.

38	October 29, 2021.	IPARD Agency – functioning Chapter 12	Push forward to finalise the recruitment of staff to vacant positions according to the WLA.	NA	This is an accreditation criterion that will be checked when each individual measure applies for accreditation.
39	October 29, 2021.	Deadweight Chapter 12	It is recommended to consider using the proposed tool for assessing of the risk for deadweight. High priority.	A	Added text:  Risk of deadweight will be significantly mitigated by determination and application of appropriate selection criteria and control mechanism.
40	October 29, 2021.	Viability model Chapter 12	It is recommended to prepare the viability assessment model and insert it in annex.	NA	Viability assessment model will be part of accreditation package as a document of IPARD Agency/Directorate for payments.
41	October 29, 2021.	IPARD Agency – functioning Chapter 12	Continue the work updating the price reference database. High priority.	A	New text added:  In addition to these functions, IA will continuously update the existing base of reference prices to verify the justification of the price of individual costs indicated by IPARD III tenders.
42	October 29, 2021.	Support for recipients, IPARD bodies and the LEADER programme Chapter 17	It is recommended to amend Chapter 17 by providing concrete information about how support for recipients, IPARD bodies and the LEADER programme will be organised and how the organisations that will be	A	New text added:  <b>General rules</b>  The extension service will be available to farmers and all interested stakeholders through its offices. The extension service staff will be trained on an ongoing basis to provide basic information about the Programme so that they can identify whether an individual unit is eligible to become a recipient of IPARD funds.  The Advisory Service is also responsible for referring potential recipients to addresses where more detailed information on the Programme can be obtained.

			<p>providing it will be strengthened.</p> <p>High priority.</p>		<p>In doing so, the staff of the Advisory Service, as well as other actors involved in the implementation of the Programme, are not allowed to refer the recipient to a specific advisor.</p> <p>The MA is responsible for the training of the staff of the Advisory Service, which organizes training courses and seminars attended by the staff of the Advisory Service from the funds of the TA measure.</p> <p>In addition to the Advisory Service, all other bodies connected with preparation and/or implementation of the IPARD programme, such as the National Rural Network and the future Local Action Groups, will be educated by MA and invited to workshops, study tours and seminars financed by TA.</p>										
43	October 29, 2021.	Publicity, visibility and transparency Chapter 15	<p>It is recommended to consider putting more emphasis on more direct and more dynamic information transfer channels.</p> <p>Low priority.</p>	A	<p>New text added:</p> <p>The communication means will include seminars, press releases, radio and TV commercials in national and local media, programme website and IPARD III social media networks – Facebook, LinkedIn, Instagram.</p>										
44	October 29, 2021.	Measure 4 Chapter 8	<p>It is recommended to explain control system for Measure 4.</p> <p>High priority.</p>	A	<p>Added text in point 8.1:</p> <p><b>Control</b></p> <p>The IACS system has been set up for the control of national payment schemes and can be used to control the implementation of measure 4 of the IPARD III programme.</p>										
45	October 29, 2021.	Measure 9 Chapter 8	<p>It is recommended to adjust the text on administrative procedures so that it reflects country-specific needs (instead of just copying 100% the text from the EC Fiche on Measure 9).</p> <p>Low priority</p>	A	<p>The text is completely changed. The new text is as follow:</p> <p>Administrative procedure</p> <p>In general, the MA is responsible for preparation of Annual Action Plan which should be, after consultations with the Commission, adopted by the Monitoring Committee on autumn session.</p> <p>The outline of the action plan is as follows:</p> <table border="1" data-bbox="958 1281 1982 1385"> <thead> <tr> <th>Type expenditure</th> <th>of</th> <th>Action title and its short description incl. quantification</th> <th>Indicative budget</th> <th>Indicative timetable for implementation</th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Type expenditure	of	Action title and its short description incl. quantification	Indicative budget	Indicative timetable for implementation					
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46	October 29, 2021.	Chapter 13 Stakeholder consultations	It is recommended to prepare chapter 13 on stakeholder consultations before finalizing the programme for submission to DG Agri.	A	<p>New text added in Chapter 13:</p> <p>Relevant stakeholders competent regional and local and other public authorities, economic and social partners, NGOs, will be involved in all stages of IPARD III programme implementation, monitoring and evaluation. The assistance under the IPARD III programme has implemented in close consultation with the Commission services.</p> <p>Before the submission of the draft of IPARD III programme work meetings were organized at the regional level to present the IPARD III programme. Participants on these work meetings were associations of agricultural producers, individual agricultural producers and representatives of food processing and also representatives of local self-governance and extension services. The goal of these work meetings was to receive comments on measures concerning eligible criteria and investments. Main discussion topics were measure. Based on the outputs from these meetings final measures are defined.</p> <p>The MAFWM was establish a working group with the purpose to facilitate an efficient consultation process of the IPARD III programme development. The working group consists of</p>								

					<p>representatives of authorities, bodies and socio economic and environmental partners. The main aim of the working group is to steer the programming process, to provide comments and proposals on the completion of the IPARD programme.</p> <p>The consultative process was implemented in a manner, that the Draft document containing a description of the selected measures as well as a template containing guidance on how to comment on each measure individually, was sent for consultation to the members of the IPARD III working group.</p> <p>Additionally, the mentioned documents were posted on the official website of the IPARD programme and MAFWM. All actors and members of the Monitoring Committee and all national associations and bodies involved in the implementation of the IPARD II programme, received notification via email and social networks, where they can download the draft document and how they can contribute to the development of the IPARD III programme.</p> <p>Particularly intensive consultations were conducted with the structure implementing the IPARD programme, all with the aim of preparing measures that will not encounter obstacles in implementation. Stakeholders who submitted comments mostly focused on specific eligibility criteria, eligible investments, as well as the level of support by measures.</p> <p>The comments received have been consolidated and are attached to this Programme.</p>
Other					
47	October 29, 2021.	NRN	It is recommended to explain setting-up of RNM. High priority.	A	<p style="text-align: center;">The text has changed. New text inserted:</p> <p>The Rural Network of Montenegro has an important role to play in mobilizing civil society in rural areas and promoting the concept of rural development. It was established in 2012 with the aim of promoting rural development through the exchange of information, ideas and good practices, as well as to promote partnership among civil society and strengthen the capacities of all its members. The vision of the Network is that the entire rural population actively participates in social, economic and cultural development and in preserving and protecting the heritage of those areas in which they live.</p> <p>The founders of the Network are 12 non-governmental organizations: NGO Agrogrupa; NGO Drenjina Days; NGO Agricultural Union of Montenegro; NGO Viola - association of medicinal plant collectors; NGO Status - Women's Network for Rural Development; NGO Revive the village; Agribusiness center; Cooperative Agrosjever; NGO Regional Development Agency for Komovi, Prokletije and Bjelasica; NGO Association of Olive Growers "BOKA" as well as NGO Center for knowledge transfer.</p> <p>Currently, the Network has a total of 29 members - NGOs, each based in a particular city, and a number of expert advisors who make contact with several other cities. Most NGO members are mainly interested in environmental protection, promotion of cultural and historical heritage, education and social issues. The Network seeks to gradually expand its membership with the aim of achieving full geographical coverage of the country's rural areas and that the Network can confirm in a timely manner that it speaks on behalf of a large part of the rural population.</p>

					<p>The conference "The role of the civil sector in the rural development of the Western Balkans", held in Niksic on June 6th 2012, was used for the official establishment and promotion of the Network for Rural Development of Montenegro, in cooperation with the MAFWM of Montenegro, Ministry of Economic Development and Tourism of Montenegro and the Standing Working Group for Rural Development of Southeast Europe - SWG RRD.</p> <p>During 2013, the Network concluded two significant agreements that strengthened its role. First, an agreement was reached with the rural development networks of Serbia and the Republic of Macedonia with the aim of establishing a Balkan Rural Development Network. The establishment of the Network was supported by the Permanent Working Group. Secondly, a Protocol on Cooperation was signed with the Ministry of Agriculture, Forestry and Water Management, which will provide mutual support and cooperation while respecting the independence of the Network. In addition, many NGOs that are members of the network have good connections with municipalities; the main members of some NGOs are employed or are consultants in the municipalities. The network launched the first comprehensive Web portal in the field of agriculture and rural development - <a href="http://www.ruralportal.me">www.ruralportal.me</a>.</p>
48	October 29, 2021.	Programme text	Edit the draft programme, ensure proof reading, formatting and an appropriate lay-out including tables and graphs numbers, page numbers etc.	A	Accepted.

## ANNEX VII - RESULTS OF CONSULTATIONS – SUMMARY

Subject of the consultation	Date of the consultation	Time given to comment	Names of institutions/bodies/persons consulted	Summary of the results
Measures 1,3,4,5,7,9,11	19.11.2021.	11 days	Department for Budget Procedures, Ministry of Finance	<p><i>Comment:</i></p> <p>For all measures which will be implemented, it is necessary to indicate the amount of funds by source of financing planned for the implementation of the measure, specifying the budget code of the activities and the financial year.</p> <p><i>The answer: Not accepted.</i></p> <p>The financial tables of the IPARD III programme already define the financial year and the amount of support by source of funding (national, private and EU) foreseen for the implementation of each measure.</p>
Measure 1	19.11.2021.	11 days	IPARD Agency/Directorate for payments	<p><i>Comment:</i></p> <p>Recipients - I infer from the text that only 'legal persons or entrepreneurs registered for fisheries and aquaculture' must be registered by the date of publication of the call. It is only necessary to separate this part so that it is clear that it applies to all.</p> <p><i>The answer: Accepted. Text changed.</i></p> <p><i>Comment: Specific eligibility criteria</i></p> <p>This should be changed to "on the day the announcement of the public call or at the time the application for support is submitted" If it stays at the date of submission of the application for payment, there will be too many low-quality applications in the contracting process, the contracting process will take much longer than it does now, a high risk that the user will realize the investment and not get paid because he has one less or something.</p> <p><i>The answer: Not accepted.</i></p> <p>The criteria of the existence of a certain production volume at the time of applying for support is a limiting factor for a large number of users, who should be given the opportunity to synchronize and provide the production volume established at the end of the investment with the planned investment through the IPARD III programme. It is in the common interest of MA, IA for agricultural producers to make investments and receive support according to IPARD criteria, thus strengthening primary agricultural production in Montenegro. In both cases, the same effect is achieved at the end of the investment, before the final payment. Moreover, a larger number of users will be given the opportunity to realize their investment.</p>

				<p>The quality of the application does not depend on the initial or final criteria, but on the user and the prepared documents.</p> <p><b>Comment:</b> Eligible Expenditures - Pruning should be excluded because it is a process that is done every year. As for restructuring, this would mean rejuvenating abandoned and older orchards, and the question is whether this is viable. If this is supported, I would limit it to olive groves.</p> <p><b>The answer: Accepted. Excluded from text.</b></p> <p><b>Comment:</b> Are the costs of adaptations eligible? As they are listed under eligible costs and not under eligible investments.</p> <p><b>The answer: Not eligible. Excluded from text.</b></p>
Mesasure 3	19.11.2021.	11 days	IPARD Agency/Directorate for payments	<p><b>Comment:</b> Just a more detailed explanation of what is meant when a company is made up of multiple companies. How does that work? Do the national standards, the economic viability of the project then apply to the assets of multiple companies?</p> <p><b>The answer: Not acceptable. Already defined.</b> At the latest before the final payment, the whole enterprise must comply with the applicable national standards (see the list of MNS in Annex III of the programme IPARD III) relating to environmental protection, public health, animal welfare and occupational safety. Where national standards based on EU standards are particularly demanding, the Commission may grant derogations from this rule in justified cases. At the latest before the final payment, the aided investment must comply with the EU standards applicable to the investment.</p>
Measure 7	19.11.2021.	11 days	IPARD Agency/Directorate for payments	<p><b>Comment:</b> Economic sustainability is not defined as a condition, and a business plan and statements for legal entities are required. It must be defined in the same way as in measure 1, as recipients can be natural and legal persons.</p> <p><b>The answer: Accepted. Included in text.</b></p>
Measure 1	19.11.2021.	11 days	Regional Development Agency Komovi, Bjelasica and Prokletije	<p><b>Comment:</b> It is not clear what this means: 'If the user repeatedly invests in renewable energy sources'. Does he invest more than once in an approved project? Clarify or rephrase.</p> <p><b>The answer: Not acceptable.</b></p>

				<p>The programme clearly defines that:          "If the user makes repeated investments in renewable energy sources, the IPARD Agency/Directorate for payments is required to take into account the existing energy production of the farm when assessing self-consumption". "Repeatedly" means that the user invests across multiple separate projects. The applicant may apply for new support under this measure only after the final decision on payment, rejection or termination of a previously completed project.</p>
Measure 3	19.11.2021.	11 days	Regional Development Agency Komovi, Bjelasica and Prokletije	<p><b>Comment:</b>          Clearly, under the criteria related to number of employees and annual turnover, this measure is intended for large businesses, but farms with a small volume of production that are registered with the Food Safety Administration for processing should also be included as end users.</p> <p><b>The answer: Not acceptable.</b>          Proposed users with small production volumes may apply under Measure 7, Sub-Measure 7.2.</p>
Measure 7	19.11.2021.	11 days	Regional Development Agency Komovi, Bjelasica and Prokletije	<p><b>Comment:</b>          Common eligibility criteria          Is there any way to reduce the altitude criteria?</p> <p><b>The answer: Accepted. Text changed.</b></p> <p>For sub-measure 7.1 and 7.3 - investments must be made in rural areas above 600 meters in elevation (all recipients).</p> <p>Only investments at elevations below 600 meters are acceptable for farm owners who have the following production volume at the time the public notice is issued.</p> <p><b>Comment: Eligible investments.</b></p> <p>Let us think about whether everyone can apply for panoramic paths, hiking trails, bike trails (if you do not mean smaller trails within the farm).</p> <p><b>The answer: Not accepted.</b>          According to the Law on Tourism and Hospitality.</p>
Measure 5	19.11.2021.	11 days	Regional Development Agency Komovi, Bjelasica and Prokletije	<p><b>Comment:</b>          The LAG must have a legal form that complies with the relevant legal framework. Indicate which legal form in accordance with which legal framework?</p> <p><b>The answer: Accepted. In the text is added:</b></p>

				"Montenegro is in the process of preparing national legislation on recognition of LAGs. In order to create the possibility of recognizing LAGs, the procedure for amending the Law on Agriculture and Rural Development, which allows for the formation and recognition of LAGs, has been initiated."
<b>Measure 7</b>	<b>19.11.2021.</b>	<b>11 days</b>	<b>Regional Development Agency Komovi, Bjelasica and Prokletije</b>	<p><i>Comment:</i> This limit of 600 m above sea level should be removed, because it is of great importance that rural tourism develops evenly throughout the country. It is also obvious that farms in the rural areas in the coastal part of Montenegro face significant obstacles in accessing support measures to improve services and have the same problems as farms in the north.</p> <p><i>The answer: Accepted. Text changed.</i></p> <p>For sub-measure 7.1 and 7.3 - Investments must be made in rural areas above 600 meters' altitude (all recipients).</p> <p>Only investments at elevations less than 600 meters are acceptable to farm owners who have the following production volume at the time of publication of the public notice.</p> <p><i>Comment:</i> The recipient must have completed at least level IV1 of the National Qualifications Framework as defined in the relevant Tourism and Hospitality Act before the final disbursement of funding for sub-measure 7.1; It is completely irrelevant whether anyone in the household has this level of education, nor is education a condition for registering a rural tourism activity. Two families who received the national Wild Beauty Award for the quality of rural tourism services do not have this kind of qualification and they provide their services in an excellent manner. We therefore believe that this criterion should be removed.</p> <p><i>The answer: Not accepted.</i></p> <p>This criterion is a prerequisite for proper registration of tourist and catering facilities at the end of the investment, before final payment.</p> <p><i>Comment:</i> Katuni (Katun huts) and camps should also be among the accommodation options. It is said that users can receive support working in a separate building that is not part of a residential building - very often users have ancillary facilities that are built as separate facilities but adjacent to the house so that they are part of a residential building.</p>

				<p><b>The answer:</b> The camps are already included in the measure. Katun huts are not excluded from support if they are registered as complementary facilities before the final payment.</p>
Measure 3	19.11.2021.	11 days	Directorate for Industrial and Regional Development, Ministry of Economic Development and Tourism	<p><b>Comment:</b> If the EU co-finance 75% of public support, why is the percentage of co-financing not increased?</p> <p>The intensity of support (public support) can be a maximum of 50% of the total eligible costs. For investments related to waste water treatment and investments in the productive use of waste materials - circular economy and renewable energy sources - the maximum intensity of support can be increased by 10% (maximum 60%).</p> <p><b>The answer:</b> The amount of aid (public aid) is up to 50% of the total eligible expenditure. For investments related to the treatment of waste water and investments in the productive use of waste materials - circular economy - and in renewable energies, the maximum aid intensity may be increased by 10%. The maximum aid intensity for collective investments is 70% cumulatively. The EU co-financing rate is 75% of the public support. A further 25% of public support will be financed by national funds.</p>
Measure 5	19.11.2021.	11 days	Directorate for Industrial and Regional Development, Ministry of Economic Development and Tourism	<p><b>Comment:</b> If I have seen correctly, we are talking about projects up to EUR 5,000. I think the amount per project should be increased to EUR 10,000.</p> <p><b>The answer: Not accepted.</b> Defined by EU regulations.</p>
Measure 6	19.11.2021.	11 days	Directorate for Industrial and Regional Development, Ministry of Economic Development and Tourism	<p><b>Comment:</b> Common eligibility criteria – add water supply.</p> <p><b>The answer: Already defined in measure.</b></p>
Measure 1	19.11.2021.	11 days	Union of Municipalities for International Cooperation and EU Integration	<p><b>Comment:</b> Why only legal entities in the fisheries and aquaculture sector? Why are other legal entities engaged in other agricultural activities not recognized, e.g. dairies, fruit products, etc.?</p> <p><b>The answer: According to the law</b></p> <p><b>Comment:</b></p>

			<b>Association of Municipalities of Montenegro</b>	<p>Specific eligibility criteria Does this apply only to agricultural holdings or to all eligible recipients</p> <p><i>The answer: Accepted. Text changed.</i> The recipients are: - Agricultural holdings as defined in the relevant Agriculture and Rural Development Act and/or, - Producer organisations recognised under the relevant law on the regulation of the market in agricultural products, and/or, - Cooperatives registered in the Central Register of Business Entities (CRBE) for the activity of production and/or processing of agricultural products, and/or, - Legal entities or entrepreneurs registered for fisheries and aquaculture activity in the Central Register of Business Entities (CRBE) and registered no later than the date of publication of the public tender.</p>
<b>Measure 3</b>	<b>19.11.2021.</b>	<b>11 days</b>	<b>Administration for Food Safety, Veterinary and Phytosanitary Affairs</b>	<p><i>Comment:</i> The terms healthy, nutritious and sustainable food are not acceptable.</p> <p><i>The answer:</i> Already defined by EC measure fiche for M3. Specific objectives Improve product quality control through the application of quality management systems and food safety standards to ensure the production of food of plant or animal origin that meets prescribed food quality and safety requirements. <i>The answer: Accepted. Text changed.</i></p>
<b>Measure 7</b>	<b>19.11.2021.</b>	<b>11 days</b>	<b>Administration for Food Safety, Veterinary and Phytosanitary Affairs</b>	<p><i>Comment:</i> 7.2 Sub-measure-Relating to this measure, AFSVP considers that it should be specified that users can only be natural and legal persons who have their own adequately equipped production facilities.</p> <p><i>The answer:</i> It is already defined by measure 7, sub-measure 7.2, in the specific eligible criteria.</p>
<b>Measure 9</b>	<b>19.11.2021.</b>	<b>11 days</b>	<b>Administration for Food Safety, Veterinary and Phytosanitary Affairs</b>	<p><i>Comment:</i> The end user of this measure is the IPARD Managing Authority/Directorate for rural development. Other IPARD III entities and related bodies (operating structure, management structure, advisory services, technical bodies, potential local action groups (LAGs) and national rural development networks) may benefit from the technical assistance provided by the IPARD Managing Authority/Directorate for rural development. Proposal to employ a person in the AFSVP who could only perform the tasks of determining the occupancy of facilities at the request of facilities and who would make decisions to carry out certain activities after a direct inspection of facilities and review of the request, or to employ one or more staff members of the AFSVP, as appropriate, as external expert(s) for the evaluation of projects or the assessment of equipment, etc., to adopt a specific legal act - decision or other</p>

				<p>legal act on the assignment of technical bodies, i.e. professional and competent persons from technical bodies to perform these tasks.</p> <p><i>The answer:</i> The technical assistance measure already stipulates that other IPARD III bodies and related bodies (operating structure, management structure, advisory services, technical bodies, potential local action groups (LAGs) and national rural development networks may benefit from technical assistance via the MA.</p>
Measure 1	19.11.2021.	11 days	Old Royal Capital Cetinje	<p><i>Comment:</i> Specific eligibility criteria- Increase the minimum number of hives with bee communities to 50.</p> <p><i>The answer: Not accepted.</i> The proposal to increase the criteria for beekeeping by almost 100% would reduce the number of potential recipients, which is contrary to the development objective of beekeeping and agricultural production through the IPARD III programme.</p>
Measure 5	19.11.2021.	11 days	Old Royal Capital Cetinje	<p><i>Comment:</i> LAG Area Requirements The population criterion of 3,000 to 25,000 should be reduced if the population is lower.</p> <p><i>The answer:</i> It is already proposed to reduce the criteria from the action sheet from 10,000 to 3,000 population.</p>
Measure 7	19.11.2021.	11 days	Old royal capital Cetinje	<p><i>Comment:</i> Eligible costs, sub-measure 7.2 - Adding the beekeeping sector.</p> <p><i>The answer:</i> Not accepted. The sectors are in compliance with the relevant Food Safety Act and the relevant Regulation on hygiene requirements for facilities and premises where small quantities of primary food products are produced.</p>
Measure 1	19.11.2021.	11 days	Municipality of Berane	<p><i>Comment:</i> Consideration should be given to involving beginners, i.e. citizens who own agricultural land and have not previously engaged in agricultural activity, based on the idea and business plan for the proposed investment.</p> <p><i>The answer: Accepted. Already included in text.</i></p>
Measure 4	19.11.2021.	11 days	Municipality of Berane	<p><i>Comment:</i> Since one of the objectives of the planned measure is to preserve biodiversity by supporting autochthonous plant and animal species threatened with extinction, it would be useful to involve not only agricultural producers but also NGOs or sports clubs concerned with the environment - e.g. that for this measure 1 can apply for the construction of a hatchery for indigenous fish species - brown trout, which are becoming less and less abundant in the salmonid waters of Montenegro. Local self-governments should also be among the users because of the investments related to the pollution of watercourses.</p>

				<p><i>The answer: Already defined by the measure.</i></p> <p>The final recipients of this measure are private individuals, legal persons and associations, owners of forests and/or agricultural land, non-agricultural land in rural areas.</p>
Measure 9	19.11.2021.	11 days	Municipality of Berane	<p><i>Comment:</i></p> <p>The recipients should be local government officials who will be the first on the scene and provide interested farmers with all the necessary information.</p> <p><i>The answer:</i> The technical assistance measure already stipulates that other IPARD III bodies and related bodies (operating structure, management structure, advisory services, technical bodies, potential Local Action Groups (LAGs) and national rural development networks may benefit from technical assistance through the MA.</p>
Measure 5	19.11.2021.	11 days	Ministry of Economic Development and Tourism	<p><i>Comment:</i></p> <p>Consider involving rural households and allocate funds for capacity building. Examples of small projects include a tasting room, and tastings are rural households. This could be supplemented by the creation of existing walking and cycling routes that are in close proximity to the village centre, and liaison with local tourism organisations to promote the tourism offer and its tourism enhancement.</p> <p><i>The answer: Already defined.</i></p> <p>Recipients of M5 are Local Action Groups (LAG) selected and contracted by the IPARD Agency/Directorate for payments. Local Action Groups (LAGs) implement a Local Development Strategy (LDS), which may include one or more of the following six priority themes:</p> <ul style="list-style-type: none"> <li>- Rural Economy: developing short supply chains and high value added products, including quality produce, crafts and other activities to diversify the rural economy;</li> <li>- Rural tourism: developing rural tourism products based on the use of local, natural and cultural resources;</li> <li>- Community: promoting cultural and social life in the community and supporting collective local organizations, associations and non-governmental organizations;</li> <li>- Public space: improving public space in villages;</li> </ul> <p>Environment: improving environmental standards in LAG areas and promoting the use of renewable energy by local people;</p> <ul style="list-style-type: none"> <li>- Networking: networking LAGs, sharing best practices, disseminating IPARD programs and learning new approaches to rural development.</li> </ul>
Measure 7	19.11.2021.	11 days	Ministry of Economic Development and Tourism	<p><i>Comment:</i></p> <p>Common eligibility criteria Consider including areas below 600 m above sea level.</p> <p><i>The answer: Accepted. Text changed.</i></p>

				<p>For sub-measure 7.1 and 7.3 - Investments must be made in rural areas above 600 meters above sea level (all recipients).</p> <p>Only investments below 600 meters above sea level are acceptable for farm owners with the following production volume at the time of the public call.</p> <p><i>Comment:</i> Eligible investments Consider setting a lower amount to allow individual rural households (individuals with a capacity of up to 10 rooms) to be included in these activities.</p> <p><i>The answer: Already defined in programme.</i> Individual rural households (individuals with a capacity of up to 10 rooms) are eligible for support.</p>
Measure 4	19.11.2021.	11 days	Directorate for Agriculture - Department for Plant Production	<p><i>Comment:</i> Recipients Sub-measure 2 - Organic production 0.5 ha for perennial crops (fruits, medicinal and aromatic plants) - Add olives and vineyards</p> <p><i>The answer: Accepted. Text changed</i></p>
Measure 4	19.11.2021.	11 days	Administration for Food Safety, Veterinary and Phytosanitary Affairs	<p><i>Comment:</i> Recipients Sub-measure 2 - Organic production The above (in measure 1) is defined minimum protected space 0.1, maybe equalize or consider to decrease conditions for organic from 0,15.</p> <p><i>The answer: Not accepted.</i> Different approach for different measures.</p>
Measure 1	19.11.2021.	11 days	Administration for Food Safety, Veterinary and Phytosanitary Affairs	<p><i>Comment:</i> We suggest that the applicant must provide evidence of the person or firm that provided the consulting services to avoid the situation where persons serving state or local government agencies write business plans and thereby enter an area that may be classified as a conflict of interest. We also believe that any business plan should be reviewed and approved by a business professional.</p> <p><i>The answer:</i> Not part of the IPARD III programme, defined by IPARD Agency/Directorate for payments procedures.</p>
Measure 9	19.11.2021.	11 days	Administration for Food Safety, Veterinary and	<p><i>Comment:</i></p>

			<b>Phytosanitary Affairs</b>	<p>The end user of this measure is the IPARD Managing Authority/Directorate for rural development. Other IPARD III entities and related bodies (operating structure, governance structure, advisory services, technical bodies, potential local action groups (LAGs) and national rural (development) networks) may benefit from technical assistance activities through the IPARD Managing Authority/Directorate for rural development. Proposal to employ a person in the AFSVP person who could perform only the tasks of determining the occupancy of facilities at the request of entities and that after a direct inspection of facilities and verification of the request to issue decisions to perform certain activities, or hiring an employee (s) from AFSVP, if necessary, as an external expert (s), for the evaluation of projects or evaluation of equipment, etc., to adopt a special act – Decision or some other act on the engagement of technical bodies, i.e. professional and competent persons from technical bodies to perform these tasks.</p> <p><i>The answer:</i> It is already defined in the Technical assistance measure that other IPARD III entities and related bodies (operating structure, management structure, advisory services, technical bodies, potential Local action groups (LAGs) and national rural development networks can benefit from technical assistance activities through the MA.</p>
<b>SECOND PART OF PUBLIC CONSULTATIONS</b>				
<b>Measure 1</b>	<b>16.02.2022</b>	<b>presentation</b>	<b>Farmer and Chairmain of the Association of Livestock Breeders of the North of Montenegro</b>	<p><i>Comment:</i></p> <p>The Commission for reference prices, when making a decision on reference prices, should take into account market trends because it is not possible to organize profitable production when the prices are constantly going up and are just partially supported. I suggest that the price be fixed at the beginning and not changeable, because we are witnessing how the current price increases affects the recipients and how difficult it is to successfully implement the support received in the end.</p> <p><i>The answer:</i> The Reference Price Base is a system that serves to check the reality of all prices that are delivered as part of the request for support through Measure 1 - Investments in physical capital of agricultural holdings. Updating the "Reference Price Database" is one of the key tasks in the part concerning the reality check prices for all items that are the subject of procurement. The database calculates the reference price for all verified items within the valid validity period (maximum 24 months from the date of bidding) and which are entered into the data of the current/selected Public Call. The database is constantly updated, with the payed invoices. Also, when determining the reference prices, the possibility of increasing the prices on the market is taken into account, so a certain percentage increase is added to the reference fact, as the end user will not be financially damaged. Considering that the reference price base is one of the most sensitive segments when it comes to checking the reality of</p>

				prices, an audit is conducted every two years by an independent audit body, which assesses on a sample basis whether the prices in the database are realistic.
<b>Measure 1</b>	<b>16.02.2022</b>	<b>presentation</b>	<b>Farmer and Chairmain of the Association of Livestock Breeders of the North of Montenegro</b>	<p><i>Comment:</i></p> <p>We proposed that the given support should not be subject to taxation (VAT).</p> <p><i>The answer:</i> MAFWM will restart the procedure for excluding VAT with the Ministry of Finance, for the investments made by recipients not in VAT system.</p>
<b>Measure 5</b>	<b>16.02.2022</b>	<b>presentation</b>	<b>Farmer and Chairmain of the Association of Livestock Breeders of the North of Montenegro</b>	<p><i>Comment:</i></p> <p>As for the LAGs, the formation of the Association of Agricultural Producers should be primarily forced.</p> <p><i>The answer:</i> LEDER and LAGs make links between different sectors, private, public entities is not just made by Association of Agricultural Producers. The Association of Agricultural Producers have priority in all of the measures in the part of ranking criteria.</p>
<b>Measure 1</b>	<b>16.02.2022</b>	<b>presentation</b>	<b>Farmer and Chairmain of the Association of Livestock Breeders of the North of Montenegro</b>	<p><i>Comment:</i></p> <p>There is a real problem in obtaining the necessary documentation when it comes to investments related to the construction / reconstruction of facilities in rural areas.</p> <p><i>The answer:</i> Majority of the municipalities in Montenegro resolved the issue regarding building permits with a Decree were the buildings that are involved in agricultural production can receive the necessary documents. Additionally, MAFWM will inform the Government about the problem with the documentations that is produced on the local level in order to boost the service during the public calls.</p>
<b>Measure 6</b>	<b>16.02.2022</b>	<b>presentation</b>	<b>Farmer and Chairmain of the Association of Livestock Breeders of the North of Montenegro</b>	<p><i>Comment:</i></p> <p>Regarding the infrastructure measure, the proposal is that local communities and the Association of Farmers take part in the implementation so that this measure would not be politicized.</p> <p><i>The answer:</i> As presented the sole recipients are local municipalities, which is also defined with the measure fiche. Is expected that the local communities and the</p>

				Association of Farmers from the region will take part in decision making on the municipality level before submitting the application for support.
<b>Measure 1</b>	<b>16.02.2022</b>	<b>presentation</b>	<b>Farmer and Chairmain of the Association of Livestock Breeders of the North of Montenegro</b>	<p><i>Comment:</i></p> <p>We propose to recognize young agricultural producers in the new IPARD III program, and given the demographic structure of the population in the rural territory of Montenegro, it would be good to raise the support level for them on 100%.</p> <p><i>The answer:</i> Although in some of the member states young farmers are supported up to 100% of the realized investment, in accordance with the given framework for programming IPARD III programs, the maximum support for young farmers has already been defined, depending on the measure in question.</p>
<b>All measures</b>	<b>16.02.2022</b>	<b>presentation</b>	<b>Farmer and Chairmain of the Association of Livestock Breeders of the North of Montenegro</b>	<p><i>Comment:</i></p> <p>In order to speed up processing of applications in we suggest that only applications that have 80% or more of the requested documentation will be processed. All applications that did not submit the specified level of documentation will not be considered, but rejected as incomplete.</p> <p><i>The answer:</i></p> <p>In IPARD III programme, the applications that have not need for additional documentation will have priority in the ranking criteria.</p>
<b>Measure 6</b>	<b>16.02.2022</b>	<b>presentation</b>	<b>Farmer and member of the Association of Livestock Breeders of the North of Montenegro</b>	<p><i>Comment:</i></p> <p>Make the measure in order to control abuse of the funds, and prevent building roads in places where people live only during the weekends.</p> <p><i>The answer:</i> All roads that are the subject of the investment must be in the spatial plan of the Municipality, and certainly the priority will be those investments that result in a larger number of users who are agricultural producers and, above all, permanently settled in rural areas.</p>
<b>Measure 1</b>	<b>16.02.2022</b>	<b>presentation</b>	<b>Entrepreneur from Bijelo Polje</b>	<p><i>Comment:</i></p> <p>Will the conditions be the same for the EURO V standard and will the purchase of machinery with other standards be allowed?</p> <p>In order to reduce rural depopulation, increase support to 90% for young farmers.</p>

				<i>The answer:</i> The same standards regarding engine gas emission will apply.
Measure 1	16.02.2022	presentation	Bijelo Polje, farmer	<p><i>Comment:</i></p> <p>Can we expect faster application processing? Also a suggestion that the guarantee fund, i.e. the IDF, should provide more favourable conditions for exercising the right to receive funds.</p> <p><i>The answer:</i> The applications that have complete documentation will have priority when processed. MAFWM continuously works on forming a better ambient for loan placement for the agriculture sector with IDF and commercial banks.</p>
Measure 7	16.02.2022	presentation	Berane, Local government	<p><i>Comment:</i></p> <p>In order to improve the realisation of M7, its necessary to solve the problem of urban and technical conditions, construction and use permits by municipalities.</p> <p><i>The answer:</i> MAFWM started the procedure with the Ministry of ecology, spatial planning and urbanism, in order to change the current Law on Spatial Planning and Construction in order to solve the mentioned problem.</p>
Measure 1	16.02.2022	presentation	Berane, farmer	<p><i>Comment:</i></p> <p>There is a problem of construction in the highway corridor. Namely, although the land is owned by me, construction is not allowed on it, since it is a highway construction zone/corridor.</p> <p>Is it possible to purchase dedicated vehicles for plant production through the new IPARD III?</p> <p><i>The answer:</i> MAFWM has not a possibility to change the spatial plan and highway corridor even if the investments are related to IPARD III Programme. In the List of eligible expenditures there will be showed all the eligible expenditure pre supported sector of production.</p>
Measure 1	17.02.2022	presentation	Podgorica, farmer	<p><i>Comment:</i></p> <p>The main problem in the implementation of the IPARD program is the problem of pre-financing. Banks are asking for large collateral that they cannot provide. Also, the purchase of a tractor with an 805W Euro 5 engine costs approximately 80,000 euros and that farmers cannot provide the funds. I believe that the state can stand behind collateral.</p>

				<p><i>The answer:</i> MAFWM is in constant communication with IDF and some of the Commercial banks in order to facilitate the loans for the agriculture sector. The Government is working on establishing the Guaranty fund, where the farmers are listed like possible recipients.</p>
Measure 7	17.02.2022	presentation	Kotor, farmer/NGO	<p><i>Comment:</i> Natural persons discriminated against in relation to legal entities in terms of VAT. Measure 7 "Diversification of farms and business development", sub-measure 7.1 "Support to investments for rural tourism development", it is necessary to reduce the criteria for olive growers from 0.5 ha to 0.3 ha because the average plot under olives is 0.3 ha and that few will be able to meet this condition.</p> <p><i>The answer:</i> The comment is incorporated in the programme.</p>
Measure 7	18.02.2022	presentation	Budva, farmer	<p><i>Comment:</i> Clarification of Measure 7 and sub-measure 7.1 regarding the possibility of reconstruction of facilities on a plot that is not part of the vineyard/olive grove.</p> <p><i>The answer:</i> All the operations/investments for the recipients below 600 meter sea level, must be linked with the production, which means that the investment must be done on the place where the agricultural production is taking place.</p>
Measure 1	18.02.2022	presentation	Bar, farmer	<p><i>Comment:</i> Can the support be higher, because the Euro 5 standard tractors are very expensive? Proposal for support to be 75%.</p> <p><i>The answer:</i> Additional support for the purchase of tractors is not foreseen. The level of support for M1 is defined by the measure fiche.</p>
Measure 11	18.02.2022	presentation	Bar, farmer from Crmnica	<p><i>Comment:</i> Can an investment in breeding of <i>Paulownie tomentose</i> be supported in IPARD III Programme?</p> <p><i>The answer:</i> <i>Paulownie tomentose</i> is an introduced plant variety, with jet not known ecosystem impact. As this is not a domicile forest variety, this type of investment is not eligible for support.</p>

<b>Measure 1</b>	<b>18.02.2022</b>	<b>presentation</b>	<b>Farmer, Nikšić</b>	<p><b><i>Comment:</i></b></p> <p>I believe that aquaponics should be introduced as a sector supported by the Agro-budget, and should also be recognized in the IPARD III program.</p> <p><b><i>The answer:</i></b> The new measure in Agro-budget is giving support for innovative practices in agricultural production, while in regards to IPARD III all the recipient that fulfil the minimal eligible criteria can receive the financial support, regardless of the production system.</p>
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## **ANNEX VIII - LIST OF ELIGIBLE CRAFTS**

Car electrician  
Car painter  
Car body technician  
Car mechanic  
Barrel maker  
Well driller  
Watchmaker  
Lace maker  
Chimney sweeper  
Woodworker and woodcarver  
Electrical technician for home appliances and electrical devices  
Photographer  
Engraver  
Glass engraver  
Basket maker  
Musical instrument maker  
National costume maker  
Wrought iron products maker  
Glass products maker  
Souvenir maker  
Stonecutter  
Keymaker  
Boilermaker  
Blacksmith  
Tailor  
Furrier and/or leatherworker  
Tinsmith  
Motorcycle mechanic  
Agricultural and construction machine mechanic  
Butcher  
Metalworker  
Miller  
Mosaic maker  
Shoemaker  
Vehicle washer  
Carpet washer  
Beermaker and maltmaker  
Knitter  
Delicatessen  
Precision mechanic  
Shoe producer  
Ceramic art maker  
Saddle maker  
Icon and fresco painter  
Glass and porcelain painter  
Glasscutter  
Carpenter  
Leather tanner  
Purse maker  
Carpenter  
Weaver  
Turner  
Rope maker  
Embroiderer  
Waxer