

# RURAL DEVELOPMENT PROGRAMME 2014-2020 FOR MONTENEGRO

## EXECUTIVE SUMMARY

### I. IDENTIFICATION

|  |   |
|--|---|
| <b>Beneficiary</b>                             | MONTENEGRO  |
| <b>ABAC Commitment references</b>              | MONTENEGRO  |
| <b>Total cost</b>                              | 2015 - 2020 EUR 86.8 million  |
| <b>EU Contribution per year</b>                | <p>2015 - 2020 EUR 39 million on 05.05.03</p> <p>2015 EUR 5 million on 05.05.03</p> <p>2016 EUR 5 million on 05.05.03</p> <p>2017 EUR 6 million on 05.05.03</p> <p>2018 EUR 7 million on 05.05.03</p> <p>2019 EUR 8 million on 05.05.03</p> <p>2020 EUR 8 million on 05.05.03</p> <p>Estimations from 2015 to 2020 are subject to availability of funds after vote of annual budgets.</p>   |
| <b>Management Mode/<br/>Entrusted entities</b> | <p>The programme provides support in a form of grants to farmers, SMEs from agro-food sector and other recipients in rural areas.</p> <p>Indirect management without ex-ante controls by the EU Delegation or the Commission after the entrustment of budget implementation tasks is granted in the Financing Agreement.</p> <p>The entrusted entities will be responsible for:</p> <ul style="list-style-type: none"> <li>– Managing Authority: selection of measures, programme monitoring, publicity, evaluation, reporting and coordination of the programme;</li> <li>– IPARD Agency: Authorization &amp; control of commitments and payments, execution of payments, reporting, accounting for commitment and payment, debt management, selection of projects, publicity, internal audit;</li> <li>– National Authorising Officer assisted by National Fund/NAO support office: Management of IPA II accounts and financial operations, accounting for commitments and payments, debt management, treasury, internal audit, provide assurance on the effective functioning of the internal control system.</li> </ul> |
| <b>Timetable for spending</b>                  | Budgetary commitment 2015 must be spent by 31/12/2018   |

|  |   |
|--|---|
| <b>allocation of each budgetary commitment</b> | <p>Budgetary commitment 2016 must be spent by 31/12/2019,<br/>         Budgetary commitment 2017 must be spent by 31/12/2020,<br/>         Budgetary commitment 2018 must be spent by 31/12/2021,<br/>         Budgetary commitment 2019 must be spent by 31/12/2022,<br/>         Budgetary commitment 2020 must be spent by 31/12/2023.</p> <p>In case of delays in implementation of the Programme not due to the beneficiary, the deadlines for use of annual budget commitments can be extended to up to five years.</p> |
| <b>Programming Unit</b>                        | Directorate General for Agriculture and Rural Development, Unit A.5.  |

## II. DESCRIPTION OF THE RURAL DEVELOPMENT PROGRAMME

### 1. TITLE OF RURAL DEVELOPMENT PROGRAMME

Programme for the development of agriculture and rural areas in Montenegro under IPARD II 2014-2020

### 2. CANDIDATE COUNTRY AND ADMINISTRATIVE REGION

The Programme covers the entire territory of Montenegro.

### 3. CURRENT SITUATION

#### 3.1 Montenegro demographic trends

Montenegro is situated in the southeast of Europe, with a surface area of 13,812 square kilometres, which represents 0.31% of the area of EU-28. 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 – MONSTAT, the population of Montenegro is 620,029. The population density is 45 people per square kilometre on average, making Montenegro one of the most sparsely populated countries in Europe (except for the Nordic countries).

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%. The number of new-borns over the last half of the century fell by 25%, while the average age of the population rose to about 34.

*Table: Population by age structure, %*

| Year | Age group |           |              |
|------|-----------|-----------|--------------|
|      | Age 0-14  | Age 15-64 | 65 and above |
| 1991 | 25.5      | 66.2      | 8.3          |
| 2003 | 20.7      | 67.2      | 12.1         |
| 2011 | 19.0      | 68.0      | 13.0         |

*Source: MONSTAT*

#### 3.2 Definition of rural areas

The used methodology for defining rural areas is the 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 13 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: 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 |
| MNE total | 620,029               | 392,020          | 63.2 | 228,009              | 36.8 |

*Source: MONSTAT - Census 2011*

### 3.3 Performance of the agricultural, forestry and food sectors

Agriculture, with tourism and energy are strategic sectors in Montenegro. These sectors are interconnected and are representing potential for further development. For further development of agriculture in Montenegro, in the context of the accession process, it is necessary to analyse the current situation and possibilities.

**Structure of agricultural land** is unfavourable in terms of the size of agricultural holdings, compared with the size of the land of EU member states. In accordance with the Agricultural Census of 2010 the average size of utilized agricultural land per holding in Montenegro is 4,6 ha. Also, we should take into account the fact that 72% of agricultural holdings possess up to 2 ha of land. In addition, the used agricultural land is divided into small parcels, which makes it more difficult to fully utilize.

The farm structure is dominated by small family farms, which produce mainly for their own consumption. Their market share is limited.

Plant production is characterized by the combined type of production on small family farms mainly for their own consumption. Livestock production is present in the entire territory of Montenegro, also on small family farms without significant market share. There is a potential for further utilization of land available for increase of the production capacities of farms in both plant and livestock production.

**Remoteness and dispersion of villages** is one of the structural disadvantages. According to physiognomic structure, rural settlements in the territory of Montenegro are classified in village's scattered type, characterized by the dispersal of residential buildings. Configuration of fields further complicates the connection between neighbouring villages and even works on the establishment and maintenance of infrastructure require additional attention.

**Unused agricultural land**, both private and state-owned, and its utilization are representing a significant potential for increase of agricultural production. According to the MONSTAT Statistical Yearbook 2014 the utilized agriculture land in 2013 is at the level of 223,131 ha.

The land market is undeveloped. Parts of the agricultural land have unresolved property relations (land under restitution process, pastures etc.). In a number of cases the user of the land is not the actual owner of the land. One of the disadvantages is that the territory of Montenegro isn't fully covered by Cadastres, which is a reason why it is necessary to complete it and to update regularly.

**The low level of organization of agricultural holdings** (negative experience with socialist cooperatives), the absence of involving them in the higher forms of organization and other forms of co-operation directly affects negatively the level of competitiveness and market positioning.

### **3.4 Availability of credits**

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

IDF can directly finance up to 50% of the total investment. The amount of the loan intended for investment in working capital can be up to 20% of the total loan amount. As a collateral loan IDF will accept bills of exchange, mortgage, bank guarantees, guarantees of local self-government units, the Government guarantee and other usual collaterals in the banking business in accordance with the policies of the collateral and the decisions of the competent authorities of the IDF.

Financing through commercial banks is characterized by high interest rates and unfavourable conditions for farmers.

### **3.5 Priority sectors for IPARD II support**

The Ministry of Agriculture and Rural Development updated the Sectoral analysis for sectors of dairy, meat, fruit and vegetables, olives, viticulture and wine, as well as fisheries.

#### **3.5.1 Livestock production**

According to the agricultural Census of 2010, 66.9% or 32,675 agricultural holdings are engaged in livestock production. Farm structure is unfavourable since 82.93% of holdings involved in livestock production possess up to 5 livestock units, while the average number of animals per household is 3.3 cattle, 37.3 sheep's and 9.8 goats.

#### **3.5.2 Milk sector**

According to the data from Livestock Selection Service, average milk yield per cow in a controlled population is 5,077 kg, while the estimate for the total population is around 2,500 kg per cow.<sup>1</sup> Such modest results are a consequence of inadequate nutrition, poor accommodation, poor technical equipment, as well as the problem with manure management. Directions for future support will focus on solving these problems.

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<sup>1</sup> The presented data are based on 3251 cows controlled by the Livestock Selection Service.

The average annual production of milk in the last ten years is around 170 million litres; of which 95% is cow's milk. Of the total milk produced, during 2013, an average of around 13% or 23.6 million litres was collected and processed in registered milk processing establishments. This data is showing that the sector has good potentials for further growth.

The main problems in the milk production/processing are related to the low quality of the raw milk, inadequate equipment for milk storage/processing, remoteness and dispersion of farms, small range of products, and food safety standards.

In order to solve the main problems in this sector support should be given in three directions:

- 1) Expansion and strengthening of milk networks,
- 2) Expanding the range of products, especially the affirmation of cheese and
- 3) Improving the quality and safety of products, in order to achieve EU standards.

### **3.5.3 Meat sector**

The total domestic meat production is about 17,110 tons, which covers only 36% of total meat consumption in the country.

Approximately 60% of meat produced in Montenegro comes from ruminants, which are predominantly grown in semi-intensive production systems, while pig production is not developed enough.

The poultry sector recorded a positive growth trend, while production of eggs takes place in conventional cages with a production of about 75 million eggs per year.

Better production results in this sector can be achieved if there is a continuous production of animal feed, animal housing that meets the standards of animal welfare and the use of specialized breeds for fattening. In order to reduce the harmful impacts on the environment it is necessary to solve the problem of manure disposal.

*Intervention in meat sector* as an objective will be focused mainly on: Support on improving the overall performance of agricultural holdings and an increase in ability of the agri-food sector, through increasing the competitiveness and productivity, through investment in the use of modern equipment and production technology, improving the status of achieving national and EU standards, the introduction of quality management systems, improving the environmental situation in slaughterhouses and plants meat processing, raising awareness, and improving knowledge and skills.

Processing of meat should be directed to: improvement of slaughter capacity in order to improve the hygienic conditions and new technologies and new technologies and waste treatment.

### **3.5.4 Plant production sector**

Fruit and vegetable sector is very fragmented. According to data from the Agricultural census 2010 around 14,000 households are involved into production of fruits and vegetables, which represents 32.7% of the total number agricultural holdings. According to MONSTAT data plant production in 2013 cover 12,513 ha.

Production of vegetables is not enough specialized. A small number of farms produce vegetables in greenhouses. Sector is characterized by certain common weaknesses: fragmentation, lack of vertical integration, the small-scale production, low level of technology, uneven quality/price and high production costs per unit and the lack of storage capacity.

Competitiveness in the sector of vegetables could be strengthened by extending the season supply through production in covered areas and improving market infrastructure that enables the storage and preservation of fresh products for the market, thus improving the quality and reducing the seasonal nature of these products.

Increasing competitiveness in the fruit sector can be achieved by modernization of agricultural holdings, better use of resources and manpower, introducing new technologies and innovations, with special emphasis on market-oriented producers. This requires the establishment of modern orchards, using quality controlled planting material and quality seed. This will specialize the production of so-called niche markets.

The necessary investments are needed to improve primary production (greater specialization, better technology, the adoption of quality standards), as well as the distribution and processing (modern practices after harvest, better technology, the adoption of quality standards, etc.).

### **3.5.5 Viticulture sector**

Large producer JSC Plantaže dominates the sector with the production of an average of 14 million litres of wine and there is an increase in the number of companies starting to do business in this sector (currently 44 small wineries registered with smaller capacities).

On one side, improving the competitiveness of the wine sector requires innovation and better use of resources through the production of new vineyards, using certified planting material. Production should be organized through the support of initiatives for the formation of producer associations and the development of joint activities of production and marketing. On the other hand, focusing on the production of specific and traditional products of high quality would significantly contribute to the development of horizontal integration between sub-sectors of wine and tourism, and make the tourist offer more attractive. This would help in establishing better conditions for the development of the sector and diversification of economic activities in rural areas.

### **3.5.6 Olive sector**

Olive is the oldest subtropical culture on the Montenegrin coast and covers 118.8<sup>2</sup> ha under plantations. Approximately 70% of the trees are traditional old trees, while less than 10% are juvenile trees. More than 90% of the trees belong to autochthonous varieties (žutica etc.), which ensure the basis for the production of high quality oil.

Processing industry in Montenegro is not sufficiently modernized in accordance with international standards of olives and olive oil production, which affects the quality of the final product. Olives are processed into oil or preserved for home use. Most of the yield is used for production of oil.

### **3.5.7 Beekeeping sector**

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<sup>2</sup> Statistical Yearbook 2014.

The importance of beekeeping lies not only in the production of honey and other bee products, increasing the role of bees in pollinating plants, thereby directly affecting the increase in the yield of agricultural plants. According to the Agricultural Census there are 2,533 family holdings that are engaged in breeding bees to the Agricultural Census 2010, while the total number of beehives in Montenegro was 50,024.

Climatic conditions for the development of beekeeping ranging from Mediterranean to alpine climate, affects the potential of bee pastures as the basis of the development of beekeeping.

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

Montenegro has significant resources of fish and other marine and freshwater organisms as confirmed by scientific research conducted in Montenegro. In order to place fish, shellfish and other marine and freshwater organisms on the market it is necessary to fulfil the health hygiene requirements, in accordance with the Law on Food Safety.

In terms of freshwater aquaculture, water resources in Montenegro are of excellent quality and are a good potential for fish farming, which has so far not been sufficiently exploited.

### **3.5.9 Forest**

Together with mountains and water, forests form a substantial part of the brand of Montenegro in the area of sustainable and green tourism. Forests are of vital economic significance to population in rural areas where forests are one of the main sources of income and of heating energy. In addition, forestry has always been one of the main industries that employed a large part of the rural population.

According to the National Forest Inventory (NIS) 2010, the forests were covering 60% of the territory of Montenegro, and barren forestland additional 9.7%.

The structure of wood processing enterprises is dominated by small enterprises. Six large enterprises processed a total of 97,380 m<sup>3</sup> of technical round woods in 2011, which constituted 29.8% of total technical round wood processed in Montenegro.

Around half of the forests in Montenegro are state owned, and another half are in private ownership.

## **3.6 Environment and Land Management**

### **Biodiversity**

By richness of flora and fauna and diversity of eco-systems, Montenegro is among the leading countries of Europe.

Diversity of geological structure, landscape, climate and soils as well as the very position of Montenegro on the Balkan Peninsula and the Adriatic Sea provided the conditions for development of a biological diversity of a very high value, which places Montenegro together with biological “hot-spots” of the European and world biodiversity. Two main bio-geographic regions exist in Montenegro: the Mediterranean and the Alpine, with very diverse types of eco-systems and habitats in a very small area.

### **Protected areas**



A great number of natural assets in Montenegro have been placed under protection. The National network of the protected areas currently covers 124,964.24 ha, or around 9% of the territory of Montenegro of which the largest share (101,900 ha or 7.37%) is comprised of five national parks: *Durmitor*, *Skadarsko jezero*, *Lovćen*, *Biogradska gora* and newly established *Prokletije*. The remaining part includes 40 protected areas within the following categories: monument of nature, region of special natural character, and (general and special) reservations.<sup>3</sup>

The activities on establishing Ecological Network NATURA 2000 in Montenegro have started in 2009, through the cooperation with WWF.

Meanwhile, the draft version of the Catalogue of NATURA 2000 habitats, which exist in Montenegro, has been prepared and used for first Fieldwork inventory training of previously identified NATURA 2000 habitats in Montenegro. In spite of the activities overtaken, the results are still scattered and there is a need for systematic handling of the data.

Montenegro is conducting monitoring of biodiversity. A result of the monitoring programme of the biological diversity in Montenegro confirmed the estimates, which were previously reported in the scientific literature, the endangerment of many components of biological diversity. The causes of threats to biodiversity must in future be carefully analysed in order to be able to propose measures to improve the state of biodiversity, through their integration into sectorial plans and strategies.

### **Genetic resources in agriculture**

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.

Over more than 20 years, the Biotechnical Faculty has formed a collection of 200 cultivated and wild wheat 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 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.

The greatest diversity of autochthonous breeds is presented in sheep production.

MARD is implementing a measure through Agrobudget to support the preservation of indigenous genetic resources in agriculture.

### **Land**

Land is one of the most important natural resources. The prevailing soil 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.

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<sup>3</sup> See Fifth National report of Montenegro on the Convention on Biological Diversity, March 2014

In the areas of Montenegro there is a problem of soil acidity. Lots of different degrees of acidity: acid, very acidic and extremely acidic ( $\text{pH} < 5$ ) occupy about 159,000 ha. Such lands are prevalent in the north and in the south-western part of Montenegro.

Characteristics of Montenegrin terrain are such that dominating the terrain slopes above  $10^\circ$  (65%), while gradient between  $5-10^\circ$  make 28%. Only 7% of the territory has a slope of less than  $5^\circ$  where it is possible to intensively use land in agriculture without the significant consequence of erosion processes.

Erosion processes attacked 300 registered torrential basins, where the amount of transported sediment is more than 2 million  $\text{m}^3$  per year.

Usage of pesticides in Montenegro is relatively stable, and its used only on arable land and permanent crops (5.6% of total UAA). The only exception is year 2008 when the usage of pesticides tripled. The reason for this was an outbreak of harmful organism White grubs (*Melolontha melolontha* L). One of the official measures to fight this outbreak was incorporation of soil insecticides because of big damage caused by harmful organism.

The data on plant protection products usage for 2010 and 2011 show sharp increase of other products. This is due to preventive measures concerning swine fever (usage of desinfectants).

### **Irrigation**

Only 5,65 % of agriculture land in Montenegro is used for plant production (fruit, vegetables, crops and vineyards).

Currently, only very small areas of land are irrigated (mostly in the area of Ćemovsko Polje). Other areas include the Zetsko-Bjelopavlićka valley and Nikšićko polje. Further investments are needed in order to increase the area under the irrigation systems in Montenegro.

The plantations are located in places which 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 cover the entire surface with irrigation systems. In order to avoid scarcity of water, the households have to issue a permit or a concession for use water depending of the daily use.

### **Renewable energy sources**

Renewable energy production in Montenegro, in addition to production from the hydropower plants, is not yet developed. However, 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.

Potentials for use of the renewable energy sources are important in all sectors of consumption, including the agricultural sector. For this sector particularly interesting is use of biomass and its processing using various technologies in some of commercially suitable forms (pellets, briquettes, wood, coal, etc.) and continue into heat or electricity

to end-use. Also, there is the possibility of obtaining biogas in the process of aerobic decomposition of organic matter (manure storage, manure digestion).

## **Water**

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

Regarding the implementation of the Water Framework Directive so far the following activities have been implemented: Identification of river basin districts (RBD) and designation of the competent authorities.

Within the process of implementation of the Nitrate directive implemented activities include the adoption of the Code of Good Agricultural Practice (GAP) and putting on limits for fertiliser application.

Systematic examination of the quantity and quality of surface and ground waters is done on the basis of programs adopted by the Ministry of Agriculture and Rural Development and implemented by the Hydrometeorological Institute, it can be concluded that the waters in Montenegro are of good quality.

Based on the results of testing the quality of surface and groundwater can be concluded that the measured values of nitrate is in the limits allowed.

## **Climatic changes and air quality**

With ratification of the UNFCCC and the Kyoto Protocol, Montenegro joined the countries that share concerns and play an active role in international efforts in solving climate change problems.

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.

## **Organic farming**

In December 2013 the Law on Organic Production came into force (Official Gazette of MNE, No 56/13). This Law regulates the issues related to the general objectives and principles of organic production, production rules, on-farm production, labelling, control systems, inspection and penalty provisions. The following Regulations (EU) No 834/2007, No 889/2008, and No 1235/2008 were introduced in this law. On the basis of

this law in the coming period is the development of bylaws for further harmonization of EU legislation.

The agricultural inspectors conduct supervision of the implementation of the Law on organic production, as well as oversight of the implementation of programs to support organic agriculture.

The total number of registered producers is 172, of which 26 have received a certificate.

In addition to national support measures, international assistance through two programs contributes to a growing interest in organic farming in Montenegro.

### 3.7 Rural Economy and Quality of Life

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 based on the following indicators:

- 1) Unemployment rates,
- 2) Income per capita,
- 3) Budget revenues (own and legally transferred) of municipality per capita,
- 4) The growth rate of the municipality, and
- 5) Rates of education in the municipality.

*Table: Development level of municipalities in Montenegro, the average for the period 2010-2012*

| Municipality | Development index (Montenegro = 100) | Development level of municipality | Groups (by % of deviation from the average value of the index development level in Montenegro) |
|--------------|--------------------------------------|-----------------------------------|--|
| Budva        | 331.73                               | 1                                 | Above 125%   |
| Tivat        | 173.09                               | 2                                 |  |
| Herceg Novi  | 160.17                               | 3                                 |  |
| Kotor        | 143.21                               | 4                                 |  |
| Podgorica    | 141.13                               | 5                                 |  |
| Bar          | 133.86                               | 6                                 |  |
| Plužine      | 131.30                               | 7                                 | From 100% to 125%  |
| Danilovgrad  | 100.94                               | 8                                 |  |
| Nikšić       | 95.03                                | 9                                 | From 75% to 100%   |
| Žabljak      | 77.51                                | 10                                |  |

|              |       |    |                 |
|--------------|-------|----|-----------------|
| Ulcinj       | 75.44 | 11 |                 |
| Cetinje      | 74.95 | 12 | From 50% to 75% |
| Pljevlja     | 70.74 | 13 |                 |
| Kolašin      | 64.41 | 14 |                 |
| Mojkovac     | 63.38 | 15 |                 |
| Berane       | 60.08 | 16 |                 |
| Šavnik       | 49.40 | 17 | From 30% to 50% |
| Rožaje       | 39.64 | 18 |                 |
| Bijelo Polje | 38.06 | 19 |                 |
| Plav         | 38.00 | 20 |                 |
| Andrijevica  | 37.92 | 21 |                 |

*Source: Ministry of Economy, Regional Development, 2013*

Key objectives in the rural areas are:

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

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.

### *Infrastructure*

The underdeveloped road network in Montenegro is a consequence of limiting factors that hinder or limit the functional connectivity within Montenegro, as well as its connection with the surrounding environment. The unfavourable topography and geological structure of the relief, mountain ridges with difficult transitions, significant seasonal cycles in the use of road infrastructure, limited budget, complicated construction and maintenance of transport infrastructure.

The Railway network of Montenegro covers 250 km of a single-track railway. Almost 2/3 of the railway includes 121 tunnels, 22 bridges and 9 galleries. Railway density in Montenegro is lower than in other similar EU Member States and candidate countries.

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.

### *Tourism in rural areas*

Montenegro has good conditions for the development of all types of tourism, and has beautiful beaches, a mountainous region in the north, a rich cultural heritage and a well-preserved natural environment.

In 2014 1,517,376 foreign tourists visited Montenegro, which is 1.7% more than the year before. The increased number of tourists has also influenced the increase in the number of nights.

An important segment of tourism is rural tourism, which includes tourist valorisation of agricultural areas, natural resources, cultural heritage, religious monuments, traditional local customs etc. Rural tourism makes up the identity of the area and meets the needs of guests in terms of accommodation, food, drink, recreation, sports activities and events.

#### **4. NATIONAL RURAL DEVELOPMENT STRATEGY 2015-2020**

The Strategy defines the framework and the path for the development of the agricultural sector and rural areas in the context of the overall priority of Montenegro to pursue the process of integration of EU policies during the period 2015 – 2020. Although Montenegro may not have the physical and structural capacity to compete in the markets for mainstream agricultural products, it has the potential to develop high quality agricultural and food products based on innovative and traditional production processes.

Montenegro has a rich natural and cultural heritage providing an important potential for development of tourism in rural areas. Rural tourism and increased production of high quality products will be the economic drivers in the creation of new economic activities and job opportunities in rural areas.

Based on these assumptions, the vision for Montenegrin agriculture and rural areas in 2020 is:

- An agricultural sector set on a stable path to become a competitive sector producing high quality products, providing a stable source of income for agricultural producers. It is a driving force in the creation of new job opportunities in rural areas based on knowledge, utilisation of best practices, innovation and preservation of natural resources;
- Viable rural areas providing economic activities and employment opportunities, social inclusion and quality of life to rural residents.

To fulfil the vision, the goals of the Strategy for the development of agriculture and rural areas in Montenegro for the period 2015-2020 are to:

- Ensure a safety-net and stabilize the income of agricultural producers;
- Enable smooth functioning of the market in agricultural products;
- Enhance the competitiveness of agriculture and the food-processing industry;
- Produce safe food of high quality;
- Manage natural resources sustainably and
- Develop rural areas and preserve rural communities.

These goals will be achieved through the implementation of various measures, which will, at the same time, be gradually aligned with those within the framework of the EU Common Agricultural Policy.

## 5. INDICATIVE FINANCIAL BREAKDOWN

### Maximum EU Contribution for IPARD Funds by Year (EUR)\*

| Years        | 2014 | 2015      | 2016      | 2017      | 2018      | 2019      | 2020      | 2014-2020  |
|--------------|------|-----------|-----------|-----------|-----------|-----------|-----------|------------|
| <b>Total</b> | -    | 5,000,000 | 5,000,000 | 6,000,000 | 7,000,000 | 8,000,000 | 8,000,000 | 39,000,000 |

\*the annual contributions are merely indicative as the actual amounts will be decided annually in the framework of EU budget.

| Measure   | Total Public Aid  | EU Contribution   | EU Contribution rate | National Contribution | National Contribution rate |
|---|-------------------|-------------------|----------------------|-----------------------|----------------------------|
| Investments in Physical Assets of Agricultural Holdings   | 15,840,000        | 11,880,000        | 75%                  | 3,960,000             | 25%                        |
| Investments in Physical Assets Concerning Processing and Marketing of Agricultural and Fishery Products | 23,693,334        | 17,770,000        | 75%                  | 5,923,334             | 25%                        |
| Agri-environment-climate and organic farming measure  | 4,117,647         | 3,500,000         | 85%                  | 617,647               | 15%                        |
| Implementation of local development strategies – LEADER approach  | 766,667           | 690,000           | 90%                  | 76,667                | 10%                        |
| Investments in rural infrastructure   | 2,133,333         | 1,600,000         | 75%                  | 533,333               | 25%                        |
| Farm Diversification and Business Development   | 2,933,333         | 2,200,000         | 75%                  | 733,333               | 25%                        |
| Technical Assistance  | 1,600,000         | 1,360,000         | 85%                  | 240,000               | 15%                        |
| <b>TOTAL</b>  | <b>51,084,314</b> | <b>39,000,000</b> |                      | <b>12,084,314</b>     |                            |

Table: Indicative budget of EU contribution by measures for monitoring, 2014-2020

| MEASURE/YEAR  | EU contribution (000 EUR) |       |       |       |       |       |       |                  |
|---|---------------------------|-------|-------|-------|-------|-------|-------|------------------|
|   | 2014                      | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  | 2014-2020<br>EUR |
| Investments in physical assets of agricultural holdings   | -                         | 2,000 | 1,900 | 2,040 | 2,100 | 2,240 | 1,600 | 11,880           |
| Investments in physical assets concerning processing and marketing of agricultural and fishery products | -                         | 3,000 | 2,900 | 3,120 | 3,150 | 3,200 | 2,400 | 17,770           |
| Agri-environment-climate and organic farming measure  | -                         | -     | -     | -     | 700   | 1,360 | 1,440 | 3,500            |
| Implementation of local development strategies-LEADER   | -                         | -     | -     | -     | 210   | 240   | 240   | 690              |

|   |   |              |              |              |              |              |              |               |
|---|---|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
| approach                                      |   |              |              |              |              |              |              |               |
| Investments in rural infrastructure           | - | -            | -            | -            | -            | -            | 1,600        | 1,600         |
| Farm diversification and business development | - | -            | -            | 600          | 560          | 640          | 400          | 2,200         |
| Technical assistance                          | - | -            | 200          | 240          | 280          | 320          | 320          | 1,360         |
| <b>TOTAL</b>                                  | - | <b>5,000</b> | <b>5,000</b> | <b>6,000</b> | <b>7,000</b> | <b>8,000</b> | <b>8,000</b> | <b>39,000</b> |

## **6. MEASURES TO BE IMPLEMENTED**

### **6.1 Measure "Investments in Physical Assets of Agricultural Holdings"**

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.

The following sectors will be supported to improve their overall performance and standards: milk sector; meat sector; eggs sector; fruit,vegetable and arable sectors; viticulture sector; olive sector; beekeeping sector and the fishery and aquaculture sector.

The recipient is a natural or legal person engaged in agricultural activities, which are registered in accordance with the Law on Agriculture and Rural Development ("Official Gazette of Montenegro", no. 56/09 and no. 34/14); as well as company or entrepreneur registered for the fishery and aquaculture activity in the Central Register of Business Entities (CRPS)

No later than before final payment of the investment, the entire holding must comply with the appropriate national minimum standards in force regarding environmental protection and animal welfare.

Agricultural holdings involved in ruminant rearing (cattle, sheep, and goats) at the time of submission of application must have a minimum of 5 ha of agricultural land (owned or rented). In the case of rent it should be no less than a 7 years period.

Agricultural holdings will have at the time of submission of application to fulfil specific eligibility criteria.

### **6.2 Measure "Investments in Physical Assets Concerning Processing and Marketing of Agricultural and Fishery Products"**

In addition to high-quality products, competitiveness in the market requires improvement of food quality by the introduction of quality standards and food quality systems. The leading companies, particularly in the meat-processing sector, have already made investments for the purpose of compliance with Community standards, but there is still lack of capacity for collecting by-products of animal origin, solid and liquid waste treatment, in order to protect the environment.



The selection of the eligible sectors to be supported under this measure is based on a sector analysis involving external expertise. Identification of the type of beneficiaries and specific investments needed/eligible under each sector use the same approach and prioritise developing the weakest links identified in the agricultural production chain by relevant sector analysis.

The following sectors will be supported to improve their overall performance and standards: milk sector; meat sector; eggs sector; fruit,vegetable and arable sectors; wine sector; olive sector; beekeeping sector and the fishery and aquaculture sector.

Recipients are companies (including cooperatives) registered in the Central Register of Business Entities (CRPS) in accordance with the Law on Companies ("Official Gazette of the Republic of Montenegro", No 06/02, No 17/07 and Official Gazette of Montenegro, No 80/08, No 73/10, No 36/11 and No 40/11).

Not later than at the end of the project (before a final payment), the entire enterprise must comply with the main relevant national minimum standards (list of national minimum standards set out in Annex III of this programme) in force regarding environmental protection, public health, animal welfare, and occupational safety. The investment supported must comply with the relevant EU standards by the end of the realisation of the investment (before a final payment).

Recipients will have at the time of submission of application to fulfil specific eligibility criteria.

### **6.3 Technical assistance**

This measure will be implemented from 2016 only.

Support under this measure is needed to ensure regular and effective monitoring and evaluation of the IPARD II programme, preparation or streamlining of implementation of measures, thus contributing to smooth and effective implementation of the Programme.

The actions under this measure are also needed for implementation and monitoring of activities related to provisions of information, publicity and visibility. Technical assistance funds shall be used to support the Montenegrin Rural Network (MRN) and to finance its activities in Montenegro as well.

### **6.4 Farm Diversification and Business Development**

This measure will be implemented from 2017 only.

Agriculture is the most important branch of the economy in rural areas. Diversification of agricultural activities and other economic activities can prevent migration of young people from rural areas and the maintaining of existing jobs. The current unemployment in rural areas is higher than in urban ones. Lately, there have been new trends, and as a result of a crisis in Montenegrin industry, young people are becoming interested in starting new activities in rural areas, above all, in agriculture.

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,
- Declining quality and accessibility of basic services and infrastructure.

These problems result in decreasing attractiveness of rural areas as a place to work and live in and increase the disparities between urban and rural areas.

The projects shall be compliant with the relevant national standards at the latest by the end of investment.

Recipients will have at the time of submission of application to fulfil specific eligibility criteria.

#### **6.5 Agri-environment-climate and organic farming measure**

This measure will be implemented from 2018 only.

#### **6.6 Implementation of local development strategies-LEADER approach**

This measure will be implemented from 2018 only.

#### **6.7 Investments in rural infrastructure**

This measure will be implemented from 2020 only.

### **7. ADMINISTRATIVE ARRANGEMENTS FOR PROGRAMME IMPLEMENTATION**

This Programme will be implemented on the basis of indirect management without ex-ante controls by the EU Delegation or the Commission after the entrustment of budget implementation tasks is granted in the Financing Agreement. Grants will be given to recipients to reimburse (partially or fully) costs of investments conducted.

The main institutions crucial for Programme management are:

- (1) Managing Authority (MA function performed by the Ministry of Agriculture and Rural Development) responsible mainly for programming, publicity, monitoring and evaluation;
- (2) IPARD Agency (function performed by the Ministry of Agriculture and Rural Development) handling project applications, assessing and selecting them, controlling and paying aid;

(3) National Authorising Officer (NAO function performed by a Director-General in the Ministry of Finance) supervising the financial management;

(4) National IPA Coordinator (NIPAC function performed by the State Secretary and Chief Negotiator for Montenegro's Accession to EU of the Ministry of Foreign Affairs and European Integration) charged with overall policy coordination and

(5) Audit Authority (as established in Montenegro) performing external audit functions.

## **8. MONITORING AND EVALUATION**

The IPARD II programme is subject to on-going monitoring based on a set of indicators. Monitoring information is collected regularly and presented in regular (annual) reports. The Monitoring Committee (MC) will be established for the Programme and will consist of representatives of the public administration as well as NGOs, social and economic partners with the European Commission as an observer. The MC will periodically review progress of the Programme based on the agreed indicators and will generally oversee the programme's implementation.

The IPARD Programme has been subject to ex ante evaluation, the results of which are explained in the programme text. An evaluation plan will also be established. Finally, ex post evaluation will be conducted.

## **9. CONSULTATION WITH SOCIO-ECONOMIC PARTNERS**

Advanced drafts of the programme have been subject to consultations with social and economic partners. Results of this consultation process are presented in detail in the Programme itself.



**Montenegro**  
**Ministry of Agriculture and Rural Development**

**PROGRAMME FOR THE DEVELOPMENT OF AGRICULTURE AND RURAL AREAS  
IN MONTENEGRO UNDER IPARD II 2014-2020**

Final

**June 2015**

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## LIST OF ABBREVIATIONS

AA - *Audit Authority*  
ADA - *Austrian Development Agency*  
ANC - *Areas of Natural Constrains*  
ATCG - *Accreditation Body of Montenegro*  
ATS - *Certificate of Accreditation*  
AWU - *Annual Working Units*  
CAP - *Common Agricultural Policy*  
CARDS - *Community Assistance for Reconstruction, Development and Stabilization*  
CEFTA - *Central European Free Trade Agreement*  
CPF - *Country Programming Framework*  
CRPS - *Central Register of Business Entities*  
DG AGRI - *Directorate-General for Agriculture and Rural Development*  
DGRV - *German Cooperative and Raiffeisen Confederation*  
DRM - *Disaster Risk Management*  
EIA - *Environmental Impact Assessment*  
EC - *European Commission*  
EMERALD- *Ecological Network*  
EU - *European Union*  
FAO – *Food and Agriculture Organization*  
FWA - *Framework Agreement*  
GAP- *Code of good agricultural policy*  
GEF - *Global Environmental Fund*  
GEF - *Global Investment Fund for Environment Facility*  
GDP - *Gross Domestic Products*  
GMO – *Genetic modified organism*  
HACCP - *Hazard Analyses and Critical Control Points*  
HDI - *Human Development Index*  
IA – *IPARD Agency*  
IBRD - *International Bank for Reconstruction and Development*  
IDF - *Investment Development Fund*  
IHMS – *Institute of Hydrometeorology and Seismology of Montenegro*  
IPA - *Instruments for Pre-accession Assistance*  
IPA MC - *IPA Monitoring Committee*  
IPARD - *Instruments for Pre-accession Assistance for Rural Development*  
IPCC – *Inter-governmental Panel on Climate Change*  
ISP – *Indicative Strategy Paper*  
LAG - *Local Action Group*  
LAU - *Local Administrative Unit*  
LEADER - *French acronym, standing for- Liaison Entre Actions de Development de l'Économie Rural – meaning - Links between the rural economy and development actions*  
LEE - *List of Eligible Expenditure*  
LU- *Livestock Units*  
LUCF - *Land Use Change and Forestry*  
M&E - *Monitoring and Evaluation*  
MA - *Managing Authority*  
MARD - *Ministry of Agriculture and Rural Development*  
MC - *Monitoring Committee*

*MIDAS - Montenegro Institutional Development and Agriculture Strengthening*  
*MNE - Montenegro*  
*MONSTAT - Statistics Office of Montenegro*  
*MRN - Montenegrin Rural Network*  
*MSDT – Ministry of Sustainable Development and Tourism*  
*NAO - National Authorizing Officer*  
*NF - National Fund*  
*NGO - Non- governmental organization (s)*  
*NIPAC - National IPA Coordinator*  
*NIS - National Forest Inventory*  
*NMS - National Minimum Standards*  
*NUTS - The Nomenclature of Territorial Units for Statistics*  
*OADP - Organic Agriculture Development Program*  
*OECD - The Organization for Economic Cooperation and Development*  
*OS-Operating Structure*  
*PDO - Protected Designation of Origin*  
*PGI - Protected Geographic Indication*  
*PRAG- Practical Guide to Contract Procedures for EU External Actions*  
*RD-Rural development*  
*RBD- River basin districts*  
*RED - Real Estate Directorate*  
*SA - Sectoral Agreement*  
*SIDA - Swedish International Development Agency*  
*SO - Standard Economic Output*  
*SWG RRD - Regional Rural Development Standing Working Group*  
*SWOT - Strengths, weaknesses, opportunities, threats analysis*  
*TAIEX - Technical Assistance and Information Exchange instrument*  
*UNDP - United Nations Development Programme*  
*UNFCCC - United Nations Framework Convention on Climate Change*  
*USAID - United States Agency for International Development*  
*WBC – Western Balkan Countries*  
*WFD- Water Framework Directive*  
*WTTC - The World Travel and Tourism Council*  
*WWF – World Wide Fund for Nature*

## **1. TITLE OF IPA RURAL DEVELOPMENT PROGRAMME**

Programme for the development of Agriculture and Rural areas in Montenegro under IPARD II 2014-2020

## **2. BENEFICIARY COUNTRY**

Montenegro

### **2.1 Geographical area covered by the programme**

According to the Law on Territorial Organization of Montenegro, which has been in force since 2011 (Official Gazette of MNE, No 54/11, 26/12 and 27/13), the territory of Montenegro is divided into 21 municipalities, Old Royal capital Cetinje and Capital city Podgorica.

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 local self-governments (23 in total), and LAU2 to settlements, 1,307 in total.

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

### **3.1 The general socio economic context of the geographical area**

#### **Montenegro demographic trends**

Montenegro is situated in the southeast of Europe, with a surface area of 13,812 square kilometres, which represents 0.31% of the area of EU-28. 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 – MONSTAT, the population of Montenegro is 620,029. The population density is 45 people per square kilometre 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 is Podgorica with a population of 185,937 while the Old Royal Capital is Cetinje with a population of 16,657.

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\* 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.

Table 1: Population in Montenegro, total and by regions, 2003-2011<sup>1</sup>

| Region                   | Population, Census 2003 |             |             | Population, Census 2011 |             |             | Difference (Cen.'11-Cen.'03) |             |
|--------------------------|-------------------------|-------------|-------------|-------------------------|-------------|-------------|------------------------------|-------------|
|                          | Total                   | Urban, %    | Rural, %    | Total                   | Urban, %    | Rural, %    | In total                     | Rural, %    |
| Coastal                  | 145,847                 | 59.8        | 40.2        | 148,683                 | 58.3        | 41.7        | 2,836                        | 1.5         |
| Central                  | 279,419                 | 78.9        | 21.1        | 293,509                 | 79.6        | 20.4        | 14,090                       | -0.7        |
| Northern                 | 194,879                 | 39.0        | 61.0        | 177,837                 | 40.3        | 59.7        | -17,042                      | -1.3        |
| <b>Montenegro, total</b> | <b>620,145</b>          | <b>61.9</b> | <b>38.1</b> | <b>620,029</b>          | <b>63.2</b> | <b>36.8</b> | <b>-116<sup>2</sup></b>      | <b>-1.3</b> |

Source: MONSTAT, Census 2003 and Census 2011

There are two obvious trends according to the data from the last two censuses. The first one is related to the massive migration from the Northern part of Montenegro to the Central and Coastal and the second one is migration from rural to urban areas (see table in Annex II).

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%. The number of new-borns over the last half of the century fell by 25%, while the average age of the population rose to about 34.

Table 2: Population by age structure, %

| Year | Age group |           |              |
|------|-----------|-----------|--------------|
|      | Age 0-14  | Age 15-64 | 65 and above |
| 1991 | 25.5      | 66.2      | 8.3          |
| 2003 | 20.7      | 67.2      | 12.1         |
| 2011 | 19.0      | 68.0      | 13.0         |

Source: MONSTAT

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

Table 3: 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   |

Source: MONSTAT, Census 2003, 2011

## 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>.

<sup>1</sup> Negative population trend for the period 2003-2011 due to different methodology applied during the Census 2011.

<sup>2</sup> As mentioned the negative population trend is due to the different methodology applied during the Census 2011. Monstat did the calculation in 2012 in order to make a comparison between the two Censuses. MONSTAT applied the same methodology from 2011 to Census 2003 and according to that there was an increase of population between two Censuses by 7,762 persons.

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 13 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 4: 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 |
| MNE total | 620,029               | 392,020          | 63.2 | 228,009              | 36.8 |

*Source: MONSTAT - 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.

*Table 5: Share of agriculture, forestry and fisheries in GDP for the period 2007-2013  
(In thousand EUR)*

| Indicator  | 2007    | 2008    | 2009    | 2010    | 2011    | 2012    | 2013    |
|--|---------|---------|---------|---------|---------|---------|---------|
| Agriculture, forestry and fisheries                    | 194,123 | 230,499 | 246,812 | 237,422 | 256,726 | 232,012 | 266,886 |
| Share of agriculture, forestry and fisheries in GDP, % | 7.2     | 7.4     | 8.3     | 7.7     | 7.9     | 7.4     | 8.0     |

*Source: MONSTAT*

## Employment

According to MONSTAT data (Labour Force Survey) for 2013, the total labour force in Montenegro consists of 250,800 of the active population. From that number 201,900 persons were employed while 48,900 were unemployed. The number of persons in employment in comparison with the previous (2012) year has increased by 0,45%.

Employment data for employment in the sector of agriculture is published regularly by MONSTAT. That data refers only to business entities (enterprises, co-operatives, etc.), but not for the family agricultural holdings.

*Table 6: Employment in business entities (enterprises, co-operatives, etc.)*

| Year                | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  |
|---------------------|-------|-------|-------|-------|-------|-------|-------|
| Number of employees | 2,586 | 2,651 | 2,700 | 2,347 | 2,292 | 2,505 | 2,771 |

*Source: MONSTAT*

However, in accordance with the Agricultural Census data on employment in 48,824 family agricultural holdings, there are 98,341 working persons in family agricultural holdings. The total number of business entities according to the Census is 46.

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 7: Labour force at family agricultural holdings by age groups, and annual work units (AWU)

| Category                | Total employment |       | AWU      |       |
|-------------------------|------------------|-------|----------|-------|
|                         | Number           | %     | Number   | %     |
| Up to 24 years          | 6,717            | 6.8   | 2,304.9  | 5.0   |
| Between 24 and 34 years | 11,340           | 11.5  | 4,838.6  | 10.4  |
| Between 35 and 44 years | 15,675           | 15.9  | 7,606.8  | 16.4  |
| Between 45 and 54 years | 21,562           | 21.9  | 10,447.9 | 22.5  |
| Between 55 and 64 years | 19,849           | 20.3  | 10,001.5 | 21.4  |
| 65 years and over       | 23,198           | 23.6  | 11,273.3 | 24.3  |
| Montenegro, total       | 98,341           | 100.0 | 46,473.0 | 100.0 |

Source: MONSTAT, Agricultural Census 2010

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.

Table 8: Labour force on Family agricultural holdings by gender and age

| Category                | Total labour force | Holder of the holding |        |        | Other member of the family working |        |        | Non-family members regularly employed |      |        |
|-------------------------|--------------------|-----------------------|--------|--------|------------------------------------|--------|--------|---------------------------------------|------|--------|
|                         |                    | Total                 | Male   | Female | Total                              | Male   | Female | Total                                 | Male | Female |
| Up to 24 years          | 6,717              | 344                   | 307    | 37     | 6,356                              | 3,855  | 2,501  | 17                                    | 10   | 7      |
| Between 24 and 34 years | 11,340             | 2,387                 | 2,228  | 159    | 8,924                              | 4,919  | 4,005  | 29                                    | 11   | 18     |
| Between 35 and 44 years | 15,675             | 5,993                 | 5,540  | 453    | 9,646                              | 3,725  | 5,921  | 36                                    | 23   | 13     |
| Between 45 and 54 years | 21,562             | 11,675                | 10,769 | 906    | 9,857                              | 2,385  | 7,472  | 30                                    | 20   | 10     |
| Between 55 and 64 years | 19,849             | 12,197                | 10,657 | 1,540  | 7,633                              | 982    | 6,651  | 19                                    | 12   | 7      |
| 65 years and over       | 23,198             | 16,228                | 13,037 | 3,191  | 6,966                              | 923    | 6,043  | 4                                     | 2    | 2      |
| Montenegro total        | 98,341             | 48,824                | 42,538 | 6,286  | 49,382                             | 16,789 | 32,593 | 135                                   | 78   | 57     |

Source: MONSTAT, Agricultural census 2010

The structure of total working persons<sup>4</sup> (98,341) 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%,

<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 (non family members).

<sup>4</sup> As described by MONSTAT, 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 household 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.



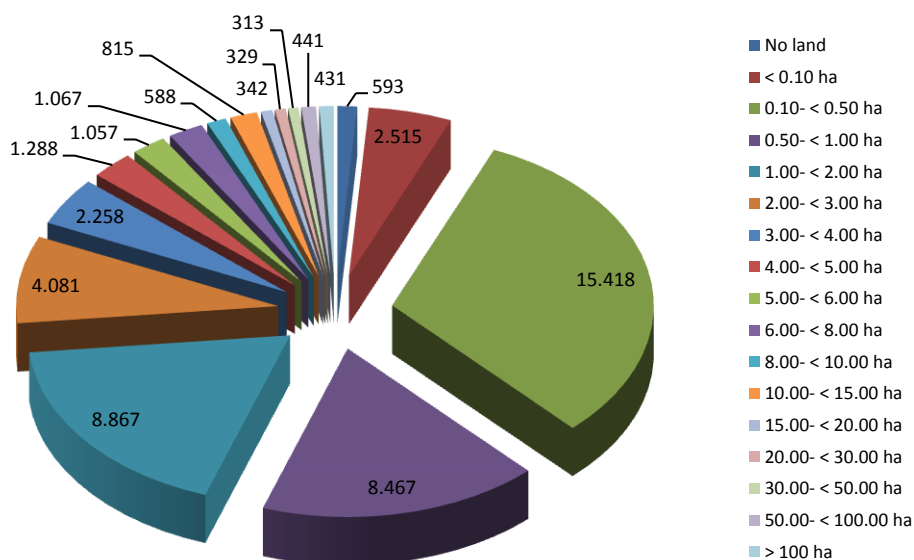
- Post-secondary or higher education is 9.09%.

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

Agriculture, with tourism and energy are strategic sectors in Montenegro. These sectors are interconnected and are representing potential for further development. For further development of agriculture in Montenegro, in the context of the accession process, it is necessary to analyse the current situation and possibilities.

**Structure of agricultural land** is unfavourable in terms of the size of agricultural holdings, compared with the size of the land of EU member states. In accordance with the Agricultural Census of 2010 the average size of utilized agricultural land per holding in Montenegro is 4,6 ha. Also, we should take into account the fact that 72% of agricultural holdings possess up to 2 ha of land. In addition, the used agricultural land is divided into small parcels, which makes it more difficult to fully utilize. Graph below shows the number of households by size of agricultural land.

*Graph 1: Number of households by the size of agricultural land*



*Source: MONSTAT, Agricultural census 2010*

The farm structure is dominated by small family farms, which produce mainly for their own consumption. Their market share is limited.

Plant production is characterized by the combined type of production on small family farms mainly for their own consumption. Livestock production is present in the entire territory of Montenegro, also on small family farms without significant market share. There is a potential for further utilization of land available for increase of the production capacities of farms in both plant and livestock production.

When we take the ratio of used agricultural land and the number of livestock units we can conclude that in Montenegro there is relatively low animal density per ha, only 0,53 LU/ha. The average population density in the EU-27 in 2010 was 1 LU/ha, which is about 2 times higher than in Montenegro.

**Remoteness and dispersion of villages** is one of the structural disadvantages. According to physiognomic structure, rural settlements in the territory of Montenegro are classified in village's scattered type, characterized by the dispersal of residential buildings. Configuration of fields further

complicates the connection between neighbouring villages and even works on the establishment and maintenance of infrastructure require additional attention.

**Unused agricultural land**, both private and state-owned, and its utilization are representing a significant potential for increase of agricultural production. According to the MONSTAT Statistical Yearbook 2014 the utilized agriculture land in 2013 is at the level of 223,131 ha.

The land market is undeveloped. Parts of the agricultural land have unresolved property relations (land under restitution process, pastures etc.). In a number of cases the user of the land is not the actual owner of the land. One of the disadvantages is that the territory of Montenegro isn't fully covered by Cadastres, which is a reason why it is necessary to complete it and to update regularly.

**The low level of organization of agricultural holdings** (negative experience with socialist cooperatives), the absence of involving them in the higher forms of organization and other forms of co-operation directly affects negatively the level of competitiveness and market positioning.

The structure of farms, the average farm size and standard economic output (SO)<sup>5</sup> indicates a low investment potential and hence the low level of technological and technical equipment-which determines further technical and technological modernization in combination with measures of diversification with the aim of raising the level of economic sustainability.

#### **Availability of credits**

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

The Investment Development Fund of Montenegro was founded by the adoption of the Law on Investment and Development Fund of Montenegro (Official Gazette of MNE, No 88/09). Broadly defined activities and objectives of the Fund allow their concretization in several areas of activity, each of which should be emphasized: support for the small and medium-sized enterprises (credit and warranty support) support in addressing infrastructure and environmental projects, promotion of exports and employment;

The Fund provides support through direct credit arrangements, and credits to recipient loans through commercial banks, with which IDF established cooperation.

**Beneficiary of credits** are micro, small and medium size enterprises and entrepreneurs, in all forms of organization in accordance with the Companies Law, as well as persons who work in the manner defined by the rules of the activity they are engaged (artisans, agricultural producers, etc.).

*Table 9: Direct Crediting*

| Activity  | Fund credit<br>IDF, EUR  | Grace<br>period | Repayment<br>(excluded grace<br>period) | Interest<br>rate |
|---|--|-----------------|---|------------------|
| <b>Programme supporting<br/>Agriculture and food<br/>production</b> | 10,000 to 1,000,000<br>(Entrepreneur and farmers to<br>50.000) | To 4<br>years   | To 8 years                              | 5%               |

*Source: IDF; Financial support 2015*

Credit lines through and with the guarantee of banks will be implemented by scheme of cooperation with commercial banks in accordance with IDF rules.

<sup>5</sup> According to the Agricultural Census the average value of economic size of holding in family agricultural holdings is EUR 2,276.6.

Table 10: Credit line IPARD-like

| Activity  | Fund credit<br>IDF, EUR  | Grace<br>period | Repayment<br>(excluded grace<br>period) | Interest<br>rate |
|---|--|-----------------|---|------------------|
| <b>Programme<br/>supporting<br/>development of<br/>Agriculture and<br/>food production–<br/>IPARD like 2015</b> | Up to 100,000<br>(micro, small and medium enterprises, which<br>are engaged in agricultural activity)  | To 4<br>year    | To 8 year                               | 3,5%             |
|   | Up to 80,000<br>Registered agricultural producers-in accordance<br>with definition of registered agricultural<br>producers from Operational Manual IPARD<br>like project | To 4<br>year    | To 8 year                               | 3,5%             |

Source: IDF; Financial support 2015

IDF can directly finance up to 50% of the total investment. The amount of the loan intended for investment in working capital can be up to 20% of the total loan amount. As a collateral loan IDF will accept bills of exchange, mortgage, bank guarantees, guarantees of local self-government units, the Government guarantee and other usual collaterals in the banking business in accordance with the policies of the collateral and the decisions of the competent authorities of the IDF.

Financing through commercial banks is characterized by high interest rates and unfavourable conditions for farmers. The level of collateral depends on the investment required: mortgages without burden and constraints are acceptable under the bank conditions (the value of the mortgage must be at least 1.5 times higher than the amount of the loan). The additional collateral is possible (collateral other legal and natural persons, pledges...) depending on the assessment.

### **Priority sectors for IPARD II support**

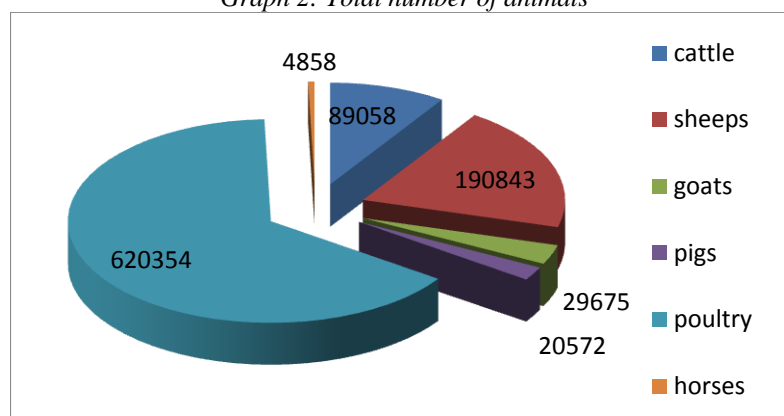
IPA Implementing Regulation No 447/2014 shows that the IPARD II programme should be based on an analysis of the current situation in rural areas and a deeper analysis of the key sectors of agriculture and food processing. Among other components, the IPARD II should include a description of the current situation by showing the differences, gaps and potential for development, as well as quantitative targets.

Therefore the Ministry of Agriculture and Rural Development through MIDAS project updated the Sectoral analysis for sectors of dairy, meat, fruit and vegetables, olives, viticulture and wine, as well as fisheries.

### **Livestock production**

According to the agricultural Census of 2010, 66.9% or 32,675 agricultural holdings are engaged in livestock production. Farm structure is unfavourable since 82.93% of holdings involved in livestock production possess up to 5 livestock units, while the average number of animals per household is 3.3 cattle, 37.3 sheep's and 9.8 goats.

Graph 2: Total number of animals



Source: MONSTAT, Statistical Yearbook 2014

### Milk sector

According to the data from Livestock Selection Service, average milk yield per cow in a controlled population is 5,077 kg, while the estimate for the total population is around 2,500 kg per cow.<sup>6</sup> Such modest results are a consequence of inadequate nutrition, poor accommodation, poor technical equipment, as well as the problem with manure management. Directions for future support will focus on solving these problems.

The average annual production of milk in the last ten years is around 170 million litres; of which 95% is cow's milk. Of the total milk produced, during 2013, an average of around 13% or 23.6 million litres was collected and processed in registered milk processing establishments. This data is showing that the sector has good potentials for further growth. One of the reasons for this low level of milk collected is the dispersion of farms and their modest size, which further burden the collection network. The remaining amount is used for feeding calves, or processed on households into various types of indigenous dairy products, such as various cheeses, *skorup* and *kajmak* and used for their own use or for sale. Products placed for sale, are subject of control of the Veterinary Administration and Sanitary health Inspection.

The main problems in the milk production/processing are related to the low quality of the raw milk, inadequate equipment for milk storage/processing, remoteness and dispersion of farms, small range of products, and food safety standards.

In order to solve the main problems in this sector support should be given in three directions:

- 1) Expansion and strengthening of milk networks,
- 2) Expanding the range of products, especially the affirmation of cheese and
- 3) Improving the quality and safety of products, in order to achieve EU standards.

### Meat sector

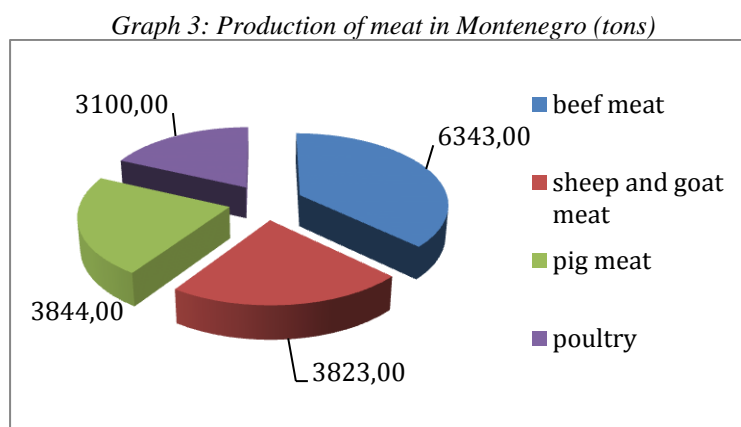
The total domestic meat production is about 17,110 tons, which covers only 36% of total meat consumption in the country.

Approximately 60% of meat produced in Montenegro comes from ruminants, which are

<sup>6</sup> The presented data are based on 3251 cows controlled by the Livestock Selection Service.

predominantly grown in semi-intensive production systems, while pig production is not developed enough.

The poultry sector recorded a positive growth trend, while production of eggs takes place in conventional cages with a production of about 75 million eggs per year. Better production results in this sector can be achieved if there is a continuous production of animal feed, animal housing that meets the standards of animal welfare and the use of specialized breeds for fattening. In order to reduce the harmful impacts on the environment it is necessary to solve the problem of manure disposal.



*Source: Sectoral analysis of meat production 2014*

In Montenegro, there are currently about 320 agro-industrial enterprises, of which about 20% are working in the meat industry. Over the past few years, MARD has started providing financial support to Montenegrin companies to introduce HACCP (food safety is an important issue in Montenegro agri-food companies).

According to the analysis of the meat sector, the four largest companies in the meat industry produce about 60% of total domestic production with a production per producer that ranges from 1,000-6,000 tons per year.

These four companies are exporting meat products to Serbia, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Kosovo\*. In addition, two medium-sized enterprises have a capacity of between 500-1,000 tons of meat per year that have also an integrated system of slaughtering and meat processing, for retail, but don't export to the neighbouring countries.

*Intervention in meat sector* as an objective will be focused mainly on: Support on improving the overall performance of agricultural holdings and an increase in ability of the agri-food sector, through increasing the competitiveness and productivity, through investment in the use of modern equipment and production technology, improving the status of achieving national and EU standards, the introduction of quality management systems, improving the environmental situation in slaughterhouses and plants meat processing, raising awareness, and improving knowledge and skills.

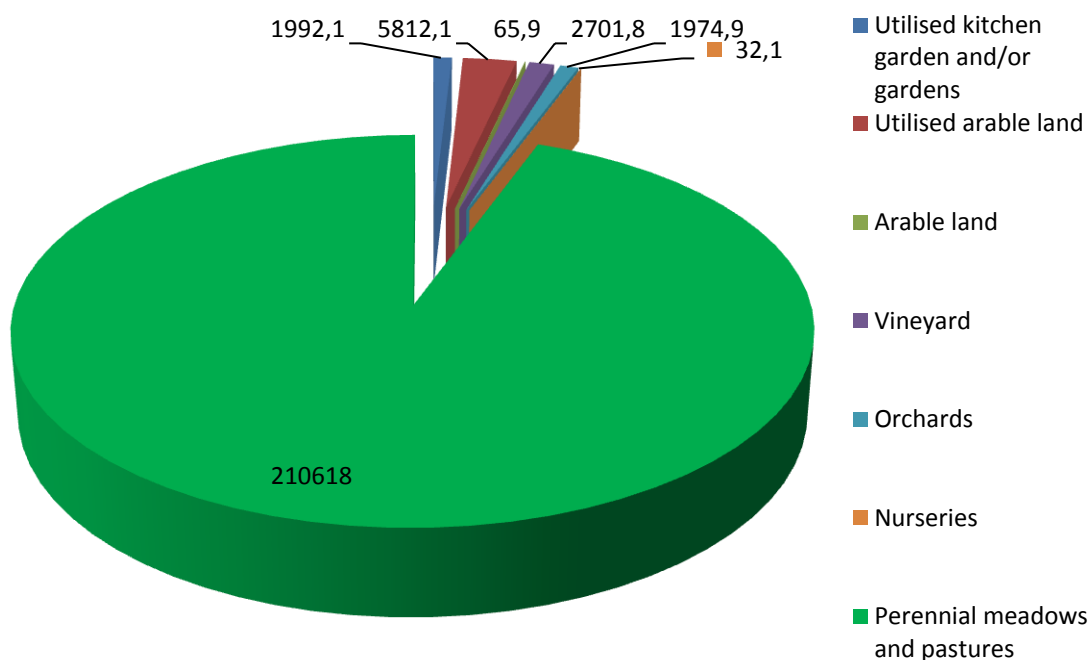
Processing of meat should be directed to: improvement of slaughter capacity in order to improve the hygienic conditions and new technologies and new technologies and waste treatment.

### **Plant production sector**

Fruit and vegetable sector is very fragmented, as shown in the Graph. 4. According to data from the Agricultural census 2010 around 14,000 households are involved into production of fruits and

vegetables, which represents 32.7% of the total number agricultural holdings. According to MONSTAT data plant production in 2013 cover 12,513 ha.

Graph 4: Usage of the agricultural land by crops culture (ha)



Source: MONSTAT, Statistical Yearbook 2014.

Production of vegetables is not enough specialized. A small number of farms produce vegetables in greenhouses. Sector is characterized by certain common weaknesses: fragmentation, lack of vertical integration, the small-scale production, low level of technology, uneven quality/price and high production costs per unit and the lack of storage capacity.

Several companies are engaged in the processing of fruits and vegetables, but they have relatively small capacities. Only 5 processing capacities have a significant share of the market, and the rest are with smaller capacity and are not important market players.

Competitiveness in the sector of vegetables could be strengthened by extending the season supply through production in covered areas and improving market infrastructure that enables the storage and preservation of fresh products for the market, thus improving the quality and reducing the seasonal nature of these products. Greater efficiency can be achieved through vertical integration of agricultural production and processing and better horizontal connections among producers for joint investments.

Increasing competitiveness in the fruit sector can be achieved by modernization of agricultural holdings, better use of resources and manpower, introducing new technologies and innovations, with special emphasis on market-oriented producers. This requires the establishment of modern orchards, using quality controlled planting material and quality seed. This will specialize the production of so-called niche markets.

The necessary investments are needed to improve primary production (greater specialization, better technology, the adoption of quality standards), as well as the distribution and processing (modern practices after harvest, better technology, the adoption of quality standards, etc.).

## Viticulture sector

According to the Statistical Yearbook 2014 under vineyards there are 2,702 ha (including JSC "Plantaže"). The total production is dominated by production of wine varieties, primarily of red wines Vranac and Kratošija, and among white varieties are most frequent Krstač and Chardonnay. In recent years there has been a significant trend of increasing area under vineyards with foreign (introduced) varieties such as Cabernet Sauvignon and Merlot for the reds, Chardonnay for white wines.

Large producer JSC Plantaže dominates the sector with the production of an average of 14 million litres of wine and there is an increase in the number of companies starting to do business in this sector (currently 44 small wineries registered with smaller capacities).

On one side, improving the competitiveness of the wine sector requires innovation and better use of resources through the production of new vineyards, using certified planting material. Production should be organized through the support of initiatives for the formation of producer associations and the development of joint activities of production and marketing. On the other hand, focusing on the production of specific and traditional products of high quality would significantly contribute to the development of horizontal integration between sub-sectors of wine and tourism, and make the tourist offer more attractive. This would help in establishing better conditions for the development of the sector and diversification of economic activities in rural areas.

## Olive sector

Olive is the oldest subtropical culture on the Montenegrin coast and covers 118.8<sup>7</sup> ha under plantations. Approximately 70% of the trees are traditional old trees, while less than 10% are juvenile trees. More than 90% of the trees belong to autochthonous varieties (žutica etc.), which ensure the basis for the production of high quality oil.

Processing industry in Montenegro is not sufficiently modernized in accordance with international standards of olives and olive oil production, which affects the quality of the final product. Olives are processed into oil or preserved for home use. Most of the yield is used for production of oil. Currently in Montenegro, there are 15 registered oil mills, of which 8 with a continuous line for cold squeezing of oil (capacity of 250-500 kg of fruit per hour), and the rest are traditional mills with stone presses.

## Beekeeping sector

The importance of beekeeping lies not only in the production of honey and other bee products, increasing the role of bees in pollinating plants, thereby directly affecting the increase in the yield of agricultural plants. According to the Agricultural Census there are 2,533 family holdings that are engaged in breeding bees to the Agricultural Census 2010, while the total number of beehives in Montenegro was 50,024.

The presence of several climatic zones, large areas of meadows and pastures and spacious karstic area with rich flora and plenty of honey plants, provide very favourable natural conditions for the development of beekeeping in the entire territory of Montenegro. In Montenegro, most of the bees are *Apis mellifera var rafter*, the indigenous race of bees that has very good biological and production characteristics. On the other hand, botanical and ecological research in Montenegro identified over 500 important honey plants. Climatic conditions for the development of beekeeping

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<sup>7</sup> Statistical Yearbook 2014.

ranging from Mediterranean to alpine climate, affects the potential of bee pastures as the basis of the development of beekeeping.

### **Fishery sector and aquaculture**

Fishery is of particular importance for the economic development of coastal areas in Montenegro, which has valuable but unused resources in this sector. Sector of Marine Fisheries and Aquaculture in the coming period has to be strengthened in many areas in order to be more competitive on the domestic market. Montenegro has significant resources of fish and other marine and freshwater organisms as confirmed by scientific research conducted in Montenegro. In order to place fish, shellfish and other marine and freshwater organisms on the market it is necessary to fulfil the health hygiene requirements, in accordance with the Law on Food Safety.

In terms of freshwater aquaculture, water resources in Montenegro are of excellent quality and are a good potential for fish farming, which has so far not been sufficiently exploited. The most cultivated species is rainbow trout (*Oncorhynchus mykiss*), and a small amount of brown trout (*Salmo trutta m. Fario*), which is mainly used for restocking. There are a total of 32 farms, while the total annual production of trout is estimated at about 550 tons, with about 100 employees, mostly members of the agricultural holdings.

Mari-culture is now done exclusively within the framework of Boka Kotor Bay. Currently mussels (*Mytilus galloprovincialis*), sea bass (*Dicentrarchus labrax*), sea bream (*Sparus aurata*) and oysters (*Ostrea edulis*) are grown in a total of 17 locations. Annually production is about 200 tons, 16 000 mussels and oysters, as well as 120 tons of sea bream and sea bass.

### **Forest**

Together with mountains and water, forests form a substantial part of the brand of Montenegro in the area of sustainable and green tourism. Forests are of vital economic significance to population in rural areas where forests are one of the main sources of income and of heating energy. In addition, forestry has always been one of the main industries that employed a large part of the rural population.

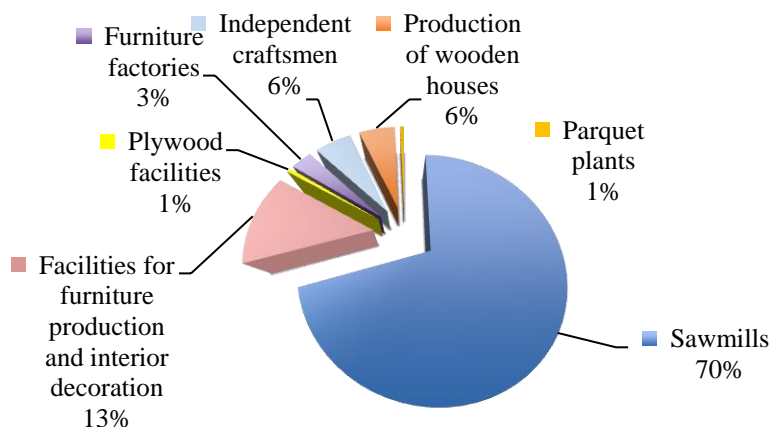
According to the National Forest Inventory (NIS) 2010, the forests were covering 60% of the territory of Montenegro, and barren forestland additional 9.7%. The total standing volume of all of the forests is 133 million cubic meters of wood, of which 104 million m<sup>3</sup> belong to the forests available for wood supply (they are accessible and outside protected areas or other regimes of protection).

According to the share in the area beech tree is dominated with 19.8%, followed by spruce 8.5%, firs with 4.1%, 2.0% of sessile oak and black pine with 1.6%. The share in the mass (volume) of the dominant species is as follows: 42.6% beech tree, spruce 20%, fir 12.5%, constituting 75.1% of the felled timber. They are followed by black pine and Turkey oak with a share of 2.8 and 3.9%, respectively. Balkan endemics *Pinus heldreichii* and *Pinus peuce* have a significant share to the area 1.1% (*Pinus heldreichii*) and 0.6% (*Pinus peuce*) in volume.

In the wood processing industry, 152 companies were active mid 2012 (including companies and entrepreneurs producing furniture). The common activity of these companies, in terms of their number, was sawmilling, followed by furniture manufacture (mainly particle board furniture from imported material), equipping interiors and manufacturing of wooden houses. The structure of wood processing enterprises is dominated by small enterprises. Six large enterprises processed a total of 97,380 m<sup>3</sup> of technical round woods in 2011, which constituted 29.8% of total technical round wood processed in Montenegro.



Graph 5: Proportion of companies per some of the production types in the total number of wood processing and furniture manufacturing companies in Montenegro



Source: National Forestry Strategy

Out of the 107 active sawmills, most are situated in the municipality of Rožaje (51, of which 9 are producing sawn timber and wooden houses), followed by Berane (14), Bijelo Polje (8) and Pljevlja (7).

Results of the conducted research show that most of the raw material (technical round wood) is used for production of sawn timber and plywood. These two products are dominant in primary wood processing in Montenegro.

Around half of the forests in Montenegro are state owned, and another half are in private ownership.

Table 11: Area, growing stock and increment in state and private forests available for wood supply

| Owners hip   | Area of forests for utilization (ha) | P %          | Wood stock (m <sup>3</sup> ) | V %          | Growing stock per hectare (m <sup>3</sup> /ha) | Annual increment (m <sup>3</sup> ) | Increment per hectare (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

Climate change will negatively affect the distribution of most major 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 far eastern part of Montenegro, in all the mountains north of Berane and Rozaje. Also, the vulnerability of these species can be expected in all regions of the lower positions mountains around Pljevlja.

Potential threat to forest ecosystems represents epidemic pests and diseases, which are particularly expressed in the last few decades due to increasing anthropogenic pressures and inappropriate silvicultural measures. Increasing the potential abundance and number of species of harmful insects has caused significant economic losses and accumulation of combustible materials (dead biomass) in the forest, especially in the coniferous forests. Therefore, it is important to improve the monitoring system disorders caused by biotic pests and provide adequate sanitation (periodic

removal of infected trees) and general oversight. Another significant threat to forest ecosystems, forest fires, and the risk of forest fires is increasing due to the increase in temperature, which is already evident, especially in the summer months, which requires preventive action by increasing capacities for the protection of forests against fire.

### 3.3 Environment and land management

The diversity of geological base, regions, climate and soil, as well as the very good position of Montenegro in the Balkans and the Mediterranean has created ideal conditions for the emergence of biodiversity with very high values, which puts Montenegro in the so-called diversity "Hot-spot" areas of European and World importance. The S/A index related to the number of species per area in Montenegro is 0.837, which is the highest recorded in all European countries<sup>8</sup>.

In order to determine and reflect on pressures on the biodiversity, Montenegro in 2010 adopted a National Biodiversity Strategy and Action Plan for the period of 2010-2015. 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 use of land/area and its modification for the needs of the population, beside the impact on the natural balance, also affects the human health. In order to be able to assess these impacts and predict their consequences, sectors that make constant pressure on the environment should be singled out and identified. As it is stated, some of these sectors, such as energy, transport and industry, exert direct pressure on the nature while others, such as agriculture, forestry and fisheries are in a different position, and they directly depends on the state of the environment.

Tourism and construction are determined as main contributors to decrease of the biodiversity in Montenegro. It is stated that the agriculture is not the main polluter but the further actions are needed in order to prevent the negative effects.<sup>9</sup>

Also, the pressure of agriculture on land degradation has been identified with proposed measures to be implemented.<sup>10</sup>

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 Ministry of Agriculture and Rural Development so far has supported agricultural producers through several measures, in order to reduce pressure of agriculture on environment in Montenegro.

Important support was provided through grant component of the *Montenegro Institutional Development and Agriculture Strengthening* (MIDAS) project. This project also included component financed by Global Environment Fund (GEF). Through MIDAS five (5) public calls have been realized. Three of them (1, 2 and 5) supported the investments in management of manure and erosion prevention, which are aimed at reducing the risk of pollution by nitrates, surface water and ground water, reducing soil erosion by retaining and maintaining terraces, preservation and

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<sup>8</sup> First Report on the implementation of the National Strategy of Biodiversity with Action Plan, November 2011

<sup>9</sup> Fifth National Report of Montenegro towards the UN Convention on biological diversity, March 2014

<sup>10</sup> Action plan for fighting land degradation and mitigation of the consequences of drought in Montenegro

improvement of the agricultural landscape, as well as meeting of the national standards in these areas.

A certain number of measures are implemented through the national agro-budget 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); 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).

In 2013 MARD adopted the Code of Good Agricultural Practice (GAP) which gives advice on how to produce food in a way that takes into account the preservation of the environment. Its recommendations will enable the Montenegrin agricultural producers to protect agricultural land in Montenegro, keep rivers, lakes and shallow water clean and healthy, avoiding pollution by nitrates, to protect the health and well-being of animals, protecting thus Montenegro from serious diseases that could threaten the livelihoods of farmers, safe use of pesticides, to protect themselves, consumers, animals and the environment. The GAP code is addressing all of the issues listed as pressures in the Action plan for fighting land degradation and mitigation of the consequences of drought in Montenegro. In order to address the pressures the MARD conducted the public campaign on GAP promotions. Presentations were held according to the previously established schedule, in municipalities: Ulcinj, Podgorica, Kolašin, Berane, Bijelo Polje, Nikšić and Pljevlja. Advisory services also participated in the presentation since they are in charge of the implementation. In addition to the authorities, the response of agricultural producers in Montenegro on these promotions was significant, which served for their closer acquaintance with the recommendations of the Code as well as to prepare for future demands and requirements that will have to fulfill, in the interest of environmental protection and health and welfare of people and animals, which in order to respect the rules and the use of various forms of support from national and international support programs.

The National Action Plan, which is planned for adoption by the end of year 2016 with aim to show how, Montenegro will ensure that the general principles of integrated pest management will be implemented.

In general, increase of agriculture production and food processing, more intensified agricultural production and diversification and development of economic activities in rural areas can lead to additional pressures and negative impact on nature and environment.

IPARD 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 Agro budget 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 utilisation of waste products and investment in the modernisation and construction of food processing facilities and slaughterhouses.

Overall, IPARD Programme jointly with the national funds and other programs will have a very positive impact on the environment.

### **Biodiversity**

By richness of flora and fauna and diversity of eco-systems, Montenegro is among the leading countries of Europe. Based on the data available, it has been established that of the total of about 3,250 species of vascular flora, about 20% are endangered.

The special values of biodiversity are endemic and relict species and ecosystems, which are dispersed only in the territory of Montenegro, or their complex slightly favours the territories of neighbouring states. Out of a total of 526 European bird species, 297 (or 57%) can be regularly found in Montenegro. A major contribution to the high level of biodiversity provides freshwater and marine ecosystems.

Diversity of geological structure, landscape, climate and soils as well as the very position of Montenegro on the Balkan Peninsula and the Adriatic Sea provided the conditions for development of a biological diversity of a very high value, which places Montenegro together with biological “hot-spots” of the European and world biodiversity. Two main bio-geographic regions exist in Montenegro: the Mediterranean and the Alpine, with very diverse types of eco-systems and habitats in a very small area.

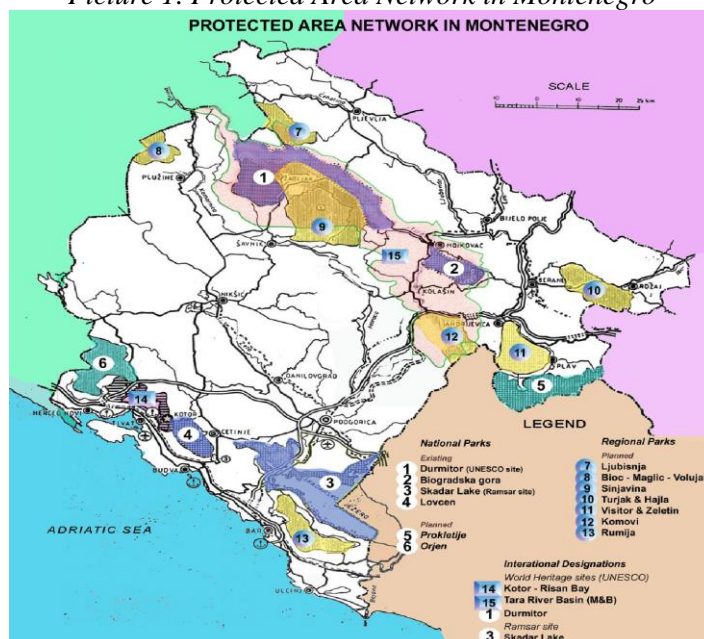
### **Protected areas**

A great number of natural assets in Montenegro have been placed under protection. The National network of the protected areas currently covers 124,964.24 ha, or around 9% of the territory of Montenegro of which the largest share (101,900 ha or 7.37%) is comprised of five national parks: *Durmitor*, *Skadarsko jezero*, *Lovćen*, *Biogradska gora* and newly established *Prokletije*. The remaining part includes 40 protected areas within the following categories: monument of nature, region of special natural character, and (general and special) reservations.<sup>11</sup>

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<sup>11</sup> See Fifth National report of Montenegro on the Convention on Biological Diversity, March 2014

Picture 1. Protected Area Network in Montenegro



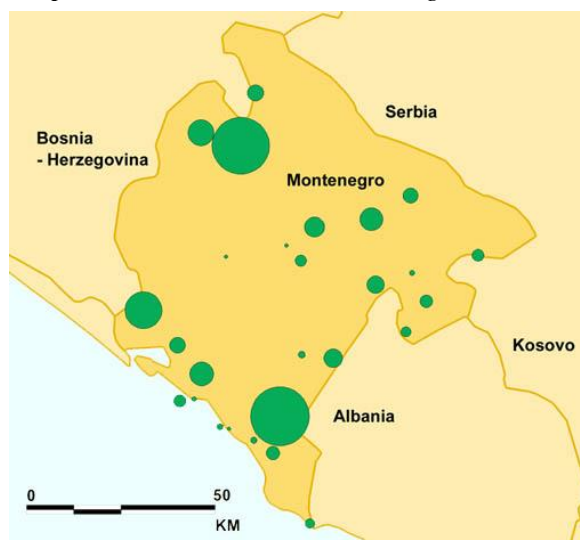
Source: Results of the initial evaluation of Protected Area Management in Montenegro using RAPPAM Methodology; Porej, D. & Stanišić, N.

According to the data in the Fifth National Report of Montenegro to the convention on biological diversity from 2014, the total area in Montenegro placed under protection - nationally (124,964.24 ha) which is 9.04% of the State territory, and internationally (143,594 ha) which is 10.39% of the State territory.

Montenegro has 27 IPA's, covering 708,606 hectares. There is good relation between the Montenegrin IPA network and the Emerald Network (designated under the Bern Convention) and 11 IPA's are protected either fully or partially. This, however, leaves nearly 60% of Montenegro's IPA's unprotected.

Most IPA's in Montenegro are owned part by the state and part by private land owners. Tourism and recreation are the dominant land uses at 81% of sites and thus, unsurprisingly, development threatens 78%, with over half of the sites threatened specifically by tourist development. This is a particular problem on the coast. Forestry and mixed agriculture take place on almost half of Montenegrin IPA's and low-level wild plant harvesting on one third. One third of sites are also threatened by deforestation and burning of vegetation.

*Picture 2: Important Plant Areas in Montenegro - IPA Programme*



*Source: Important Plant Areas in Montenegro – IPA Programme*

The activities on establishing Ecological Network NATURA 2000 in Montenegro have started in 2009, through the cooperation with WWF. The project titled “Montenegro and Natura 2000: Strengthening the Capacity of Government and civil sector to adapt to EU Nature Protection Acquis“ was focused on EU Habitat Directive and completed in June 2012. A list of Natura 2000 species and habitats present in Montenegro has been prepared using previous knowledge from the EMERALD Network project but updated and modified to the requirements from the EU Habitat Directive Annexes. After that, the Draft reference list for relevant sources of information regarding species and habitats listed in Annexes has also been prepared. Following this, Desktop Inventory for these species and habitats has been carried out in the central database (GIS) in the Institute for Nature Protection. Meanwhile, the draft version of the Catalogue of NATURA 2000 habitats, which exist in Montenegro, has been prepared and used for first Fieldwork inventory training of previously identified NATURA 2000 habitats in Montenegro. In spite of the activities overtaken, the results are still scattered and there is a need for systematic handling of the data.

In the Natura 2000 areas breeding of the animals and agricultural activities, particularly agro-environmental measures (organic farming and sustainable use of mountain pastures) will improve the area. The existence of these areas depends also on the continuation of their use but they are affected due to changes in agricultural practices and the depopulation of these areas. Therefore, these support measures can contribute to its improvement.

Ministry of Sustainable Development and Tourism recently started with the implementation of the project „Strengthening the environmental protection system in Montenegro“. The objectives of this projects are to prepare the National Environmental Approximation Strategy, a strategic document needed for planning of further approximation of Montenegrin legislation to the EU environmental acquis and to carry out all necessary activities to start with laying foundations, including extensive field mapping and data gathering, of future Natura 2000 network in Montenegro, in full agreement with the requirements of the EU Birds and Habitats Directives.



Picture 3: Map of Emerald Network in Montenegro



Source: <http://natura2000infocentar.wordpress.com/>

Montenegro is conducting monitoring of biodiversity. A result of the monitoring programme of the biological diversity in Montenegro confirmed the estimates, which were previously reported in the scientific literature, the endangerment of many components of biological diversity. The causes of threats to biodiversity must in future be carefully analysed in order to be able to propose measures to improve the state of biodiversity, through their integration into sectorial plans and strategies.

### 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 a 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, 10 barley, 5 oats 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 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.

The greatest diversity of autochthonous breeds is presented in sheep production, which is dominated by the races that belong to the pramenka group, as follows: Zetska žuja which is well adapted to the conditions in arid areas, Bardoka, reared in areas bordering Kosovo\* and Albania, pivska or jezero-pivska sheep reared in the broader region of the Durmitor and Sinjajevina, Ljaba which had originally been reared in the area of Ulcinj, Krajina, Bar and Malesija and sora reared in the north-eastern part of Montenegro.

*Domaća balkanska koza* (Domestic Balkan goat) is reared in the southern and central region, primarily in the area of karst, where there are less favourable conditions for rearing of other ruminants. Variety of red pelage is considered representative for this type of Montenegro.

*Domaći brdski konj* (Domestic hilly horse) is mainly kept in the hilly-mountainous region of the central and northern part of Montenegro, while donkeys, although small in number, can be found in the southern parts of Montenegro, although their population is drastically decreasing.

MARD is implementing a measure through Agrobudget to support the preservation of autochthonous genetic resources in agriculture.

### **Land**

Land is one of the most important natural resources. The prevailing soil 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%) and
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.

Summing up the results of soil fertility control: some 3,000 samples for the period 2004 - 2010, noticed the following problems: trend sudden increase in the content of phosphorus, potassium in soils in the production of vegetables in greenhouses and to a lesser extent in the open field, low content of biogenic micro-elements in terms of enhanced carbonate status on sandy and skeletal soils, organic matter content, on average, not decreased, on average, varying from 2.8% to 3.8%. The 95% of total territory soil in Montenegro is naturally acidic.

Data from Monitoring Centre for Toxicological Research targeted at selected locations, indicating that the state of the ground in terms of hazardous and harmful substances are well. Increased concentrations of toxicants (organic and inorganic) are mainly the result of improper disposal of municipal and industrial wastes and emissions near major roads.

According to Report of the Agency for Environmental Protection on the state of the environment in Montenegro for 2013 through physical-chemical analysis of triazine, dithiocarbamates, carbamates, chlorphenoxy and organochlorine pesticides samples of agricultural land is seen as possible soil pollution caused by the inappropriate use of pesticides. In none of the analyzed samples presence of



the aforementioned group of chemicals is not exceeded the limits of detection for this type of sample.

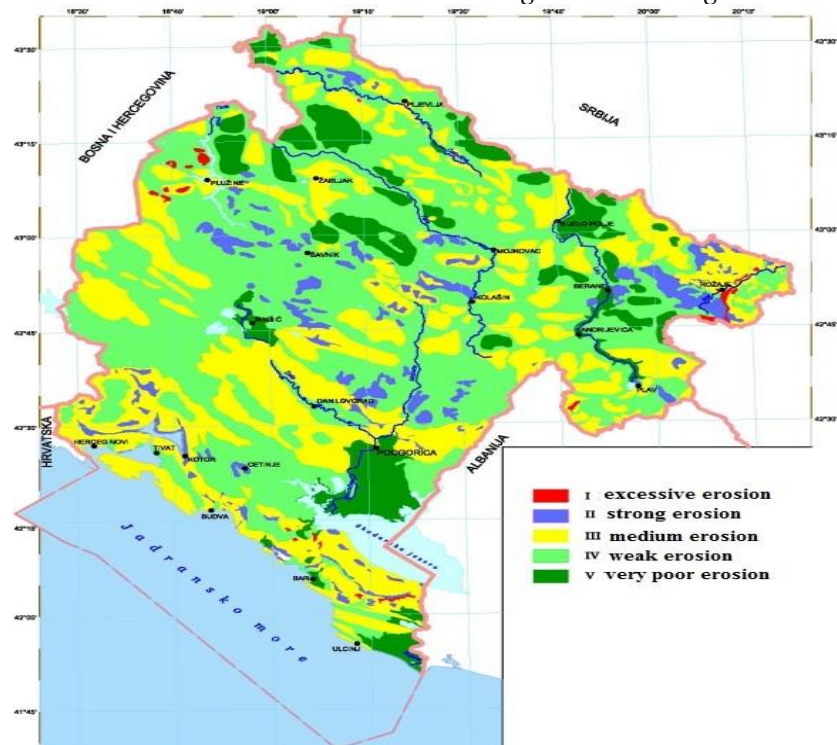
Picture 4: Pedology map of Montenegro



Source: Spatial plan of Montenegro until 2020

Characteristics of Montenegrin terrain are such that dominating the terrain slopes above  $10^\circ$  (65%), while gradient between  $5-10^\circ$  make 28%. Only 7% of the territory has a slope of less than  $5^\circ$  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 5: Erosion in current stage in Montenegro

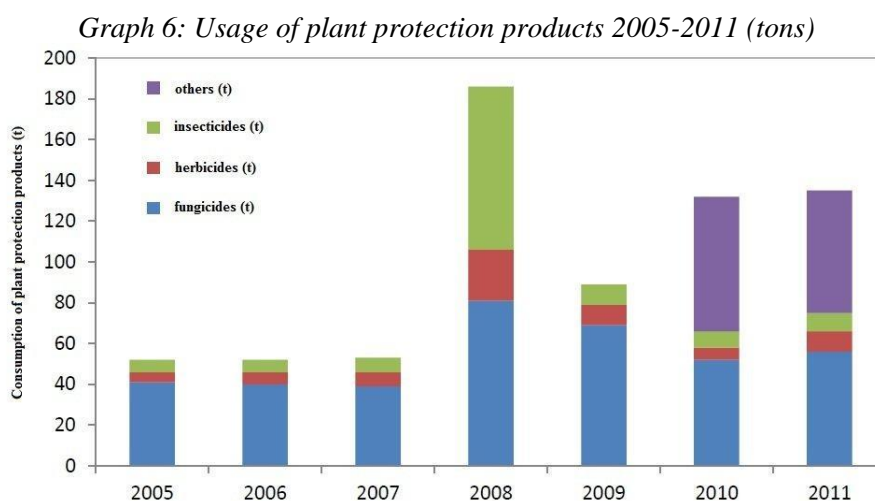


Source: Spatial plan of Montenegro until 2020

Erosion processes attacked 300 registered torrential basins, where the amount of transported sediment is more than 2 million  $m^3$  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.

In the following graph we can see the level of usage of plant protection products in Montenegro in the period 2005-2011.



*Source: Agency for Environmental Protection*

Through physical and chemical analysis of pesticides samples farmland consideration to the possible pollution of the soil caused by the inappropriate use of pesticides. In none of the analyzed samples presence of the following group of chemicals have not exceeded the limits of detection for this type of sample.

Usage of pesticides in Montenegro is relatively stable, and it's used only on arable land and permanent crops (5.6% of total UAA). The only exception is year 2008 when the usage of pesticides tripled. The reason for this was an outbreak of harmful organism White grubs (*Melolontha melolontha* L). One of the official measures to fight this outbreak was incorporation of soil insecticides because of big damage caused by harmful organism.

Insecticides were used with all prescribed rules in accordance with good agriculture practice for pesticide uses.

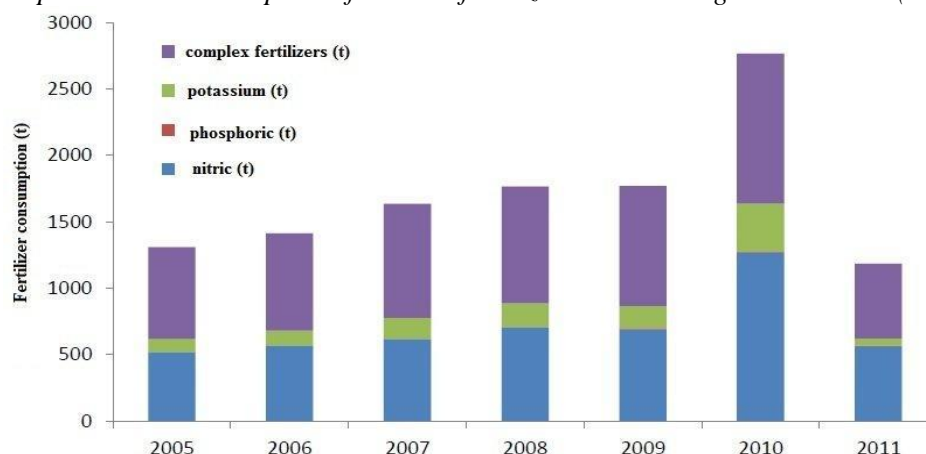
The data on plant protection products usage for 2010 and 2011 show sharp increase of other products. This is due to preventive measures concerning swine fever (usage of desinfectants).

In 2014 Montenegro amended the existing Law on Plant Protection Products. Through these amendments EU Directive 2009/128/EC on Sustainable Use of Pesticides has been transposed into national legislation.

Following the changes in EU legislation Montenegro also implements a number of activities such as organization of trainings for administration and management of Phytosanitary Directorate and publication of brochures on the sustainable use of pesticides.

The following graph is showing the total consumption of mineral fertilizers in Montenegro in the period 2005-2011. The declining trend of usage of mineral fertilizers is visible.

Graph 7: Total consumption of mineral fertilizers in Montenegro 2005-2011 (tons)



Source: Agency for Environmental Protection

## Irrigation

Only 5.65% 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 Čemovsko Polje. Other areas include the Zetsko-Bjelopavlička 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 households have to issue a permit or a concession for use water depending of the daily use.

Table 12: Irrigation

|   | 2008  | 2009  | 2010  | 2011  | 2012  |
|---|-------|-------|-------|-------|-------|
| Used volume of water (000 m <sup>3</sup> ): | 1,676 | 1,722 | 1,703 | 1,721 | 1,971 |
| Underground water                           | 1,633 | 1,645 | 1,641 | 1,662 | 1,910 |
| Surface water                               | 43    | 77    | 62    | 59    | 61    |
| Consumed water (000 m <sup>3</sup> )        | 1,513 | 1,558 | 1,539 | 1,557 | 1,599 |
| Total irrigated area (ha)                   | 2,211 | 2,414 | 2,412 | 2,445 | 2,364 |
| Superficial irrigation                      | 2     | 4     | 4     | 4     | 3     |
| Sprinkler irrigation                        | 805   | 905   | 904   | 793   | 616   |
| Drop irrigation                             | 1,404 | 1,505 | 1,504 | 1,648 | 1,745 |
| Arable land and gardens                     | 7     | 10    | 9     | 31    | 35    |
| Orchards                                    | 94    | 103   | 102   | 113   | 98    |
| Vineyards                                   | 2,110 | 2,301 | 2,301 | 2,301 | 2,231 |
| Pump aggregate                              | 25    | 30    | 30    | 41    | 39    |
| Pipelines (km)                              | 210   | 223   | 223   | 252   | 252   |
| Main  | 102   | 112   | 112   | 138   | 138   |
| Lateral                                     | 108   | 111   | 111   | 114   | 114   |

Source: MONSTAT, 2013

## Renewable energy sources

Renewable energy production in Montenegro, in addition to production from the hydropower plants, is not yet developed. However, 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.

Potentials for use of the renewable energy sources are important in all sectors of consumption, including the agricultural sector. For this sector particularly interesting is use of biomass and its processing using various technologies in some of commercially suitable forms (pellets, briquettes, wood, coal, etc.) and continue into heat or electricity to end-use. Also, there is the possibility of obtaining biogas in the process of aerobic decomposition of organic matter (manure storage, manure digestion). Insufficient production of fertilizers on small farms limits the production of biogas. Increasing livestock production and expansion of farms to create opportunities for greater production of this type of energy that can still be used for the production of electricity or heating energy respectively.

*Solar energy:* This potential is very significant and can be compared to the ones of Greece and Italy; coastal and central areas are the most attractive for utilization of solar energy due to the high number of sunny hours 2,000-2,500 per annum respectively expressed in the energy of about 1,600 kWh/m<sup>2</sup> per year;

*Biomass:* Estimated wood increment is between 850,000 and 1,060,000 m<sup>3</sup>/per year, which represent a good potential for the use of biomass for energy production. In that case, forest owners should ensure that there is sufficient amount of waste left in forests for natural fertilization purposes, and they should also address other issues that refer to maintaining and managing forests. Renewable energy potential of biomass is based on the forestry, wood waste and agriculture.

*Wind energy:* There is good potential for using wind energy on the farm, especially in mountainous areas.

## Water

With a total outflow of 604 m<sup>3</sup>/s, and an average outflow of 44 litres/s/km<sup>2</sup>, or 19,5 km<sup>3</sup> in volume per annum, Montenegro belongs to the 4% of the world with the highest average outflow.

The administrative management over the waters and water resources is within the Water directorate; which is under the jurisdiction of MARD. The inspectorial supervision with regard to implementation of the Law on Waters is within the Inspection Directorate, through the Main Water Management Inspector. The Main Environmental Protection Inspector performs quality inspection, while the Main Sanitary Inspector performs sanitary inspection. According to the Law on Waters, the systematic monitoring of water quality is done by the IHSM, which is in charge of hydro-meteorological activities and development of an annual report on the status and changes in water quality. This Law on Waters lays down the procedures and actions 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. 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> per day. Any taking of waters for irrigation of agricultural land in a quantity less than 175 m<sup>3</sup> per day is subject to a permit issued by local self-governances.

Regarding to implementation of the Water Framework Directive so far the following activities have been implemented: Identification of river basin districts (RBD) and designation of the competent authorities.

Within the process of implementation of the Nitrate directive implemented activities include the adoption of the Code of Good Agricultural Practice (GAP) and putting on limits for fertiliser application.

Systematic examination of the quantity and quality of surface and ground waters is done on the basis of programs adopted by the Ministry of Agriculture and Rural Development and implemented by the Hydrometeorological Institute according to Article 30 of the Law on Waters ("Official Gazette of Montenegro", No. 16/95, 22/95). The program data network station includes 13 streams with 66 measuring profiles, 3 lakes with 11 measuring profiles, coastal sea at 19 measuring profiles and groundwater Zeta plain in 8 villages.

Based on the reduced program of water examination in Montenegro, it is very difficult to to conclude on the general state of their quality. So, based on the monitored parameters evaluation of the current state is not complete. Besides the indicators which show individual deviation compared to the requested classes A1, A2 and A3, it can be concluded that the waters in Montenegro are of good quality. Only around Podgorica (location Vranj) has noticed an increased nitrate content, due to the usage of mineral fertilizers. However, based on the results of testing the quality of surface and groundwater can be concluded that the measured values of nitrate are in the limits allowed.

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

Montenegro has ratified the United Nations Framework Convention on Climate Change (UNFCCC) by succession in 2006, and became a member of the Convention as a non-Annex 1 country on January 27, 2007. The Kyoto Protocol was ratified on March 27, 2007 (Law on ratification was published in the Official Gazette of MNE, No 17/07), and Montenegro became a member on September 2, 2007. With ratification of the UNFCCC and the Kyoto Protocol, Montenegro joined the countries that share concerns and play an active role in international efforts in solving climate change problems.

The greenhouse gases inventory for Montenegro includes five sectors in accordance with the revised IPCC Reference Manual, as follows: energy, industrial processes, agriculture, waste and land use change and forestry (LUCF). The emissions of main greenhouse gases were calculated for each inventory sector: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) from the sources and removal by sinks.

The main emission sources of this gas are thermal power plants and combustion of fuel in industry, as well as livestock (methane emission due to internal fermentation of animals' amount to 36% of total emissions of methane into the atmosphere) and organic waste (anaerobic decomposition of organic waste from methanogen bacteria). Methane and nitrous oxide emissions in Montenegro are mainly associated with the agricultural sector as a result of the use of manure and mineral fertilizers with high nitrogen content (75%, which corresponds to 20,19 Gg) and waste sector (18% or 4,97 Gg).

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.

Most of the impacts of climate change on agriculture will come from water. Because climate change will lead to lessening the annual amount of water available to agriculture in many parts due to the expected reduction in summer rainfall - especially in the southern parts of Europe.

### **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.

In December 2013 the Law on Organic Production came into force (Official Gazette of MNE, No 56/13). This Law regulates the issues related to the general objectives and principles of organic production, production rules, on-farm production, labelling, control systems, inspection and penalty provisions. The following Regulations (EU) No 834/2007, No 889/2008, and No 1235/2008 were introduced in this law. On the basis of this law in the coming period is the development of bylaws for further harmonization of EU legislation.

So far there is one legal entity (2005) "Monteorganica" which was authorized by the Ministry of Agriculture, Forestry and Water Management, 2006, and it is under the accreditation process (standards MEST EN 45011:2004 and ISO/IEC 65:1996) by the Accreditation Body of Montenegro.

The agricultural inspectors conduct supervision of the implementation of the Law on organic production, as well as oversight of the implementation of programs to support organic agriculture.

According to Monteorganica for 2014, the total number of registered producers is 172, of which 26 have received a certificate.

Table 13: Number of organic and certified manufacturers, production and capacity

| Total number of registered producers | Number of certified producers | Area of production  | Area, head, number of bee colonies |
|--------------------------------------|-------------------------------|---|------------------------------------|
| 172                                  | 26                            | Plant production  | 408,65 ha                          |
|                                      |                               | Livestock   | 972 head                           |
|                                      |                               | Beekeeping  | 1,057 bee colonies                 |
|                                      |                               | Poultry   | 760 hens                           |
|                                      |                               | Area from which the wild plants and forest plants are collected | 143,400 ha                         |
|                                      |                               | Meadows and pastures  | 2,624.78 ha                        |

Source: Ministry of Agriculture and Rural Development, 2014

In addition to national support measures, international assistance through two programs contributes to a growing interest in organic farming in Montenegro. Through the programs - Organic agriculture in Montenegro - joint support small producers in organic agriculture (FAO) and e Program of development of organic agriculture in Montenegro (Government of Denmark - DANIDA), the Ministry of Agriculture and Rural Development in association with the Government of Denmark supported 53 investments by organic producers to the value of EUR 1,721,442.79.

### 3.4 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 based on the following indicators:

- 1) Unemployment rates,
- 2) Income per capita,
- 3) Budget revenues (own and legally transferred) of municipality per capita,
- 4) The growth rate of the municipality, and
- 5) Rates of education in the municipality.

Table 14: Development level of municipalities in Montenegro, the average for the period 2010-2012

| Municipality | Development index (Montenegro = 100) | Development level of municipality | Groups (by % of deviation from the average value of the index development level in Montenegro) |
|--------------|--------------------------------------|-----------------------------------|--|
| Budva        | 331.73                               | 1                                 | Above 125%   |
| Tivat        | 173.09                               | 2                                 |  |
| Herceg Novi  | 160.17                               | 3                                 |  |
| Kotor        | 143.21                               | 4                                 |  |
| Podgorica    | 141.13                               | 5                                 |  |
| Bar          | 133.86                               | 6                                 |  |
| Plužine      | 131.30                               | 7                                 |  |
| Danilovgrad  | 100.94                               | 8                                 | From 100% to 125%  |
| Nikšić       | 95.03                                | 9                                 | From 75% to 100%   |
| Žabljak      | 77.51                                | 10                                |  |
| Ulcinj       | 75.44                                | 11                                |  |
| Cetinje      | 74.95                                | 12                                | From 50% to 75%  |
| Pljevlja     | 70.74                                | 13                                |  |

|              |       |    |                 |
|--------------|-------|----|-----------------|
| Kolašin      | 64.41 | 14 | From 30% to 50% |
| Mojkovac     | 63.38 | 15 |                 |
| Berane       | 60.08 | 16 |                 |
| Šavnik       | 49.40 | 17 |                 |
| Rožaje       | 39.64 | 18 |                 |
| Bijelo Polje | 38.06 | 19 |                 |
| Plav         | 38.00 | 20 |                 |
| Andrijevica  | 37.92 | 21 |                 |

*Source: Ministry of Economy, Regional Development, 2013*

Key objectives in the rural areas are:

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

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, Montenegro ranks 51<sup>st</sup> by living quality in the list of 187 countries for the year 2013, which is the best result among states of the region. 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*

Montenegro's road network is 6,352.8 km long of which 931.9 km are main roads, 850.9 km regional roads, and local roads 4,570 km. Within the total road network of state roads there are 312 bridges and 136 tunnels, which consequently, in terms of traffic, is very unfavourable.

The underdeveloped road network in Montenegro is a consequence of limiting factors that hinder or limit the functional connectivity within Montenegro, as well as its connection with the surrounding environment. The unfavourable topography and geological structure of the relief, mountain ridges with difficult transitions, significant seasonal cycles in the use of road infrastructure, limited budget, complicated construction and maintenance of transport infrastructure.

From 2006, in maintenance, renovation and construction of state roads more than EUR 300 million was invested (in 2012 - EUR 36 million, in 2013 EUR 30.4 million, in 2014 EUR 40.5 million). During that period over 100 projects were realized (rehabilitation of bridges and tunnels, rehabilitation of asphalt, repairing slopes, construction of third slow lanes, intersection reconstruction, construction of protective Gallery, installation of equipment for traffic safety etc.).

The Global Competitiveness Report 2013–2014 (World Economic Forum), according to the Global Competitiveness Index, Montenegro is ranked in 95<sup>th</sup> place out of 148, ahead of countries in the region (Serbia, Bosnia and Herzegovina and the former Yugoslav Republic of Macedonia), by the quality of road infrastructure.

The Railway network of Montenegro covers 250 km of a single-track railway. Almost 2/3 of the railway includes 121 tunnels, 22 bridges and 9 galleries. Railway density in Montenegro is lower than in other similar EU Member States and candidate countries.



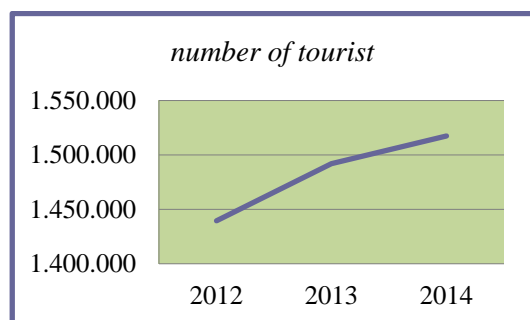
Good infrastructure contributes to a better quality of life, reducing migration and depopulation. Road infrastructure is one of the key prerequisites for the development of rural areas, because it improves a better relationship with the market, product placement, and thus providing additional opportunities 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 is 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*

Montenegro has good conditions for the development of all types of tourism, and has beautiful beaches, a mountainous region in the north, a rich cultural heritage and a well-preserved natural environment. This is corroborated by the fact that it is estimated that the revenue from tourism in 2014 amounts to 728.8 million EUR which is 1.8% more than in 2013. The World Travel and Tourism Council (WTTC) forecasts that revenues from tourism in the next period of growth will have a real annual rate of 8.6%, while employment that directly and indirectly generates tourism will grow at an average real rate of 5.8%.

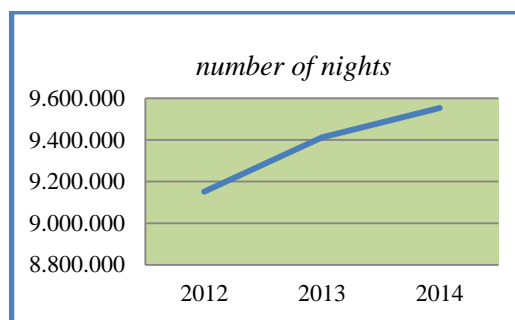
In 2014 1,517,376 foreign tourists visited Montenegro, which is 1.7% more than the year before. The increasing number of tourists has also influenced the increase in the number of nights. The increased number of tourists has also influenced the increase in the number of nights, where in 2014 the number of recorded overnight stays was 9,553,783, which is 1.51% more than in 2013.

*Graph 8: Trends in the number of tourists  
2012 – 2014.*



Source: Ministry of Tourism and Sustainable Development, 2014

*Graph 9: Trends in number of nights  
2012 – 2014*



Source: Ministry of Tourism and Sustainable Development, 2014

*Table 15: The share of nights on various tourist areas*

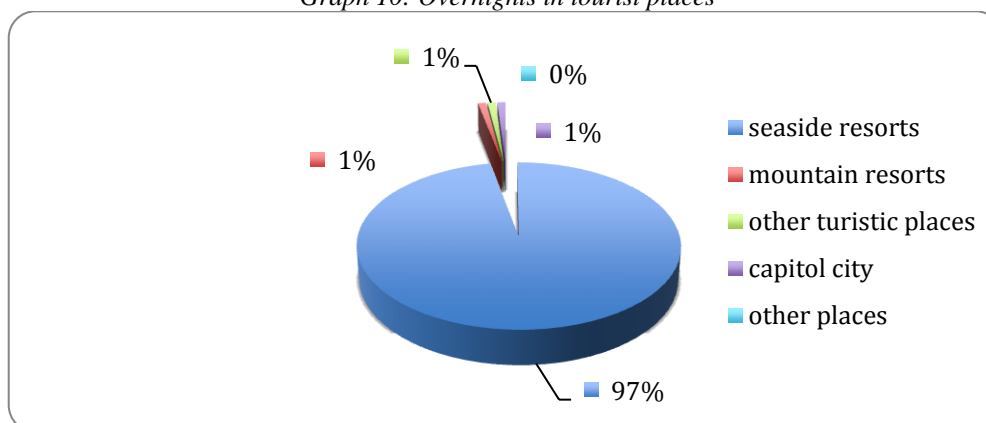
| Type of resort          | Nights (in 000) | The share of the total number (in %) | Rate of change 14/13 (In %) |
|-------------------------|-----------------|--------------------------------------|-----------------------------|
| Seaside resorts*        | 9.258           | 96,9                                 | 1,5                         |
| Mountain resorts**      | 90              | 1,0                                  | -15,9                       |
| Other tourist places*** | 75              | 0,8                                  | 30,8                        |
| Capital city            | 128             | 1,3                                  | 9,9                         |
| Other places****        | 2               | 0,0                                  | -26,2                       |
| <b>TOTAL</b>            | <b>9.553</b>    | <b>100,0</b>                         | <b>1,5</b>                  |

\*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

Source: MONSTAT, 2014

Graph 10: Overnights in tourist places



Source: Ministry of Tourism and Sustainable Development, 2013

The results of research conducted during the implementation of the Master plan for development of tourism 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.

An important segment of tourism is rural tourism, which includes tourist valorisation of agricultural areas, natural resources, cultural heritage, religious monuments, traditional local customs etc. Rural tourism makes up the identity of the area and meets the needs of guests in terms of accommodation, food, drink, recreation, sports activities and events.

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 of Local Development Strategies-LEADER

The LEADER approach can contribute to the improvement of the work of local government, in terms of transparency, increased participation of stakeholders, horizontal and vertical integration, legitimacy, high-quality communication and high-quality learning mechanisms.

#### Current Situation

In Montenegro the following activities have been started:

- UNDP has a project that includes two regional parks in the territory of four municipalities, with a total area of 50,000 hectares. Throughout this project it is planned to establish a management plan that stimulate a local rural development strategy for the four municipalities (Plužine, Podgorica, Kolašin and Andrijevica). The first Regional Park is the area around Lake Piva, or area Plužine, with around 30,000 ha. The second is a Regional Park on Komovi Mountain, in the area of the municipalities of Podgorica, Kolašin and Andrijevica. The main objective of the project is to use the LAG approach, and to establish a structure that most closely resembles the model of the LAG. The project was started mid

2013. MARD gave a positive opinion on the Act of Proclamation of Regional Park Piva. It has a prepared management plan and it is on the right course according to the opinion of MSDT. Regarding the second Regional Park on Komovi mountain, it is divided into three parts as following: 1) Part 1 Podgorica; 2) Part 2 Andrijevića; and 3) Part 3 Kolašin, which in total includes 20,000 ha. Part 1 - Podgorica is proclaimed by the Municipality of Podgorica, and MARD and MSDT gave a positive opinion on it. The two other parts of the Regional Park on Komovi Mountain are on course.

- In the National Forestry strategy there is a recognized need for the establishment of LAGs by the users themselves.

### ***Local Rural Development Strategy***

In Montenegro, for now there is the Rural Development Strategy of the municipality Pljevlja 2011-2015 which presents a picture of the local community, planned use of its resources and progress of the community based on the maximum use of the capacity that it owns. The aim is to provide the conditions for the implementation of priorities to be primarily related to the creation of jobs in rural areas, sustainable growth in production and income, biodiversity protection, and preservation of cultural resources and traditions. The strategy is implemented through national funding through the municipal budget. It documents planned rural community development and sets out development based on an analysis of the situation, and the problems and needs of the community.

This strategy 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 comprehensive policy priorities at the national level.

In addition to the municipality of Pljevlja, the final draft of the local development strategy of the Municipality of Budva and Tivat has been prepared. In addition, the Municipality of Nikšić is in preparation of a Local Development Strategy.

### **3.6 Table of context indicators Socio-economic and rural situation**

The Table of indicators is provided in Annex IV of the IPARD II programme.

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

| <i>(Strengths)</i>  | <i>(Weaknesses)</i>  |
|---|--|
| <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>• Part of products has price competitiveness (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 positive changes in production process</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> |
| <i>(Opportunities)</i>  | <i>(Threats)</i>   |
| <ul style="list-style-type: none"> <li>• Strengthening agriculture through tourism - additional food demand</li> <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</li> <li>• Efficient use of budget support</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> | <ul style="list-style-type: none"> <li>• Opening of the market will bring to competitiveness increase, which may endanger major part of commercial production</li> <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>   |

#### 4.1 SWOT milk

| Strengths (S)   | Weaknesses (W)  |
|---|---|
| <ul style="list-style-type: none"> <li>• Available natural resources, pastures, meadows,</li> <li>• Non-polluted environment, non-polluted land for feed production,</li> <li>• Family farms with tradition in production,</li> <li>• Healthy cattle population,</li> <li>• The level of subsidies,</li> <li>• Demand from local residents and tourists for local cheeses and cream (kajmak).</li> </ul>  | <ul style="list-style-type: none"> <li>• Small farm size, prevails existential agriculture thus in-professional management,</li> <li>• Timely investment in infrastructure - depopulation of villages especially on the north, regardless on state intervention,</li> <li>• Unfavourable credit conditions (high interest rates),</li> <li>• Poor infrastructure in the remote villages, and poor infrastructure on farms, especially in remote holdings,</li> <li>• Insufficient feed production on farm,</li> <li>• Poor quality of raw milk,</li> <li>• Expensive purchase system of milk,</li> <li>• Weak breed structure,</li> <li>• Inadequate facilities for livestock keeping and mechanization on house holdings.</li> </ul> |
| Opportunities (O)   | Threats (T)   |
| <ul style="list-style-type: none"> <li>• Farms consolidation, introducing of high production breeds of cattle, better equipping of farms-in terms of production improvement and quality of milk,</li> <li>• Associating of producers in dairy sector in terms of efficiency of production, processing and marketing,</li> <li>• Infrastructure improvement (village roads) in terms of milk collection improvement,</li> <li>• Organized cheese production in rural area which are not covered by milk collection,</li> <li>• Support of milk processing in house holdings, production of traditionally high quality cheese products,</li> <li>• Whey processing and new type of cheese production,</li> <li>• Support on branding traditional cheese and other autochthonous species.</li> </ul> | <ul style="list-style-type: none"> <li>• Depopulation of villages,</li> <li>• Decrease of livestock number,</li> <li>• Non readiness to EU accession due to non-existing inadequate agriculture associations; unorganized and inefficiency production,</li> <li>• Obsolescence of laboratories equipment for milk (impossible purchase of spare parts),</li> <li>• High level of import.</li> </ul>   |

#### 4.2 SWOT meat

| Strengths (S)   | Weaknesses (W)  |
|---|---|
| <ul style="list-style-type: none"> <li>• Increasing demand for meat and meat products,</li> <li>• The upward trend of tourism development,</li> <li>• Strong links between the meat industry and retail sale,</li> <li>• Competitive price of meat and meat products,</li> <li>• Growing potential of the domestic and regional markets,</li> <li>• The dynamic development of the meat-processing industry,</li> <li>• Expanding the market without trade barriers.</li> </ul> | <ul style="list-style-type: none"> <li>• Small volume of production (not covering the national meat consumption),</li> <li>• Use of raw materials mainly from import,</li> <li>• Insufficient implementation of hygiene and environmental protection standards,</li> <li>• Insufficient quality of livestock for slaughter from domestic production,</li> <li>• A small number of production facilities has met the requirements for high-quality, technologically appropriate and cost effective production,</li> <li>• Lack of compliance with veterinary and hygienic standards,</li> <li>• The absence of a system for carcasses classification on the slaughter line,</li> <li>• Competence and the level of recognition of the needs for education among processors,</li> <li>• Lack of knowledge of the EU standards,</li> <li>• Lack of operational laboratories for internal quality control.</li> </ul> |
| Opportunities (O)   | Threats (T)   |

|   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Cultural and historical heritage and habits in production and consumption,</li> <li>• The expected increase of the market, including EU market</li> <li>• Potential for increased competitiveness in terms of quality and safety of meat and meat products,</li> <li>• Potential for export to third countries,</li> <li>• Autochthonous traditional products,</li> <li>• Increase in tourist demand for domestic products.</li> </ul> | <ul style="list-style-type: none"> <li>• The steady increase in production costs and downward trend of prices of agricultural products,</li> <li>• High cost of imported concentrate feed for livestock,</li> <li>• High costs, necessary for the reconstruction and modernization of production facilities in order to fulfil the required standards,</li> <li>• Difficulty and long duration of procedures for obtaining available funding (high interest rates),</li> <li>• Lack of training in safety and quality,</li> <li>• Weak links between primary production and markets,</li> <li>• Exposure to competitive market,</li> <li>• Poor competitiveness and insufficient capacity to go out to a larger market.</li> </ul> |
|---|--|

### 4.3 SWOT eggs production

| Strengths (S)   | Weaknesses (W)  |
|---|---|
| <ul style="list-style-type: none"> <li>• Growth in consumer purchasing power,</li> <li>• The growth of urban consumer population,</li> <li>• High quality products.</li> </ul>  | <ul style="list-style-type: none"> <li>• Out-dated technology,</li> <li>• Lack of cooperation among producers,</li> <li>• Lack of specialized laboratories,</li> <li>• Lack of parental flocks,</li> <li>• Inability for production of light and heavy hybrids,</li> <li>• Lack of incubator station,</li> <li>• Low productivity.</li> </ul> |
| Opportunities (O)   | Threats (T)   |
| <ul style="list-style-type: none"> <li>• Unused resources for the development of production,</li> <li>• Education of producers and consumers,</li> <li>• Increased demand for organic products,</li> <li>• High-quality and inexpensive product.</li> </ul> | <ul style="list-style-type: none"> <li>• Import of eggs,</li> <li>• Insufficient production of concentrated feed,</li> <li>• Small scale production.</li> </ul>   |

### 4.4 SWOT fruit and vegetables

| Strengths (S)   | Weaknesses (W)  |
|---|---|
| <ul style="list-style-type: none"> <li>• Favourable natural conditions (climate, low land contamination, water resources) for production of quality fruit and vegetables,</li> <li>• Richness of biodiversity and genetic resources,</li> <li>• High rate of agricultural holdings involved in fruit and vegetables production,</li> <li>• Tradition in production,</li> <li>• Readiness for adoption of the new knowledge.</li> <li>• Agricultural pharmacies available in almost all municipalities,</li> <li>• Advisory services for plant production cover entire country,</li> <li>• Good equipped laboratories (phyto, seed and seed material),</li> <li>• Support through Biotechnical Faculty (University of Montenegro) and Faculty for food technology, food safety and ecology (UDG); growing interest for agriculture education.</li> </ul> | <ul style="list-style-type: none"> <li>• Fragmented land,</li> <li>• Lack of specialization (production of more varieties),</li> <li>• Lack of commercial production,</li> <li>• Unplanned production, especially in crop production,</li> <li>• Unfavourable age structure of agricultural producers,</li> <li>• Low level of productivity,</li> <li>• Old production technology in use (a partly in planting, harvesting, after harvest),</li> <li>• Lack of technical equipment (lack of greenhouse and plantation production),</li> <li>• Inadequate storage capacities,</li> <li>• Limited application of quality programs and food safety in production,</li> <li>• Inadequate packaging for F&amp;V selling,</li> <li>• Limited financial capacities of agricultural producers,</li> <li>• Inadequate approach and inadaptability to the market; absence of marketing activities (consequence: no competitiveness, surpluses, lack of export),</li> <li>• Lack of producers' connectivity into functional associations,</li> <li>• Low connectivity between producers and</li> </ul> |

|   |  |
|---|--|
|   | processing with market chains,<br><ul style="list-style-type: none"> <li>Insufficiently equipped and hygienic conditions on almost wholesale markets out of Podgorica,</li> <li>Lack of logistic centres and accompanying technologies after harvesting (cooling chambers, packaging equipment...).</li> </ul> |
| <b>Opportunities (O)</b>  | <b>Threats (T)</b>   |
| <ul style="list-style-type: none"> <li>The establishment of the association of producers and exploiting advantages of associations (organize selling, using joint mechanization and post-harvest infrastructure),</li> <li>Quality schemes implementation and production traceability,</li> <li>Increasing production of domestic standardized products and implementation of market standards,</li> <li>Tourism development and possible connection with agriculture,</li> <li>Readiness of processing industry and market chains to collect domestic raw materials (continuity, quality, quantity, prices),</li> <li>Significant absorption power of domestic market,</li> <li>Growing trend in organic production,</li> <li>Export opportunities.</li> </ul> | <ul style="list-style-type: none"> <li>Import of cheap products,</li> <li>Seasonality in production of fruit and vegetables,</li> <li>Difficult access to bank loans for investments in agriculture.</li> <li>Presence of the grey economy in this sector.</li> </ul>  |

#### 4.5 SWOT vine and wine

|   |   |
|---|---|
| <b>Strengths (S)</b>  | <b>Weaknesses (W)</b>   |
| <ul style="list-style-type: none"> <li>Favourable environmental conditions and geographic location for growing grapes,</li> <li>Very high quality autochthonous sort and germplasm rich vine,</li> <li>The low level of use of fertilizers and pesticides,</li> <li>Production of wines from autochthonous sorts,</li> <li>The presence of short and direct supply channels in the domestic market,</li> <li>Good position in the wine market (domestic and export), a high proportion of Montenegrin wines at local supermarkets,</li> <li>Quality grape production,</li> <li>Programs of support viticulture and enology,</li> <li>Membership in international organizations (OIV and CEVI).</li> </ul> | <ul style="list-style-type: none"> <li>The limited scope of the domestic production and fragmentation,</li> <li>Insufficient area of irrigated land,</li> <li>Outdated machinery, lack of equipment and the availability of supplies at affordable prices,</li> <li>The level of investment far below the needs,</li> <li>Production for own use or exclusively oriented to the local market,</li> <li>Difficulties in delivering consistent quality and quantity of wines from small producers,</li> <li>Lack of promotion on domestic and international markets.</li> </ul> |
| <b>Opportunities (O)</b>  | <b>Threats (T)</b>  |
| <ul style="list-style-type: none"> <li>Development of cooperatives,</li> <li>Linking tourism and wine production for more efficient sales,</li> <li>Strengthen recognition in the international market and the branding of small wine producers,</li> <li>Free trade area (EU, CEFTA, bilateral free trade agreements, etc.) provide additional opportunities for export,</li> <li>Opportunities for development cooperation at the international level.</li> </ul>   | <ul style="list-style-type: none"> <li>Strong pressure through import,</li> <li>Lack of investment capital and difficult access to bank for finance investment,</li> <li>Preferences market/other types of wine,</li> <li>Unregulated state of land ownership.</li> </ul>   |

#### 4.6 SWOT olive growing

|   |   |
|---|---|
| <b>Strengths (S)</b>  | <b>Weaknesses (W)</b>   |
| <ul style="list-style-type: none"> <li>Long tradition for olive growing and olive oil production,</li> <li>Organized olive growers and producers through associations,</li> </ul> | <ul style="list-style-type: none"> <li>The limited scope of the domestic production and fragmentation,</li> <li>Inadequate technical and technological equipment,</li> <li>Undeveloped market channel sales,</li> </ul> |

|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Favourable tourist-geographical position of agriculture lands,</li> <li>• Relatively preserved olives complexes (Valdanos, Lustica),</li> <li>• Outstanding examples of olive trees,</li> <li>• Reduced use of pesticides and preserved biological balance.</li> </ul>   | <ul style="list-style-type: none"> <li>• Inadequate promotion on domestic and international market,</li> <li>• Inadequate implementation of standards.</li> </ul>   |
| <b>Opportunities (O)</b>  | <b>Threats (T)</b>  |
| <ul style="list-style-type: none"> <li>• Connection between tourism and olive growing (eco-tourism),</li> <li>• Establishment of new intensive olive plantations on uncultivated lands,</li> <li>• Strengthening identity of Montenegrin olive industry in international frames,</li> <li>• Development of assortment of olive products (cosmetics, furniture, souvenirs...),</li> <li>• Energy production (bio fuel, briquette, pellets),</li> <li>• Increasing of export and decreasing trade deficit,</li> <li>• Protected geographically indication, protected designation of origin,</li> <li>• Refinery development,</li> <li>• Improvement of domestic “know-how” through development of scientific research.</li> </ul> | <ul style="list-style-type: none"> <li>• Urbanization of coastal and other areas which are favourable for olive growing,</li> <li>• International competition,</li> <li>• Olive groves devastation due to unplanned and uncontrolled construction,</li> <li>• Underdevelopment and poverty in rural areas,</li> <li>• Climatic changes,</li> <li>• Reinforced attacks of pests and diseases.</li> </ul> |

#### 4.7 SWOT beekeeping

|  |  |
|--|--|
| <b>Strengths (S)</b>   | <b>Weaknesses (W)</b>  |
| <ul style="list-style-type: none"> <li>• Favourable climate conditions,</li> <li>• Well-preserved natural environment,</li> <li>• Variety of honey plants (over 500 species),</li> <li>• Well organized bee-keeper producers in the associations,</li> <li>• Small market where it is easier to perform distribution,</li> <li>• Good transport infrastructure in the coastal and central region.</li> </ul>   | <ul style="list-style-type: none"> <li>• Poor availability of facilities for the processing and storage of honey,</li> <li>• Lack of an adequate transport means for the migration of hives,</li> <li>• Lack of adequately trained veterinarians,</li> <li>• Use of illicit drugs for bees,</li> <li>• Dominant sale "on the doorstep",</li> <li>• Failure to meet the requirements for placement in supermarkets, hotels and foreign markets (registration, licenses, certificates).</li> </ul> |
| <b>Opportunities (O)</b>   | <b>Threats (T)</b>   |
| <ul style="list-style-type: none"> <li>• Development of the sector through construction of Honey House,</li> <li>• Uniformed distribution of bee colonies in order to preserve and restoring biodiversity,</li> <li>• Increase the number of hives and honey processing equipment,</li> <li>• Monitoring of technological innovation in continuity,</li> <li>• Organizing beekeeping school, seminars, training,</li> <li>• Formation of clusters,</li> <li>• Creating conditions for export,</li> <li>• Improvement of marketing activities,</li> <li>• Creation of brand Montenegrin honey.</li> </ul> | <ul style="list-style-type: none"> <li>• Decline number of bee colonies worldwide,</li> <li>• Unfavourable conditions and credit arrangements for honey producers,</li> <li>• Lower price of imported honey as a competitive advantage,</li> <li>• Import of uncertified honey and wax,</li> <li>• Poor marketing of domestic products through illegal sales of imported honey as Montenegrin products.</li> </ul>   |



## 4.8 SWOT fishery and aquaculture

| Strengths (S)   | Weaknesses (W)  |
|---|---|
| <ul style="list-style-type: none"> <li>• Good geography, climate and water quality,</li> <li>• Almost no disease,</li> <li>• Family run farms (freshwater),</li> <li>• Strong tourist demand for good quality local products,</li> <li>• Short distribution chain,</li> <li>• Closeness of the EU market for high quality fish products.</li> </ul>   | <ul style="list-style-type: none"> <li>• Small unit production capacity with high production costs,</li> <li>• Limited opportunity to diversify the market base by targeting export markets,</li> <li>• High interest rate of credits,</li> <li>• No production planning and weak sector organisation,</li> <li>• Limited technical staff and no training or expert assistance to support innovations,</li> <li>• Limited application of HACCP,</li> <li>• Low and inconsistent supply from domestic suppliers,</li> <li>• The high cost of "first-hand" sales,</li> <li>• Limited investment in value-added production,</li> <li>• Competition from other established competitors in other Balkan countries,</li> <li>• Gap between production and demand,</li> <li>• High prices of domestic products,</li> <li>• Limit retail stores and shopping opportunities,</li> <li>• Lack of traceability.</li> </ul> |
| Opportunities (O)   | Threats (T)   |
| <ul style="list-style-type: none"> <li>• Strong interest in developing the capacity for processing,</li> <li>• Growing domestic demand for fish,</li> <li>• New production systems and species and opportunities for cage culture,</li> <li>• Zoning of the coastal zone allows implementation of long term strategy for development of mariculture,</li> <li>• EU membership will expand potential markets,</li> <li>• Increasing demand from tourism and the potential to integrate through services,</li> <li>• Further development of the cold and chill chain,</li> <li>• Strengthening of association and producer groups, in order to strengthen market access.</li> </ul> | <ul style="list-style-type: none"> <li>• Negative impacts of other activities particularly regarding the environment,</li> <li>• High production input prices,</li> <li>• On-going development in tourism and housing without proper sanitation,</li> <li>• Dependence on imported raw materials for production,</li> <li>• Poor application of regulations on food safety.</li> </ul>  |

## 4.9 Environment and land management

### 4.9.1 SWOT – Biodiversity

| Strengths (S)  | Weaknesses (W)   |
|--|--|
| <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, 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> | <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</li> </ul> |

|  |   |
|--|---|
|  | endangered species in isolation or captivity.   |
| <b>Opportunities (O)</b>   | <b>Threats (T)</b>  |
| <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>• Size of forest areas is a good resource for mitigating climate change (binding CO<sub>2</sub>),</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> | <ul style="list-style-type: none"> <li>• Change of use of agricultural land, which leads to loss of agro-biodiversity, local varieties and breeds,</li> <li>• Unsustainable and uncontrolled use of natural resources due to: (i) cutting of natural forests, (ii) collection of edible and medicinal plants, fungi and invertebrates (iii) hunting and (iv) fishing,</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> |

#### 4.9.2 SWOT land management

|  |   |
|--|---|
| <b>Strengths (S)</b>   | <b>Weaknesses (W)</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>• Majority part of the land is with natural constraints.</li> </ul>  |
| <b>Opportunities (O)</b>   | <b>Threats (T)</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 (eg, land consolidation).</li> </ul> | <ul style="list-style-type: none"> <li>• Transformation of agricultural land into construction land,</li> <li>• Urbanization,</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> |

#### 4.10 Rural economy and quality of life

| Socio-economic situation in rural areas  |   |
|--|---|
| Strengths (S)  | Weaknesses (W)  |
| <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/architecture 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 constraints,</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> |
| Opportunities (O)  | Threats (T)   |
| <ul style="list-style-type: none"> <li>• Increased government's awareness of disparities between rural and urban areas and among regions,</li> <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>• Weak interest of the general public for the rural areas,</li> <li>• Slow structural reforms process,</li> <li>• High unemployment rates,</li> <li>• Uncontrolled destruction of agricultural land and deforestation.</li> </ul>   |

### 5. MAIN RESULTS OF PREVIOUS INTERVENTION

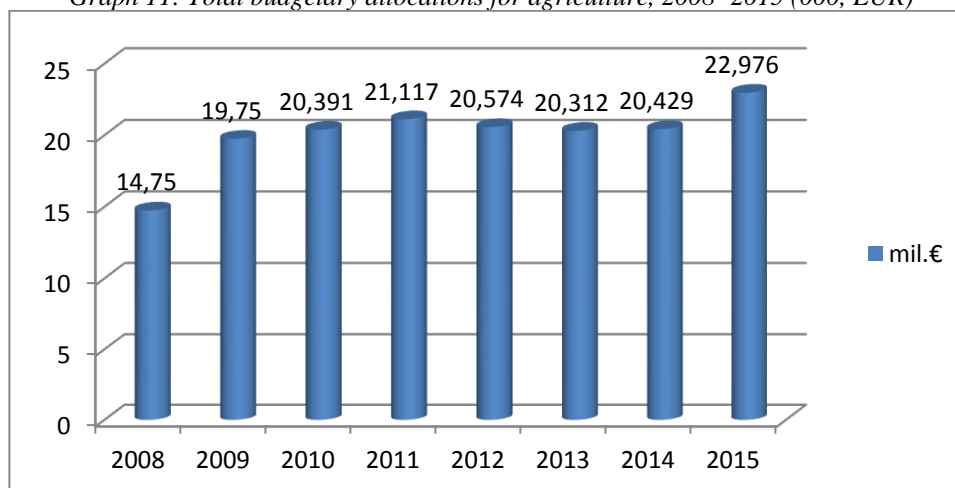
#### 5.1 Main results of previous national intervention; amounts deployed, summary of evaluations or lessons learnt

The most important form of state support to agriculture development is provided through the agricultural budget. Agrobudget is a set of incentives in the form of grants, given from Montenegro's total budget for the development of agriculture and rural areas. The Agrobudget includes detailed budgetary lines (programmes) with the elements necessary (reasons for support, objectives, description and eligibility criteria, beneficiaries, procedures, financial plan, supervision, etc.)

Overview of the budgets per years shows changes in the amount and structure of the budget, i.e. in the purpose of support. Before, most of these funds used to be spent for milk premiums, reimbursements for plant and livestock production, etc. Following the adoption of the Strategy (2006), Agrobudget has been defined in line with the main pillars of the agricultural policy (market-price policy measures, rural development policy, technical and other services in agriculture.

The data presented in Graph 11 refer to the planned budgetary funds. As a result of very precise planning of budgetary funds over the past few years, there are very small discrepancies in execution of certain measures compared to what had been planned by the budget. For that reason, reliable conclusions can be made on the basis of the overview of budgetary funds planned.

Graph 11: Total budgetary allocations for agriculture, 2008 -2015 (000, EUR)



Source: Ministry of Agriculture and Rural Development

Distribution of agricultural budget by specific pillars of agricultural policy and by purpose under the pillars is presented in the table below.

Table 16: Budgetary allocations for agriculture by measure groups in the period 2008-2015 (Agrobudget of Montenegro)

|  | Budgetary allocations (national budget; 000 EUR) |               |               |               |               |               |               |               |
|--|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
|  | 2008   | 2009          | 2010          | 2011          | 2012          | 2013          | 2014          | 2015          |
| <b>Market price policy measures</b>  | <b>3,709</b>                                     | <b>5,304</b>  | <b>5,082</b>  | <b>5,710</b>  | <b>6,520</b>  | <b>6,183</b>  | <b>5,448</b>  | <b>6.130</b>  |
| - Direct payments schemes  | 2,734  | 4,309         | 4,312         | 4,688         | 5,553         | 5,333         | 4,951         | 5.630         |
| - Beekeeping support   | 40   | 235           | 230           | 182           | 182           | 200           | 147           | 148           |
| - Market stabilisation measures  | 935  | 760           | 540           | 840           | 785           | 650           | 350           | 350           |
| <b>Rural development policy measures</b>   | <b>6,053</b>                                     | <b>5,946</b>  | <b>4,743</b>  | <b>6,615</b>  | <b>5,838</b>  | <b>5,615</b>  | <b>6,581</b>  | <b>8.013</b>  |
| - Axis 1: Measures for strengthening the competitiveness of agriculture  | 4,222  | 4,241         | 3,210         | 4,070         | 4,090         | 4,815         | 5,631         | 6.980         |
| - Axis 2: Measures for support to sustainable natural resources management                                     | 432  | 625           | 853           | 929           | 800           | 340           | 378           | 440           |
| - Axis 3: Measures for improving the quality of life and diversification of economic activities in rural areas | 1,399  | 1,080         | 680           | 1,616         | 948           | 460           | 572           | 593           |
| <b>General services and social transfers in agriculture</b>  | <b>4,684</b>                                     | <b>6,002</b>  | <b>7,722</b>  | <b>6,951</b>  | <b>6,708</b>  | <b>6,760</b>  | <b>6,728</b>  | <b>7.143</b>  |
| <b>Fishery</b>   | <sup>12</sup>                                    | <b>315</b>    | <b>1,124</b>  | <b>171</b>    | <b>171</b>    | <b>214</b>    | <b>250</b>    | <b>300</b>    |
| <b>Vet. &amp; Phyto program</b>  | <b>221</b>                                       | <b>2,150</b>  | <b>1,720</b>  | <b>1,670</b>  | <b>1,337</b>  | <b>1,540</b>  | <b>1,422</b>  | <b>1.390</b>  |
| <b>TOTAL</b>   | <b>14,750</b>                                    | <b>19,750</b> | <b>20,391</b> | <b>21,117</b> | <b>20,574</b> | <b>20,312</b> | <b>20,429</b> | <b>22.976</b> |

Source: Ministry of Agriculture and Rural Development

Direct payments in 2014 by far play a main role in Market-price policy support, representing 90.87% of budgetary allocations in this pillar. Market intervention program and the risk management share is 9.13% in Market price budgetary support.

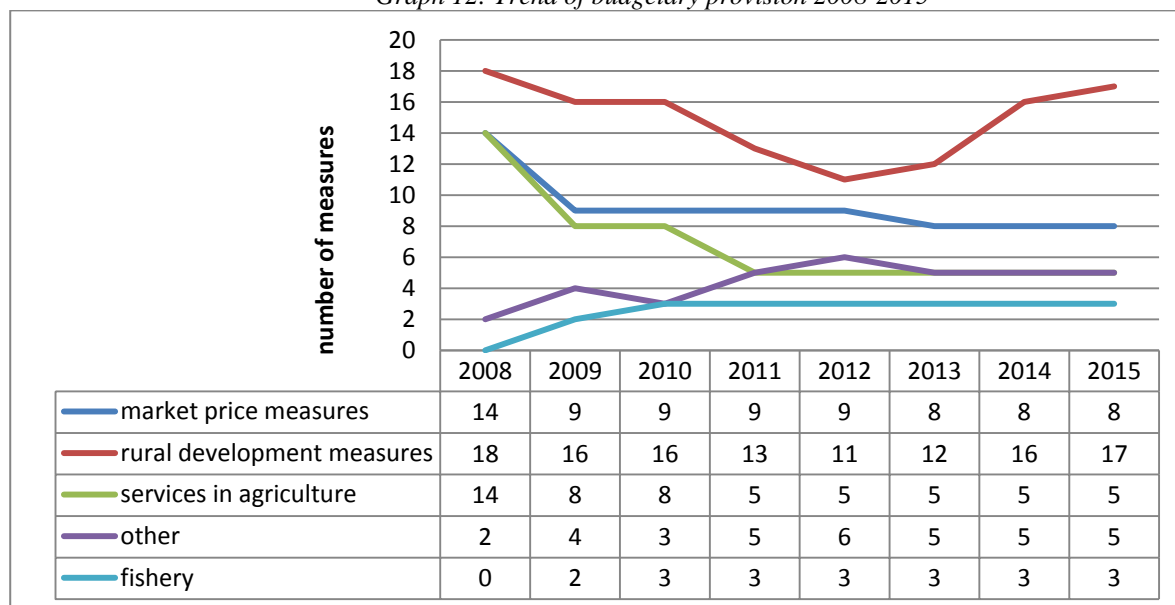
Total direct payments include five measures out of a total 42 measures under the Agro budget. One is designed to support crop production, and an additional one, still output based, is for tobacco production.

<sup>12</sup> In 2008 fishery support was through rural development measures.

Livestock sector through direct payment schemes is supported by three schemes:

- direct support to livestock production (which consist of premiums per head for cows and breeding heifers; premiums per head for sheep and goats; and premiums for organised fattening of young bulls, bulls and oxen,
- Support to the development of commercial production of milk, and
- Support to strengthening the milk collection network.

Graph 12: Trend of budgetary provision 2008-2015



Source: Ministry of Agriculture and Rural Development

Beekeeping is supported by one measure - Programme for improving the beekeeping, and market stabilization measures through two measures, as follows:

- Programme of interventions in the market, and
- Risk management in agriculture.

### 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.

Since gradual harmonisation of the agricultural policy with CAP is one of the priorities, Strategy for development of Agriculture and Rural Areas designed Rural development policy in accordance to the new Rural development policy in the EU (programming period 2014-2020), meaning that measures grouped in the so called axes. It should be mentioned that the Strategy foresaw the fourth axis – LEADER projects; however, implementation has not been started yet. Also, one of the main measures in axis 2 will be to support Areas facing Natural Constraint (ANC).

**The first group (axis)** has the biggest number of measures (11 out of a total of 16) and participates by the highest amount (81.4%) in the total budget for rural development policy, or by 27.5% in the total Agrobudget for 2014. 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.

*The second group (axis)* refers to the sustainable management of resources, where three measures are implemented. The measure of Sustainable use of mountain pastures has the biggest share, more than 51.6% while the remaining 48.4% is directed to support preservation of genetic resources and organic farming. This axis has a small share in RD policy, only 5.7% or 1.8% of the total Agrobudget. This is due to the fact that ANC has not been implemented yet and the other measures are in the developmental phase.

*The third group (axis)* consists of two measures: Diversification on farms and business development; and Revitalisation and development of rural areas and construction of rural infrastructure. The first one, referring to supporting new employment in non-agricultural activities, has just been introduced; that is why the amount for it is very modest (0.9%). The second measure is related to co-financing of the projects in rural areas: local roads, water management, facilities of common importance; it has been implemented for many years with significant participation in RD policy with 7.7% or within axis 3 by 85.2%.

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 II 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.

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

Montenegrin agriculture has been continuously receiving support from EU funds since 1999, first under the OBNOVA program, followed by CARDS and as of late as a part of the IPA support.

Most of the projects related to support to building the institutions necessary for implementation of the legislation harmonized with the *acquis communautaire*. Investments were also made into equipping and reconstruction of laboratory facilities monitoring and controlling the safety and quality of agricultural products, with particular emphasis on strengthening of veterinary and phytosanitary sectors. Taking into account the challenge of implementation of the Stabilisation and Association Agreement with the EU and membership in the World Trade Organization, the competent institutions are building further their respective capacities. Also, in the field of agricultural policy, support is being adjusted to CAP reforms, particularly the rural development policy.

Support of the EU to Montenegrin agriculture and rural areas is on-going. European experts are providing support to Montenegro's agriculture in further development of agricultural policy and

legislation. Projects of integrated food safety system, animal disease control and support to rural development are on-going. The system of animal identification (cattle, sheep and goats) has been put in place recently.

EU institutions support training of inspection services. Employees at the Ministry and related institutions attend numerous specialist-training programmes. Certain training is carried out under the TAIEX and other programs of support by the European Commission, as well as through bilateral cooperation with the EU members.

Inspection services and laboratories are equipped with assistance from numerous international projects, as well as with the support of national budgetary funds.

#### **Projects financed under the “OBNOVA” programme 1998-2000**

The OBNOVA programme was established in 1996 (Council Regulation EC 1628/96; EC 851/98, EC 2454/99) as support to the revival and economic development of the Western Balkan countries. Montenegro received, under this instrument, support for the sector of agriculture to the amount of approximately EUR 3.3 million.

*Table 17: Projects financed under OBNOVA*

|   |           |
|---|-----------|
| Project of delivery of in-calf heifers                | 1,026,674 |
| Project “Modernization of dairy sector of Montenegro” | 2,300,000 |

*Source: Ministry of Agriculture and Rural Development*

#### **Projects financed by CARDS funds 2001-2006**

The CARDS Program (Community Assistance for Reconstruction, Development and Stabilisation) was introduced by the European Commission Regulation 2666/2000 on 5<sup>th</sup> of December 2000. This assistance instrument was established by the European Commission to support the economic development of the Western Balkan countries through efficient protection and implementation of intellectual property rights. This instrument with around EUR 11 million supported the Agriculture sector.

**Strengthening of veterinary and phytosanitary services (CARDS 2003).** The project, worth **EUR 1.5 million** was focused on strengthening of veterinary and phytosanitary services. Under the veterinary component, the activities were aimed at improving the control of quality of food of animal origin and control of zoonosis, as well as support to construction of the building of the Veterinary Diagnostic Laboratory. The second component improved the activities of the Phytosanitary Inspectorate; equipment was delivered to the phytosanitary laboratory at the Biotechnical Faculty, with the objective of prevention or reduction of damage caused by harmful organisms.

**Development of the Montenegrin Agriculture Development Strategy (CARDS 2004).** In order to prepare a platform for further integration processes and set the framework for further development of agriculture, the Ministry of Agriculture, Forestry and Water Management prepared, with assistance of the EU, the Agriculture and Rural Development Strategy. The Strategy is one of the most important projects carried out in the Montenegrin agriculture sector so far. In addition to experts from Slovenia, a large number of domestic experts and representatives of Montenegrin institutions took part in development of the Strategy.

**Implementation of the animal identification system - phase I (CARDS 2005).** Under the project worth **EUR 1.7 million** (of which technical assistance of about EUR 1 million and equipment EUR 0,7 million) support was provided for setting up of a unit for animal identification under the Veterinary Directorate, development of the Law on Animal Identification in June 2007. In

the course of further project implementation, IT equipment was supplied, ear tags and with support from the field veterinary service, tagging and registration of the whole cattle population in Montenegro took place (82,000 animals on 25,200 holdings). Cattle tagging was successfully continued after the completion of the project.

**Support to fisheries sector (CARDS 2005).** The project, worth more than **EUR 1 million**, provided support to the public and private sector in preparation and implementation of the National Fisheries Strategy. The Project worked on preparation of a legal basis for fisheries and food safety, strengthening the institutional capacities for implementation of hygiene regulations and food safety, sustainable resource management was promoted, including efficient monitoring and control of catch activities. Services for implementation of structural and marketing policies were strengthened in line with the Common Fisheries Policy, and support was provided to the private sector for modernisation and development of its production capacities. Equipment worth over EUR 1 million was supplied.

**Refurbishment of food safety laboratories (CARDS 2005).** Financial means from European funds were also allocated for improvement of infrastructure in the sector, through building of new or refurbishment of the existing food safety laboratories. Biotechnical Faculty (BF) laboratories were completely reconstructed. Capacities of all the BF laboratories were improved, and now, with better technical performances, they enter the accreditation process.

### **Project finances under IPA funds 2007-2013**

As of 2007, both candidate countries and potential candidate countries receive EU support through one channel – the Instrument for Pre-Accession Assistance - IPA.

IPA represents continuation of previous support programmes (OBNOVA and CARDS) intended for states aspiring to become EU members.

*Table 18: Projects financed under IPA (in EUR)*

|  |           |
|--|-----------|
| Project “Animal Identification and Registration – phase II” (IPA 2007)               | 1,400,000 |
| Project “Legal harmonization - twinning program with Slovenia” (IPA 2007)            | 1,000,000 |
| Eradication of rabies and classical swine fever (IPA 2008)                           | 1,700,000 |
| Development of the food safety services in Montenegro (IPA 2008)                     | 2,200,000 |
| Support to establish the IPARD system in Montenegro (IPA 2008)                       | 1,800,000 |
| Sustainable management of marine fisheries (IPA 2009)                                | 1,800,000 |
| Support to network of rural roads in the north of Montenegro (IPA 2009)              | 1,500,000 |
| Strengthening the capacity of the Phytosanitary Directorate of Montenegro (IPA 2010) | 770,000   |
| Support to capacity building in forestry sector (IPA 2010)                           | 1,000,000 |
| Strengthening Veterinary Service (IPA 2011)  | 770,000   |
| Strengthening rural development Programme under IPARD (IPA 2011)                     | 3,274,000 |
| IPA 2012 – Trust fund I  | 3,200,000 |
| IPA 2013 – Trust fund II   | 7,300,000 |

*Source: Ministry of Agriculture and Rural Development*

The support to Montenegro under the various projects and programmes referred to in the above table has contributed to the build-up of legal basis, institutions and capacities of staff of the ministry and of other relevant technical bodies and directorates. This counts for the support to the livestock sector, to the veterinary and food safety sectors, to forestry and fishery and for MARD. The support has been a precondition for the current effort of the MARD preparing for accreditation. The experiences and the lessons learned from the implementation of grant schemes have been useful for the agricultural sector as well as for MARD and all technical bodies.

MARD is still facing big challenges in its effort towards EU accession and a continued strengthening of capacities and competences regarding procedures and practices for data



collection and analysis, policy formulation and implementation is needed in order to proceed on the path towards EU accession.

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

#### **Support of the World Bank to Montenegrin agriculture**

In the period June 2009 - June 2015, the World Bank is providing support to Montenegrin agriculture by implementation of the project MIDAS (Montenegro Institutional Development and Agriculture Strengthening). Support is provided through an IBRD credit (EUR 11 million) and GEF (Global Environmental Fund) grant (EUR 4 million).

The project prepares the Ministry of Agriculture and Rural Development in cooperation with public institutions involved in provision of institutional support to agriculture and fishery.

The project consists of three (3) components:

Strengthening of the rural development programme of MARD, by provision of support to the introduction and implementation of rural development measures which are in line with IPARD, and which were established within the National Rural Development Programme. This is implemented through:

- Strengthening of rural development funds for target measures and areas;
- Strengthening of field and extension services,
- Administration of the programme of support to agriculture and rural development compatible with IPARD, through:
  - Ensuring of technical assistance, training and goods and provision of construction works for establishment of the Rural Development Unit, the Paying Agency compatible with the EU IPARD, as well as preparation and implementation of the plan of systematization of MARD as well as its Administrations and bodies,
  - Modernization of the agricultural information management system, including the Agricultural Census as well as development of the farm register and preparation of related cadastral maps for wine, olive and/or fruit, further strengthening of the food safety system.

The MIDAS project served as a good opportunity to prepare both the agricultural producers and administration for usage of EU funds. Through five (5) calls around 700 contracts were signed. The support was given for the measures regarding the investment in physical assets (including purchase of livestock), and some agro environment measures (mostly manure management). From the other side the MIDAS project helped capacity building within MARD, Veterinary authority, Institute for marine biology etc. Important effects of MIDAS call were the established procedures that are similar to IPARD calls.

Based on the partnership between the MARD and World Bank, and the World Bank's experience in implementing the on-going MIDAS Project, the EU has requested the Bank to establish a Trust Fund (TF) financed by the EU. The EU-funded Project/IPARD like (Trust fund I and II) will support an additional round of the grants programme, aiming to further introduce IPARD principles first and further IPARD rules continuing to strengthen the capacity of all involved institutions. The grant scheme to be funded under this Project will benefit from the lessons learned and progress made in the implementation of MIDAS grants. Support would be provided also to strengthen the monitoring role of the Directorate for Rural Development, which will make one step closer to IPARD II.

The total project cost is EUR 10.5 million (Trust fund I EUR 3.2 million and Trust fund II EUR 7.3 million). Through Trust fund II only EUR 5.3 million is planned to implement through grant schemes and EUR 2 million for the LPIS project. Montenegro's Government contribution is EUR 2,125,000.

The project/IPARD like would help to implement a grant scheme based on the measures envisaged under the proposal of the IPARD II programme (investments in physical assets in agricultural holdings and the investments in physical assets concerning processing and marketing of agricultural and fishery products in key priority sectors) and accompanying Technical Assistance.

### **Support of the UN through FAO**

FAO assistance in Montenegro is shaped by the 2013-2015 Country Programming Framework (CPF), which sets out five priority areas:

- Preparation of the National Strategy for Agriculture and Rural Development 2014-2020 – a key strategic document providing the basis for the EU Instrument for Pre-Accession (IPA II),
- Capacity development of the Ministry of Agriculture and Rural Development in the use of management tools for policy making,
- The alignment of agriculture and rural development policies with European Union standards,
- Promotion of good practices to reduce climate change effects on agriculture (DRM) – including measures to increase the resilience of rural communities and to adapt production systems so that they are less affected by droughts and floods.
- Promotion of pilot projects on rural development – including increased technical assistance to producer groups and agrarian structures for complementary activities such as forestry and livestock.

Jointly developed with the Government and major development partners the CPF is closely aligned with the Integrated UN Programme (2010–2015) as well as Montenegro's national development priorities.

### **Other international support**

Other international support to Montenegrin agriculture has been carried out through bilateral cooperation of the EU Member States with the institutions of Montenegrin agriculture.

The most important donors in the previous period have been:

- Grand Duchy of Luxembourg, through their developmental agency Lux-development) (most of its support to the dairy sector),
- Kingdom of Denmark (Organic Agriculture Development Program in Montenegro - OADP),
- Germany through GTZ (several projects) and German Cooperative and Raiffeisen Confederation (DGRV),
- Government of Austria, through cooperation with the Austrian Development Agency (ADA),
- Italy – several smaller projects,
- USA – several USAID projects (technical support to development of economic analyses and farm management, setting up of a market information system, various infrastructure projects, etc.),
- Sweden, through Swedish International Development Agency (SIDA) support to preservation of plant genetic resources.

## **A brief assessment of international projects and lessons learned**

In the course of implementation of donor projects, certain limitations have been noted in rural areas of Montenegro:

- Low competitiveness of key economy sectors in rural areas (agriculture, forestry, fishery, food sector, rural tourism, services),
- Underdeveloped elementary infrastructure in rural areas, making access of the population and business entities to public institutions (telecommunications, transport, education and health institutions, etc.) difficult,
- Depopulation of rural areas and unfavourable age and gender structure of the rural population,
- Low level of education of rural population,
- Inactivity or absence of regional and local institutions in charge of rural development,
- Inadequate coordination between public institutions and local communities in rural areas, resulting in inadequate involvement of local self-governance and local communities in initiation, adoption and implementation of rural development policy.

The Ministry of Agriculture and Rural Development plays a key role in implementation of the rural development policy. However, in setting the priorities and rural development measures, and in particular in implementation thereof, other ministries, too, play an important role: the Ministry of Economy, the Ministry of Sustainable Development and Tourism, the Ministry of Education, the Ministry of Science, the Ministry of Transport and Maritime Affairs, the Ministry of Culture, as well as other governmental bodies (directorates, administrations, etc.)

## **6. DESCRIPTION OF THE STRATEGY**

### **6.1 Description of the existing national rural development strategy 2015-2020**

The Strategy defines the framework and the path for the development of the agricultural sector and rural areas in the context of the overall priority of Montenegro to pursue the process of integration of EU policies during the period 2015 – 2020. Although Montenegro may not have the physical and structural capacity to compete in the markets for mainstream agricultural products, it has the potential to develop high quality agricultural and food products based on innovative and traditional production processes.

Montenegro has a rich natural and cultural heritage providing an important potential for development of tourism in rural areas. Rural tourism and increased production of high quality products will be the economic drivers in the creation of new economic activities and job opportunities in rural areas.

Based on these assumptions, the vision for Montenegrin agriculture and rural areas in 2020 is:

- An agricultural sector set on a stable path to become a competitive sector producing high quality products, providing a stable source of income for agricultural producers. It is a driving force in the creation of new job opportunities in rural areas based on knowledge, utilisation of best practices, innovation and preservation of natural resources;
- Viable rural areas providing economic activities and employment opportunities, social inclusion and quality of life to rural residents.

To fulfil the vision, the goals of the Strategy for the development of agriculture and rural areas in Montenegro for the period 2015-2020 are to:

- Ensure a safety-net and stabilize the income of agricultural producers;
- Enable smooth functioning of the market in agricultural products;
- Enhance the competitiveness of agriculture and the food-processing industry;
- Produce safe food of high quality;
- Manage natural resources sustainably and
- Develop rural areas and preserve rural communities.

These goals will be achieved through the implementation of various measures, which will, at the same time, be gradually aligned with those within the framework of the EU Common Agricultural Policy.

## **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 organisation 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 affordable consumer prices;
- Increase the quality of products (quality standards, organic products, PDO/PGI).

### **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.

*Table 19: Summary showing main rural development needs and measures operating*

| Need identified   | IPARD II  | IPA II | Other donor –<br>multilateral<br>assistance | National |
|---|---|--------|---|----------|
| 1.Improving competitiveness                                 | Investments in agricultural holdings  | x      | x   | x        |
| 2. Improving food safety and food quality                   | Improving products quality  | x      | x   | x        |
| 3. Improving sustainable resource management                | Preservation of indigenous genetic resources in agriculture<br>Organic production<br>Sustainable use of mountain pastures   | x      |   | x        |
| 4. Improving quality of life and development of rural areas | Diversification of economic activities in rural areas<br>Renovation and development of villages and the rural infrastructure<br>Agro-environmental measures<br>Implementation of Local Development Strategies - Leader approach | x      |   | x        |
| 5.Improving administrative capacities                       | Implementation of Local Development Strategies - Leader approach<br>Technical assistance measure  | x      |   |          |

*Source: Ministry of Agriculture and Rural Development*

In order to avoid overlapping during the implementation of the IPARD II 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 proposed IPARD intervention and Indicative Strategy Paper (ISP)

The IPARD II programme and the measures selected within the programme are in line with what is described within the Indicative Strategy Paper (ISP). Planned type of actions presented within the Indicative Strategic paper and the key objectives of IPA II assistance are set to promote the alignment of the Montenegrin agricultural policy with the Common Agricultural Policy (CAP); to contribute to a competitive, sustainable and efficient agriculture sector while maintaining vibrant rural communities; and to improve fisheries, food safety, veterinary and phytosanitary policies. To achieve these goals, IPA II assistance will be provided in two strands: institutional capacity building and rural development measures.

These objectives are in accordance with proposed IPARD intervention and the selected measures. With intervention in investment in physical assets of agricultural holdings support will be provided in achieving sustainability and improving efficiency of the agricultural sector. Investment in physical assets concerning processing and marketing of agricultural and fishery products apart from the increase of competitiveness and effectiveness will influence on further implementation and alignment with EU standards regarding veterinary and food safety.

Since the ISP sets out the necessity for diversification of agricultural production through selected measures the product range will be increased and potentials for further export will be broader. Also farm diversification and business development through support of rural tourism will contribute to further diversification of agricultural producers.

ISP recognizes that the IPARD II programme is providing investment support to increase the ability of the agri-food sector to cope with competitive pressure and market forces, as well as to progressively align with the Union rules and standards, while pursuing economic, social and environmental goals in balanced territorial development of rural areas. Furthermore, it will contribute to the security and safety of food supply and the maintenance of diversified and viable farming systems in vibrant rural communities and the countryside. The measures, rural infrastructure, agri-environmental schemes and local initiatives will be supported through the IPARD II programme. The IPARD II programme will also reinforce the capacity of relevant EU funds management structures to be able to efficiently manage and implement the programme in line with EU requirements.

Overall there is a full complementarity and consistency between the selected intervention measures through IPARD II programme and the Indicative Strategy Paper (ISP).

### 6.4 A summary table of the intervention logic showing the measures selected for IPARD, the quantified targets

*Table 20: A summary table of the intervention logic showing the measures selected*

| Measure   | Indicator   | Target     |
|---|---|------------|
| Investments in physical assets of agricultural holdings   | Number of projects supported  | 850        |
|   | Number of holdings performing modernisation projects  | 425        |
|   | Number of holdings progressive upgrading towards EU standards   | 425        |
|   | Number of holdings investing in renewable energy production   | 35         |
|   | Number of holdings investing in livestock management in view of reducing the N20 and methane emissions (manure storage) | 250        |
|   | Total investment in physical capital by holdings supported (EUR)  | 26,294,444 |
| Investments in physical assets concerning processing and marketing of agricultural and fishery products | Number of projects supported  | 150        |
|   | Number of enterprises performing modernisation projects   | 150        |
|   | Number of enterprises progressively upgrading towards EU standards  | 150        |
|   | Number of enterprises investing in renewable energy production  | 20         |
|   | Total investment in physical capital by enterprises supported   | 47,386,668 |

|   |   |           |
|---|---|-----------|
|   | Number of jobs created (gross)  | 120       |
| Farm diversification and business development | Number of projects supported  | 120       |
|   | Number of agricultural holdings/enterprises developing additional or diversified sources of income in rural areas | 120       |
|   | Number of beneficiaries investing in renewable energy   | 20        |
|   | Total investment in physical capital by beneficiaries supported   | 4,512,819 |
|   | Number of jobs created (gross)  | 50        |
| Technical assistance                          | Number of promotion material for general information of all interested parties (leaflets, brochures, etc.)        | 83,000    |
|   | Number of publicity campaigns   | 375       |
|   | Number of expert assignments supported  | 15        |
|   | Number of workshops, conferences, seminars  | 250       |
|   | Number of meetings of the Monitoring Committee  | 16        |
|   | Number of studies on elaboration and implementation of Programme measures   | 60        |
|   | Number of rural networking actions supported  | 23        |
|   | Number of potential LAGs supported  | 23        |

## 7. AN OVERALL FINANCIAL TABLE

Maximum EU contribution for IPARD II funds in EUR by year, 2014-2020

The financial allocations may be reviewed during the course of the implementation of this programme taking into account, inter alia, the conclusions of the IPA II midterm review and the performance of Montenegro in reaching the programme objectives.

*Table 21: EU contribution by year, 2014-2020, mil. EUR*

| YEAR         | 2014 | 2015       | 2016       | 2017       | 2018       | 2019       | 2020       | 2014-2020   |
|--------------|------|------------|------------|------------|------------|------------|------------|-------------|
| IPARD II     | -    | 5.0        | 5.0        | 6.0        | 7.0        | 8.0        | 8.0        | 39.0        |
| <b>TOTAL</b> |      | <b>5.0</b> | <b>5.0</b> | <b>6.0</b> | <b>7.0</b> | <b>8.0</b> | <b>8.0</b> | <b>39.0</b> |

The EU contribution for the policy area agriculture and rural development can be found in Commission Implementing Decision C (2014) 5771 of 18 August 2014 adopting an Indicative Strategy Paper for Montenegro for the period 2014-2020.

### 7.1 Maximum EU contribution for IPARD II funds in EUR by year, 2014-2020

*Table 22: EU contribution for IPARD II funds by year, 2014-2020*

| Measure   | Total Public Aid (%) | Total Public aid (value) | Value of EU contribution | EU contribution rate | National contribution | National contribution rate |
|---|----------------------|--------------------------|--------------------------|----------------------|-----------------------|----------------------------|
| Investments in physical assets of agricultural holdings   | 60%                  | 15,840,000               | 11,880,000               | 75%                  | 3,960,000             | 25%                        |
| Investments in physical assets concerning processing and marketing of agricultural and fishery products | 50%                  | 23,693,334               | 17,770,000               | 75%                  | 5,923,334             | 25%                        |
| Agri-environment-climate and organic farming measure  | 100%                 | 4,117,647                | 3,500,000                | 85%                  | 617,647               | 15%                        |
| Implementation of local development strategies-LEADER approach  | 100%                 | 766,667                  | 690,000                  | 90%                  | 76,667                | 10%                        |
| Investments in rural infrastructure   | 100%                 | 2,133,333                | 1,600,000                | 75%                  | 533,333               | 25%                        |

|   |      |                   |                   |     |                   |     |
|---|------|-------------------|-------------------|-----|-------------------|-----|
| Farm diversification and business development | 65%  | 2,933,333         | 2,200,000         | 75% | 733,333           | 25% |
| Technical assistance                          | 100% | 1,600,000         | 1,360,000         | 85% | 240,000           | 15% |
| <b>TOTAL</b>                                  |      | <b>51,084,314</b> | <b>39,000,000</b> |     | <b>12,084,314</b> |     |

## 7.2 Indicative budget breakdown by measures 2014-2020

Table 23: Indicative budget breakdown by measures, 2014-2020

| Measure   | Total public aid  | Private contribution | Total expenditure |
|---|-------------------|----------------------|-------------------|
|   | EUR               | EUR                  | EUR               |
| Investments in physical assets of agricultural holdings   | 15,840,000        | 10,454,444           | 26,294,444        |
| Investments in physical assets concerning processing and marketing of agricultural and fishery products | 23,693,334        | 23,693,334           | 47,386,668        |
| Agri-environment-climate and organic farming measure  | 4,117,647         | -                    | 4,117,647         |
| Implementation of local development strategies-LEADER approach  | 766,667           | -                    | 766,667           |
| Investments in rural infrastructure   | 2,133,333         | -                    | 2,133,333         |
| Farm diversification and business development   | 2,933,333         | 1,579,486            | 4,512,819         |
| Technical assistance  | 1,600,000         | -                    | 1,600,000         |
| <b>TOTAL</b>  | <b>51,084,314</b> | <b>35,727,264</b>    | <b>86,811,578</b> |

## 7.3 Indicative budget of EU contribution by measures 2014-2020 in 000 EUR for monitoring

Table 24: Indicative budget of EU contribution by measures for monitoring, 2014-2020

| MEASURE/YEAR  | EU contribution (000 EUR) |              |              |              |              |              |              |               |
|---|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|
|   | 2014                      | 2015         | 2016         | 2017         | 2018         | 2019         | 2020         | 2014-2020 EUR |
| Investments in physical assets of agricultural holdings   | -                         | 2,000        | 1,900        | 2,040        | 2,100        | 2,240        | 1,600        | 11,880        |
| Investments in physical assets concerning processing and marketing of agricultural and fishery products | -                         | 3,000        | 2,900        | 3,120        | 3,150        | 3,200        | 2,400        | 17,770        |
| Agri-environment-climate and organic farming measure  | -                         | -            | -            | -            | 700          | 1,360        | 1,440        | 3,500         |
| Implementation of local development strategies-LEADER approach  | -                         | -            | -            | -            | 210          | 240          | 240          | 690           |
| Investments in rural infrastructure   | -                         | -            | -            | -            | -            | -            | 1,600        | 1,600         |
| Farm diversification and business development   | -                         | -            | -            | 600          | 560          | 640          | 400          | 2,200         |
| Technical assistance  | -                         | -            | 200          | 240          | 280          | 320          | 320          | 1,360         |
| <b>TOTAL</b>  | <b>-</b>                  | <b>5,000</b> | <b>5,000</b> | <b>6,000</b> | <b>7,000</b> | <b>8,000</b> | <b>8,000</b> | <b>39,000</b> |

## 7.4 Percentage allocation of EU contribution by measures 2014-2020

Table 25: Percentage allocation of EU contribution by measure, 2014-2020

| Measures/Year   | EU contribution |      |      |      |      |      |      |   |
|---|-----------------|------|------|------|------|------|------|---|
|   | 2014            | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |   |
|   | %               | %    | %    | %    | %    | %    | %    | % |
| Investments in physical assets of agricultural holdings   | -               | 40   | 38   | 34   | 30   | 28   | 20   |   |
| Investments in physical assets concerning processing and marketing of agricultural and fishery products | -               | 60   | 58   | 52   | 45   | 40   | 30   |   |
| Agri-environment-climate and organic farming measure  | -               | -    | -    | -    | 10   | 17   | 18   |   |



|  |   |            |            |            |            |            |            |
|--|---|------------|------------|------------|------------|------------|------------|
| Implementation of local development strategies-LEADER approach | - | -          | -          | -          | 3          | 3          | 3          |
| Investments in rural infrastructure                            | - | -          | -          | -          | -          | -          | 20         |
| Farm diversification and business development                  | - | -          | -          | 10         | 8          | 8          | 5          |
| Technical assistance   | - | -          | 4          | 4          | 4          | 4          | 4          |
| <b>TOTAL</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

The selected measures as defined in the IPARD II programme are selected on the basis of the results of Sectoral analyses that have been updated (Sectoral analysis of meat, milk, fruits and vegetables) and produced (olive growing and viticulture) during 2014. The aim of the selected measures is to improve competitiveness, increase added value of products, creating new jobs, improve living conditions in rural areas, as well as connecting with the tourism sector. The reason why exactly these measures have so far been selected is their implementation through national funds, MIDAS grants and IPARD like project. In this way, farmers were able to prepare their farms for the use of EU funds for the programming period 2014-2020.

Reason of financial allocation and percentages (%) per measures refers to MIDAS and IPARD like grants experience; absorption capacities, administrative capacities; plans for alignment with EU legislation etc.

The measures are designed in order to prevent deadweight. This is done by focusing on the needs of small farmers and processors and to prioritize investments with focus on public goods such as nature conservation and environment protection. It is the experience from the accession countries that deadweight is observed primarily among investment projects of large scale and it is connected with bigger recipients.

In order to minimize the risk of deadweight Montenegro shall ensure that in the selection procedures the recipients are required to clearly demonstrate their need for IPA assistance.

Projects, which have experimental, renewing and innovative elements, are often impossible to implement in the planned scope without the external funding.

The first Code of Good Agricultural Practice is more of an advisory than binding document, and it provides an opportunity for all stakeholders – farmers, Government, scientists and NGOs to find out what really functions in Montenegro: what are the standards that are practical and realistic in Montenegrin agriculture and which bring most benefit when it comes to environmental protection. Once Montenegro becomes an EU Member State, many of these advisory recommendations would become mandatory. Thus, the experience gained through the implementation of the first Code would be an invaluable experience, making possible transposition of true standards into the legislation.

For the implementation of the IPARD II programme, the Managing Authority in close co-operation with the IPARD Agency will prepare the National Rulebooks for the implementation of each measure, which will incorporate the provision of the measures set in the IPARD II programme as well as the requirements of the Sectoral Agreement. The IPARD Agency, in close co-operation with the Managing Authority, will develop templates of Application Forms and Business Plans and will provide instructions/guide for applicants for their preparation.

During the preparation of the program constant communication was established between the Managing Authority and the IPARD Agency. This communication resulted in the large number of meetings organized between the bodies in order to ensure that the measures can be verified and

controlled during the implementation of the IPARD II programme. This led to constant communication and all of the measures selected were controlled by the IPARD Agency.

## **8.1 INVESTMENTS IN PHYSICAL ASSETS OF AGRICULTURAL HOLDINGS**

### **8.1.1 Legal basis**

Article 27 of Sectoral Agreement.

### **8.1.2 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, which in the last five years ranges between 11-16% of the total milk produced in Montenegro. Majority of the remaining milk is processed into various types of households in autochthonous 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 effect the efficiency and economic viability of the farm.

#### ***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***

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.

This sector needs to invest in 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 bee hives 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 nats, 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 programs 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, improvement of breeding and placement of these products on the market.

## **8.1.3. General objectives**

- To support recipients in progressive alignment to Union rules, standards, policies and practices with a view to Union membership;

- To support economic, social and territorial development, with a view to a smart, sustainable and inclusive growth, through the development of physical capital;
- To address the challenges of climate change by promoting resource efficiency and renewable energy.

#### **8.1.3.1 Specific objectives**

- The investment when concluded must respect the relevant Union standards as regards environmental protection and animal welfare;
- To improve the overall performance of agricultural holdings in the production of primary agricultural products.

#### **8.1.4. Linkage to other IPARD II 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 rural tourism.

#### **8.1.5. Recipients**

The Recipient is a natural or legal person engaged in agricultural activities, which are registered in accordance with the Law on Agriculture and Rural Development ("Official Gazette of Montenegro", no. 56/09 and no. 34/14); as well as company or entrepreneur registered for the fishery and aquaculture activity in the Central Register of Business Entities (CRPS).

#### **8.1.6. Common eligibility criteria**

##### **8.1.6.1. Type of eligible holdings**

Holdings that comply with specific eligibility criteria described in 8.1.7 are eligible for support.

##### **8.1.6.2. National standards to be respected**

No later than before final payment of the investment, the entire holding must comply with the appropriate national minimum standards (see list of NMS in Annex III of IPARD II programme) in force regarding environmental protection and animal welfare.

For this purpose, the technical bodies shall issue a proof document, which will confirm that all applicable national minimum standards regarding environment protection and animal welfare are respected on the holding of the applicant. If the National Minimum Standards are similar to EU standards, in duly justified cases, the Commission may approve derogation from this rule.

### **8.1.6.3. Economic viability of the holding**

The economic viability of the holding shall be demonstrated. The Recipient has to prove the economic viability of the holding, in line with the form, which the IPARD Agency shall prepare. For investments over EUR 50,000 a complete and detailed business plan is needed, and for investments below EUR 50,000 the simplified form of business plan is required.

### **8.1.6.4. EU standards**

When completed, and before the final payment, the investment must fulfil the relevant EU standards regarding environmental protection and animal welfare.

Before an investment is submitted to the IPARD Agency for the final payment, the Technical bodies have to assess whether the EU standards are met. In this case the Technical bodies issue a proof document confirming the above. Such a proof document forms an obligatory part of the final payment claim submitted by the applicant to the IPARD Agency.

### **8.1.6.5. Other common eligibility criteria**

- The investment must concern the production of agricultural products listed in Annex I of the EU Treaty, including fishery products and/or the development of new products listed in Annex I of the EU Treaty;
- Eligible sectors for support are based on Sectoral analysis;
- The authorised representative of the agriculture holding 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 via a professional working record or via a record on users of national support schemes in agriculture and rural development or other acceptable written proofs). A Recipient that fails to meet the above skills and competences shall commit in writing that he/she will follow a training course with a minimum duration of at least 50 teaching hours in the relevant sector before completion of the investment. 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;
- No payment shall be made by the IPARD Agency and the aid will be cancelled if the recipient fails to submit the required documents in due time;
- Recipients within the IPARD framework can obtain support for only one tractor, with a maximum power (not exceeding 100 KW) based on scale and nature of activity. Out of the total amount of allocated EU funds, for measure investments in physical assets of agriculture holdings, a maximum of 20% can be spent on tractors;
- In accordance with Article 10 of the "Regulation of the European Parliament and of the Council establishing common rules and procedures for the implementation of the Union's instruments for external action";
  1. Co-financed goods, supplies and equipment from the following countries shall be eligible for funding under the IPA:
    - (a) Member States, beneficiary countries covered by the IPA, members of the European Economic Area and partner countries benefiting from the "European Neighbourhood and Partnership Instrument", and
    - (b) Donor countries for which reciprocal access to external assistance is established by the Commission under the conditions laid down in Article 9(1)(e) of this Regulation.
  2. Goods from non-eligible origin may be considered as eligible by the Commission in duly substantiated cases,

- (a) if the eligibility rules would make the realisation of an action impossible or exceedingly difficult on the basis of the unavailability of products and services in the markets of the countries concerned, or extreme urgency, or
- (b) for implementing triangular cooperation arrangements with third countries.
- All supplies purchased under this measure shall originate from eligible countries. However, they may originate from any country when the quantity of goods to be purchased is under EUR 100,000). For the purposes of this measure, the term "origin" is defined in Articles 23 and 24 of Council Regulation (EC) no. 2913/92, as well as other Community legislation governing non-preferential origin.

### **Investments in renewable energy plants:**

If the energy produced is for **self-consumption**, the investment in a renewable energy plant on a farm can be supported under the aid intensity rates applicable to this measure.

In fact, since such an amount of energy can be considered as an intermediate product of the agricultural production cycle, it can therefore be considered an Annex I product (i.e. agricultural product).

Support is given for investments in renewable energy such as solar panels, biogas plants, and biomass heating plants and/or windmills and wind turbines.

### **8.1.7. Specific eligibility criteria**

Agricultural holdings involved in ruminant rearing (cattle, sheep, and goats) at the time of submission of application must have a minimum of 5 ha of agricultural land (owned or rented). In the case of rent it should be no less than a 7 years period.

Agricultural holdings, which will have at the time of submission of application:

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

Minimum 5 cows/heifers;

Minimum 50 sheep;

Minimum 50 goats.

#### ***Meat sector (per turnus)***

Minimum 30 beef cattle in fattening;

Minimum 20 sows or 100 finishing pigs;

Minimum 1,000 broilers (chicken);

Minimum 100 broilers (turkey).

#### **Eggs production sector**

Minimum 2,500 laying hens.

***Fruit, Vegetables and arable sectors*** Production of fruits - area of plantation minimum 0.5 ha,

- Production of vegetables (open field) - area of plantation minimum 0.5 ha,  
(covered area) - area of plantation minimum 0.1 ha,
- Production of crops - area of plantation minimum 1 ha,
- Production of aromatic and medical herbs-area of plantation minimum 0,3 ha,
- Production of fungi and mushrooms – production surface minimum 0,01 ha.

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

Area of vineyards minimum 0.5 ha.

### ***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

## **8.1.8. Eligible expenditure**

Eligible expenditure shall be limited to:

- The construction or improvement of immovable property, (e.g. the acquisition of property is excluded).
- The purchase of new machinery and equipment, including computer software up to the market value of the asset,
- General costs linked to investment-related expenditure, such as architects', engineers' and other consultation fees, feasibility studies, shall be eligible up to a ceiling of 12% of the investment costs. Specific lower ceilings on specific items may be established namely for business plans referred to under 8.1.6.3 (according to the type of investment),
- 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.
- The minimum and maximum total eligible expenditure per recipient are given in table 26.

*Table 26: Minimum and maximum of total eligible expenditure*

| <b>Minimum total eligible expenditure (EUR)</b> | <b>Maximum total eligible expenditure (EUR)</b> |
|---|---|
| 10,000  | 500,000   |

- Total number of projects per holding per public call is limited to one.
- The total number of projects for this programming period, per holding, for this measure is limited to 3 projects.
- Applicant can apply for new support only after the finalization of the previous project.

### **8.1.8.1. Eligible investments**

- Investments in construction/expansion/reconstruction of facilities on the holding,
- Supply of equipment and machinery appropriate for the type of production,
- Investments in energy saving, environmental protection, equipment and facilities for reprocessing of raw materials, treatment and disposal of waste,
- The construction and/or reconstruction of fences,
- The construction and/or reconstruction and/or renovation of facilities and/or purchase of equipment for renewable energy (solar panels, biogas plants or biomass heating plants and/or windmills and wind turbines),
- Construction of water supply and irrigation systems,
- Investments in hail protection and protection from birds,
- Activities and materials for establishing a new perennial plantation,
- Investments in improvement of land (for example: anti-erosion operations, drainage, terraces, etc.).

### 8.1.9. Selection criteria

Table 27: Selection criteria for measure (1)

|              |   | Points     |
|--------------|---|------------|
| 1.           | Minimum 20% of amount of investments in manure handling and waste water treatment | 15         |
| 2.           | Investments in mountain areas   | 20         |
| 3.           | Investments of young farmer   | 20         |
| 4.           | Investments of certified organic producer   | 10         |
| 5.           | Investments by women  | 15         |
| 6.           | Minimum 20% of amount of investments linked to renewable energy                   | 15         |
| 7.           | Recipient is a cooperative or a member of cooperative                             | 5          |
| <b>TOTAL</b> |   | <b>100</b> |

### 8.1.10. Aid intensity and EU contribution rate

Public aid under this measure can amount up to a maximum of 60% of the total eligible cost of the investment. It can be increased up to 65% if investments are made by young farmers (under 40 at the time of submission of the announcement of the public call) and up to 70% for investments in mountain areas. An additional 10% can be given for investments related to effluent and waste management

EU co-financing rate is 75% of public aid.

### 8.1.11. Indicative budget

Table 28: Financial allocation of funds for the measure (1)

| Year  | Total eligible expenditures | Total      |     | Public expenditures |     |                       |     | Private contribution |     |
|-------|-----------------------------|------------|-----|---------------------|-----|-----------------------|-----|----------------------|-----|
|       |                             |            |     | EU contribution     |     | National contribution |     |                      |     |
|       |                             | EUR        | EUR | %                   | EUR | %                     | EUR | %                    | EUR |
| 2014  | -                           | -          | -   | -                   | -   | -                     | -   | -                    | -   |
| 2015  | 4,444,445                   | 2,666,667  | 60% | 2,000,000           | 75% | 666,667               | 25% | 1,777,778            | 40% |
| 2016  | 4,116,666                   | 2,533,333  | 60% | 1,900,000           | 75% | 633,333               | 25% | 1,583,333            | 40% |
| 2017  | 4,533,333                   | 2,720,000  | 60% | 2,040,000           | 75% | 680,000               | 25% | 1,813,333            | 40% |
| 2018  | 4,666,667                   | 2,800,000  | 60% | 2,100,000           | 75% | 700,000               | 25% | 1,866,667            | 40% |
| 2019  | 4,977,778                   | 2,986,667  | 60% | 2,240,000           | 75% | 746,667               | 25% | 1,991,111            | 40% |
| 2020  | 3,555,555                   | 2,133,333  | 60% | 1,600,000           | 75% | 533,333               | 25% | 1,442,222            | 40% |
| Total | 26,294,444                  | 15,840,000 | 60% | 11,880,000          | 75% | 3,960,000             | 25% | 10,454,444           | 40% |

### 8.1.12. Indicators and targets

Table 29: Indicators and targets

| Indicator  | Target     |
|--|------------|
| Number of projects supported   | 850        |
| Number of holdings performing modernisation projects   | 425        |
| Number of holdings progressive upgrading towards EU standards  | 425        |
| Number of holdings investing in renewable energy production  | 35         |
| Number of holdings investing in livestock management in view of reducing the N <sub>2</sub> O and methane emissions (manure storage) | 250        |
| Total investment in physical capital by holdings supported (EUR)   | 26,294,444 |



### **8.1.13. Administrative procedure**

The administrative procedure for the implementation of this measure will include the following phases: completeness and eligibility check of the application; allocation of funds; implementation of activity; payments and finally finance and accounting. The administrative procedure will respect the requirements of the IPARD II regulatory framework and will be reflected in the respective manuals and procedures.

### **8.1.14. Geographic scope of the measure**

This measure shall be implemented in the whole territory of Montenegro.

## **8.2. INVESTMENTS IN PHYSICAL ASSETS CONCERNING PROCESSING AND MARKETING OF AGRICULTURAL AND FISHERY PRODUCTS**

### **8.2.1. Legal basis**

Article 27 of Sectoral Agreement

### **8.2.2. Rationale**

In addition to high-quality products, competitiveness in the market requires improvement of food quality by the introduction of quality standards and food quality systems. The leading companies, particularly in the meat-processing sector, have already made investments for the purpose of compliance with Community standards, but there is still lack of capacity for collecting by-products of animal origin, solid and liquid waste treatment, in order to protect the environment.

The selection of the eligible sectors to be supported under this measure is based on a sector analysis involving external expertise. Identification of the type of beneficiaries and specific investments needed/eligible under each sector use the same approach and prioritise developing the weakest links identified in the agricultural production chain by relevant sector analysis.

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

Currently there are 26 registered dairies and cheese producers operating in Montenegro. About 63% of collected milk is processed into four facilities that are working with 66% of the total number of farmers delivering milk to dairy processing plants. In 2013, comparing to 2012 milk collection increased by 8.6% and was at its highest level over the last 10-year period. However, this makes only around 13% of the entire milk production in Montenegro.

Investing in the milk sector is in order to increase the added value and competitiveness of Montenegrin dairies and cheese plants. This goal will be achieved by constructing new and helping a significant number of small and medium sized milk processing establishments to cross the long term viability threshold, as well as implement a strict quality and hygiene control along all the processing lines, introducing new products, improving technology and meeting appropriate standards.

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

During 2013 an increase in production of meat and meat products of approximately 3.5% compared to the previous year was recorded. So far, over 300 agribusiness companies are registered in Montenegro, of which about 20% are for the production and processing of meat and meat products.

Of the total number, four companies are covering over 60 % of the total domestic production, with an effective capacity range from 1,000 to 6,000 tons of meat annually. About 30 smaller companies are involved in slaughtering, production of raw meat with a limited level of processing. The production of these facilities covers only 36% of total meat consumption in the country.

Development of the meat processing industry is one of the main preconditions for development of livestock farming, as the most important branch in Montenegro's agriculture. The sector would benefit from an increase in investments in modern equipment and technologies, in order to achieve higher productivity, sector development and transfer of knowledge in management and marketing.

### ***Fruit, vegetable and arable sectors***

According to the Sector analyses for fruit and vegetable processing this sector is not sufficiently developed.

Sector analyses have identified five most important factors involved in the processing of fruits and vegetables, but their capacity is quite small. As far as the assortment of products is represented they are as follows: jams, pasteurized vegetables and mushrooms, fruit juice, fruit syrup, spirit vinegar, brandy, etc.

According to the companies that are directly involved in the processing, supply of raw materials (domestic fruit and vegetables) is a problem due to the high prices, insufficient and continuity supply of products from primary production, but also poor packaging and low quality of materials for packaging, lack of grading and storing facilities, traceability, food safety, homogeneity and constant supply quality, adequate variety selection, shrinkage, price fluctuation, unreliability of suppliers when it comes to meeting contractual obligations, and limited capital available along the whole supply chain.

### ***Wine sector***

The wine sector in Montenegro is dominated by majority state-owned wine producer Plantaže, with a total annual production of around 14 million liters of wine. On the other hand, 44 wine producers, totally produce about 800,000 litres of wine per year.

In order to increase production and improve quality, support will be targeted for investment in equipment and facilities necessary for the production of high quality wines.

### ***Olive sector***

In Montenegro there are 15 registered oil mills, of which 8 with a continuous line for cold squeezing oil and the rest are traditional mills with stone presses. More than 90% of the produced olives are processed into oil, of which only 11.1% are of the category extra virgin. Canned olives are still not produced in Montenegro.

In order to increase the volume and quality of production, necessary investment is needed in equipment and facilities for the production of olive oil and other products made from olives.

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

At this time, the processing capacity is limited to only two companies engaged in smoking and canning, or smoking and vacuuming fish and which are not using its production capacity to the full extent.

On the other hand, a few small businesses and family holdings that are active in the consumer market of fish and aquaculture products are thinking about investing in cold storage, packing and processing to take advantage of the added value of domestic products of fish and other aquatic

organisms.

### **8.2.3. General objectives**

- This measure will support the development of physical assets; increase the ability of the agri-food sector to cope with competitive pressure and market forces as well as help the sector to progressively align with Union standards.

These measures will also help in addressing the challenge of climate change, by promoting renewable energy.

#### **8.2.3.1. Specific objectives**

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

- Increase the added value and competitiveness of Montenegrin dairies and cheese plants. This goal will be achieved by constructing new and helping a significant number of small and medium sized milk processing establishments to cross the long term viability threshold, as well as implement a strict quality and hygiene control along all the processing lines, introducing new products, improving technology and meeting appropriate standards,
- Improve efficiency and productivity by introduction of new technologies to increase competitiveness and diversity of the products on the market,
- Improvement in packaging, marketing and promotional activities.

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

- Increase investments in modern equipment and technologies, in order to achieve higher productivity, sector development and transfer of knowledge in management and marketing,
- Improve efficiency and productivity by the introduction of new technologies to increase competitiveness and diversity of the products on the market,
- Improve environmental protection in slaughterhouses and meat processing facilities, regarding waste disposal and treatment, including treatment of water,
- Improve product quality control by the introduction of quality management systems and food safety in order to ensure high quality of products and hygiene requirements,
- Improvement in packaging, marketing and promotional activities.

##### ***Fruit, vegetable and arable sectors***

- Improve efficiency and productivity by introduction of new technologies and equipment to increase competitiveness and diversity of the products on the market,
- Improve added value of the products,
- Improvement by introducing quality systems and food safety,
- Improve packaging, marketing and promotional activities,
- Improve existing and introduce new storage capacities.

##### ***Wine sector***

- Improve efficiency and productivity by introduction of new technologies to increase competitiveness of the products on the market,
- Improve processing capacities,
- Improvement of quality standards and food safety,
- Improve packaging, marketing and promotional activities.

### ***Olive sector***

- Improve efficiency and productivity by introduction of new technologies to increase competitiveness of the products in the market,
- Improve processing capacities,
- Improve quality standards and food safety,
- Improve existing and introduce new storage capacities,
- Improve packaging, marketing and promotional activities.

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

- Improve efficiency and productivity by introduction of new technologies to increase competitiveness of the products in the market,
- Improve processing capacities,
- Improve quality standards and food safety,
- Improve existing and introduce new storage capacities,
- Improve packaging, marketing and promotional activities.

Generally, eligible investments will increase the agri-food sector to be more competitive, through new holdings, modernisation of existing holdings, increase production efficiency, to progressively align with EU standards, regarding environmental protection, food safety and quality products, animal welfare and traceability of the food chain and waste management. Also, the investments will adjust to the demand of domestic and foreign markets, technical and technological improvement of the sectors, and address the challenges of climate change, by promoting renewable energy.

#### **8.2.4. Linkage to other IPARD II measures in the programme and to national measures**

This measure is particularly linked with measure (1) 'investments in physical assets of agricultural holdings' that ensures the provision of raw materials. Improvement of primary production encourages improvement of processing and marketing as well. Increase in quantity and quality of primary production results in return, in better processing.

This measure is linked with measure (7) 'farm diversification and business development', through the development of rural tourism.

#### **8.2.5. Recipients**

Recipients are companies (including cooperatives) registered in the Central Register of Business Entities (CRPS) in accordance with the Law on Companies ("Official Gazette of the Republic of Montenegro", No 06/02, No 17/07 and Official Gazette of Montenegro, No 80/08, No 73/10, No 36/11 and No 40/11).

#### **8.2.6. Common eligibility criteria**

##### **8.2.6.1. Types of recipients supported**

Support is intended primarily to micro, small and medium sized companies as defined in the Law on accounting and auditing (Official Gazette of MNE, No 69/05; Official Gazette of MNE, No 80/08 and No 32/11), **Article 3a** (acc. to Commission recommendations 2003/361/EC)<sup>13</sup>.

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<sup>13</sup> (Annex I - Classification of legal entities).

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, but in this case support can only be granted for investments specifically intended to make the entire establishment fully compliant with the relevant EU standards.

Cooperatives registered in the Central Register of Business Entities (CRPS) are eligible for support.

#### **8.2.6.2. Economic viability of the enterprises**

The economic viability of the enterprise shall be demonstrated. The Recipient has to prove the economic viability of the enterprise, in line with the form, which IPARD Agency shall prepare. For investments over EUR 50,000 a complete and detailed business plan is needed, and for investments below EUR 50,000 the simplified form of business plan is required.

#### **8.2.6.3. National standards/EU standards**

Not later than at the end of the project (before a final payment), the entire enterprise must comply with the main relevant national minimum standards (list of national minimum standards set out in Annex III of this programme) in force regarding environmental protection, public health, animal welfare, and occupational safety. The investment supported must comply with the relevant EU standards by the end of the realisation of the investment (before a final payment).

If the national standards based on EU standards are particularly demanding, and only in duly justified cases, the Commission may grant derogation from this rule.

Before its submission to the IPARD Agency, the technical body must analyse each project on: whether (i) the national relevant main standards by the recipient enterprise and (ii) the relevant EU standards applicable to the investment/ will be attained at the end of the project.

#### **8.2.6.4. Other eligibility criteria**

Investments supported must concern the processing and/or marketing of products covered by Annex I to the Treaty, including fishery products, and/or the development of new products, processes and technologies linked to products covered by Annex I to the Treaty, including fishery products.

All supplies purchased under this measure shall originate from an eligible country. However, they may originate from any country when the amount of the supplies to be purchased is below the threshold for the use of the competitive negotiated procedure (currently EUR 100,000). For the purposes of this measure, the term 'origin' is defined in Articles 23 and 24 of the Council Regulation (EEC) No. 2913/92 and other Community legislation governing non-preferential origin. Regulation (EC) No. 236/2014 establishing common rules and common procedures for the implementation of Community instruments for externally financing activities, determines the eligibility of goods, materials and equipment to the origin.

#### **8.2.7. Specific eligibility criteria**

Recipients, which will have before the final payment:

##### *Milk sector*

- Plants for processing of milk with a minimum daily capacity of 500 litres,

#### *Meat sector*

- Slaughterhouses with a minimum capacity of slaughtering per day (8 working hours) as follows: 10 head of cattle or 20 pigs or 30 sheep or 30 goats or 3,000 poultry.
- Processing facilities with a minimum processing capacity of 10 tons per annum.

#### *Fruit, vegetable and arable sectors*

Establishment needs to be registered in the Register of facilities according to the Food safety Law (Official Gazette no 14/07, 40/11).

#### *Wine sector*

- Wineries with a minimum capacity of 2,000 litres of wine.

#### *Olive sector*

- Olive processing facilities with a minimum processing capacity of 500 kg.

#### *Fishery sector*

- Fish processing plants with a minimum processing capacity of 5 tons per annum.

### **8.2.8. Eligible expenditure**

Eligible expenditure shall be limited to:

- The construction/improvement/reconstruction of immovable property (e.g. the acquisition of property is excluded),
- The Purchase of new machinery and equipment, including hardware and software by the market value of the asset. Other costs connected with the leasing contract, such as lessor's margin, interest on refinancing costs, overheads and insurance charges shall not be eligible expenditure.
- General costs linked to investment-related expenditure, such as architects', engineers' and other consultation fees, feasibility studies, shall be eligible up to a ceiling of 12% of the investment costs. Specific lower ceilings on specific items may be established namely for business plans referred to under 8.2.6.2 (according to the type of investment),
- General costs although eligible retroactively (since they may occur before the contract's conclusion) can only be considered eligible if the project to which they relate is selected and contracted by the IPARD Agency,
- The maximum and minimum limits for total investments eligible for support per recipient are defined in Table 31.

#### **8.2.8.1. Eligible investments**

Eligible investments in priority sectors are:

- The construction/expansion/reconstruction of buildings and other ancillary facilities,
  - Procurement of equipment and machinery appropriate for the type of processing,
- Investing in the implementation of a system of food safety and quality management systems,
- Investments in facilities and equipment for quality control,
- Investments in energy saving, environmental protection, equipment and facilities for reprocessing of raw materials, treatment and disposal of waste,
- Investments in capacity expansion needs to be further justified in the business plan, if the existing capacities are not fully utilized,

- Investments in the construction of buildings are acceptable only if the existing facility is impossible to be harmonized with EU standards. The old building has to be put out of operation. The recipient must ensure that it is possible to clearly verify, both before payment and during ex-post checks, that the old building has changed its function.

### 8.2.9. Selection criteria

Table 30: Selection criteria for the measure (3)

| Criteria   | Points     |
|--|------------|
| Investments in upgrading the whole enterprise to EU standards  | 20         |
| Investments in mountainous areas   | 20         |
| Director, the majority owner of the company up to 40 years of age  | 10         |
| Minimum 20% of amount of investments related to waste handling/water treatment/utilization of waste products | 20         |
| Investments made by cooperative  | 10         |
| Minimum 20% of amount of investments into energy saving technology/renewable energy in enterprises           | 20         |
| <b>TOTAL</b>   | <b>100</b> |

### 8.2.10. Aid intensity and EU contribution rate

Aid intensity (public aid) can go up to a maximum of 50% of the total eligible expenditure. For investments relating to the treatment of effluents the maximum aid intensity could be increased by 10% (maximum 60%).

EU co-financing rate is 75% of the public aid.

### 8.2.11. Indicative budget

Table 31: Total value of eligible investments for the measure (3)

| Minimum of total value of investments eligible for support (EUR) | Maximum of total value of investments eligible for support (EUR) |
|--|--|
| 40,000   | 1,500,000  |

- Total number of projects per applicant per public call is limited to one.
- The total number of projects for this programming period, per applicant, for this measure is limited to 3 projects.
- Applicants can apply for new support only after the finalization of the previous project.

### 8.2.12. Indicators and targets

Table 32: Indicators and targets

| Indicator   | Target     |
|---|------------|
| Number of projects supported  | 150        |
| Number of enterprises performing modernisation projects             | 150        |
| Number of enterprises progressively upgrading towards EU standards  | 150        |
| Number of enterprises investing in renewable energy production      | 20         |
| Total investment in physical capital by enterprises supported (EUR) | 47,386,668 |
| Number of jobs created (gross)                                      | 120        |

### 8.2.13. Administrative procedure

The administrative procedure for the implementation of this measure will include the following phases: completeness and eligibility check of the application; allocation of funds; implementation of activity; payments and finally finance and accounting. The administrative procedure will respect the requirements of the IPARD II regulatory framework and will be reflected in the respective manuals and procedures.

### 8.2.14. Geographic scope of the measure

The measure shall be implemented in the whole territory of Montenegro.

### 8.2.15. Budget

Table 33: Financial allocation of funds for the measure (3)

| Year         | Total eligible costs | Public expenditure |     |                   |     |                       |     | Private contribution |     |
|--------------|----------------------|--------------------|-----|-------------------|-----|-----------------------|-----|----------------------|-----|
|              |                      | Total              |     | EU contribution   |     | National contribution |     |                      |     |
|              | EUR                  | EUR                | %   | EUR               | %   | EUR                   | %   | EUR                  | %   |
| 2014         | -                    | -                  | -   | -                 | -   | -                     | -   | -                    | -   |
| 2015         | 8,000,000            | 4,000,000          | 50% | 3,000,000         | 75% | 1,000,000             | 25% | 4,000,000            | 50% |
| 2016         | 7,733,334            | 3,866,667          | 50% | 2,900,000         | 75% | 966,667               | 25% | 3,866,667            | 50% |
| 2017         | 8,320,000            | 4,160,000          | 50% | 3,120,000         | 75% | 1,040,000             | 25% | 4,160,000            | 50% |
| 2018         | 8,400,000            | 4,200,000          | 50% | 3,150,000         | 75% | 1,050,000             | 25% | 4,200,000            | 50% |
| 2019         | 8,533,334            | 4,266,667          | 50% | 3,200,000         | 75% | 1,066,667             | 25% | 4,226,667            | 50% |
| 2020         | 6,400,000            | 3,200,000          | 50% | 2,400,000         | 75% | 800,000               | 25% | 3,200,000            | 50% |
| <b>Total</b> | <b>47,386,668</b>    | <b>23,693,334</b>  | 50% | <b>17,770,000</b> | 75% | <b>5,923,334</b>      | 25% | <b>23,693,334</b>    | 50% |

## 8.3. FARM DIVERSIFICATION AND BUSINESS DEVELOPMENT

### 8.3.1. Legal basis

Article 27 of Sectoral Agreement

### 8.3.2. Rationale

Agriculture is the most important branch of the economy in rural areas. Diversification of agricultural activities and other economic activities can prevent migration of young people from rural areas and the maintaining of existing jobs. The current unemployment in rural areas is higher than in urban ones. Lately, there have been new trends, and as a result of a crisis in Montenegrin industry, young people are becoming interested in starting new activities in rural areas, above all, in agriculture.

Donor activities in the northern region of Montenegro are, for the most part, focused on tourism. Montenegro has got an exceptional potential for the development of “nature based tourism” and adventure tourism. It is a market reputable for these types of tourism and tourists are already discovering rural areas of Montenegro as an extraordinary destination for holidays in nature.

With development of rural tourism, a new market for locally produced and processed products, traditional handicrafts, and souvenirs is open in the rural area. In the last few years new tourist



products have been developed under donor's projects such as development of specific "tour -offers" such as the "Honey trails and Tales" or the "Wine roads". There is need to develop this further including good marketing and packaging of products.

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,
- Declining quality and accessibility of basic services and infrastructure.

These problems result in decreasing attractiveness of rural areas as a place to work and live in and increase the disparities between urban and rural areas.

### ***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 reduction of unemployment, the revival of the villages and a more balanced regional development. It also creates conditions for meeting the needs of the growing number of tourists who find peace and contentment in nature, healthy lifestyle, traditional cuisine, hospitality rural households as well as preserved customs and traditions. Insufficient demand is attributed to incomplete tourist offer and inadequate infrastructure. The main tourist flows are directed towards the coastal towns and the largest part of the turnover achieved in the summer months. The total number of tourists, according to the official statistics MONSTAT for 2014, who visited the mountain region represents 3.7% of the total number of tourists who visited Montenegro, while overnights make up 1.2% of the total number of nights. These data show that the participation of tourism turnover in a mountainous region in the total turnover is still low, although constantly increased.

### **8.3.3. 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 reversing rural depopulation,
- Economic and farm diversification is necessary for growth, employment and sustainable development in rural areas, and thereby contributes to a better territorial balance, both in economic and social terms, increasing directly the farming households' income.

#### **8.3.3.1. Specific objectives**

- This measure shall aim at creation, diversification and development of rural activities, through support for investments in farm diversification and development of non-agricultural activities such as rural tourism.

### **8.3.4. Linkage with other IPARD II Programme measures**

"Diversification" complements the implementation of measure (3) 'investments in physical assets concerning processing and marketing of agricultural and fishery products' and of measure (1) 'investments in physical assets of agricultural holdings'.

### **8.3.5. Recipients**

- Registered agricultural holdings and members of the family holdings in accordance with the Law on Agriculture and Rural Development (Official Gazette of MNE, No 56/09 and 34/14),
- Entrepreneurs and legal entities in rural areas registered in the Central Register of Business Entities (CRPS) in accordance with the Law on Companies ("Official Gazette of the Republic of Montenegro", No 06/02, No 17/07 and Official Gazette of Montenegro, No 80/08, No 73/10, No 36/11 and No 40/11).
- Legal entities established outside of rural areas, can also be eligible if supported investments/activities are located in rural areas.

Rural areas are listed in Annex II - Table of rural areas of IPARD II programme.

### **8.3.6. Common eligibility criteria**

- The projects shall be compliant with the relevant national standards at the latest by the end of investment (see the List of National Minimum Standards in Annex III Programme),
- Recipient must be registered in accordance with the Law on Tourism ("Official Gazette of Montenegro" No. 61/10, 40/11 and 53/11).
- The economic viability of the holding shall be demonstrated. The Recipient has to prove the economic viability of the holding, in line with the form, which IPARD Agency shall prepare. For investments over EUR 50,000 a complete and detailed business plan is needed, and for investments below EUR 50,000 the simplified form of business plan is required.

### **8.3.7. Specific eligible criteria**

- Maximum object capacity is limited to 30 beds/persons at the end of the investment.

### **8.3.8. Eligible expenditure**

Eligible investments under this measure shall be limited to:

- Construction and improvement of immovable property,
- The purchase of new machinery and equipment, including computer hardware up to the market value of the asset, including special equipment and furniture for people with special needs and children,
- Construction and improvement of internal access roads to holdings where there are activities for rural tourism,
- Promotional activities for rural tourism,
- General costs linked to investment-related expenditure such as architects', engineers' and other consultation fees, feasibility studies, shall be eligible up to a ceiling of 12% of the investment costs. Specific lower ceilings on specific items may be established namely for business plans,
- Maintenance, depreciation and rental costs as well as costs incurred by public administration in managing and implementing assistance shall not be eligible for support,
- All supplies purchased under this measure shall originate from an eligible country. However, they may originate from any country when the amount of the supplies to be purchased is below the threshold for the use of the competitive negotiated procedure (currently EUR 100,000). For the purposes of this measure, the term 'origin' is defined in

Articles 23 and 24 of the Council Regulation (EEC) No 2913/92 and other Community legislation governing non-preferential origin,

- Investments in a rented property shall be eligible. Rental period should not be shorter than 7 years from the date of a final payment,
- In case of investment for renewable energy plants, this measure should support only projects with a capacity of production not exceeding the annual self-consumption of the recipient.

### 8.3.9. Eligible activities

Investment in construction and/improvement of immovable property for providing tourism and hospitality services, such as rooms, restaurants and other facilities, including facilities for recreation, tourist camps improvement of facilities in the open (for horseback riding, fishing, biking, themed and horseback riding trails), promotion and marketing costs such as printing promotional materials, and construction and of a web-page.

### 8.3.10. Selection criteria

*Table 34: Selection criteria for the measure (7)*

| Criteria     |   | Points     |
|--------------|---|------------|
| 1.           | Creating new jobs                                       | 20         |
| 2.           | Investments made by young farmers up to 40 years of age | 20         |
| 3.           | Investments made in mountainous areas                   | 20         |
| 4.           | Investments made by a woman applicant                   | 20         |
| 5.           | Investments in renewable energy                         | 20         |
| <b>TOTAL</b> |   | <b>100</b> |

### 8.3.11. Aid intensity and EU contribution rate

The amount of public aid is up to 65% of the total eligible cost.

EU co-financing rate is 75 % of the public aid.

*Table 35: Total value of eligible investments for measure (7)*

| Minimum of total value of eligible investments (EUR) | Maximum of total value of eligible investments (EUR) |
|--|--|
| 10,000   | 300,000  |

- Total number of projects per holding is limited to one.
- The total number of projects for this programming period, per holding, for this measure is limited to 3 projects.
- Applicant can apply for new support only after the finalization of the previous project.

### 8.3.12. Budget

Table 36: Financial allocation of funds for measure (7)

| Year  | Total eligible costs | Public expenditure |     |                 |     |                       |     | Private contribution |     |
|-------|----------------------|--------------------|-----|-----------------|-----|-----------------------|-----|----------------------|-----|
|       |                      | Total              |     | EU contribution |     | National contribution |     |                      |     |
|       | EUR                  | EUR                | %   | EUR             | %   | EUR                   | %   | EUR                  | %   |
| 2014  | -                    | -                  | -   | -               | -   | -                     | -   | -                    | -   |
| 2015  | -                    | -                  | -   | -               | -   | -                     | -   | -                    | -   |
| 2016  | -                    | -                  | -   | -               | -   | -                     | -   | -                    | -   |
| 2017  | 1,230,769            | 800,000            | 65% | 600,000         | 75% | 200,000               | 25% | 430,769              | 35% |
| 2018  | 1,148,718            | 746,667            | 65% | 560,000         | 75% | 186,667               | 25% | 402,051              | 35% |
| 2019  | 1,312,820            | 853,333            | 65% | 640,000         | 75% | 213,333               | 25% | 459,487              | 35% |
| 2020  | 820,000              | 533,333            | 65% | 400,000         | 75% | 133,333               | 25% | 287,179              | 35% |
| Total | 4,512,819            | 2,933,333          | 65% | 2,200,000       | 75% | 733,333               | 25% | 1,579,486            | 35% |

### 8.3.13. Indicators and targets

Table 37: Indicators and targets

| Indicator   | Target    |
|---|-----------|
| Number of projects supported  | 120       |
| Number of agricultural holdings/enterprises developing additional or diversified sources of income in rural areas | 120       |
| Number of beneficiaries investing in renewable energy   | 20        |
| Total investment in physical capital by beneficiaries supported (EUR)   | 4,512,819 |
| Number of jobs created (gross)  | 50        |

### 8.3.14. Administrative procedure

The administrative procedure for the implementation of this measure will include the following phases: completeness and eligibility check of the application; allocation of funds; implementation of activity; payments and finally finance and accounting. The administrative procedure will respect the requirements of the IPARD II regulatory framework and will be reflected in the respective manuals and procedures.

### 8.3.15. Geographic scope of the measure

This measure is eligible for investments in rural areas, as defined in the programme listed in Annex II of the IPARD II programme.

## 8.4. TECHNICAL ASSISTANCE

### 8.4.1. Legal basis

Article 27 of Sectoral Agreement.

#### **8.4.2. Rationale**

Support under this measure is needed to ensure regular and effective monitoring and evaluation of the IPARD II programme, preparation or streamlining of implementation of measures, thus contributing to smooth and effective implementation of the Programme.

The actions under this measure are also needed for implementation and monitoring of activities related to provisions of information, publicity and visibility.

Technical assistance funds shall be used to support the Montenegrin Rural Network (MRN) and to finance its activities in Montenegro as well.

#### **8.4.3. General objectives**

The aim of this measure is to assist in particular in implementation and monitoring of the programme and its possible subsequent modifications.

##### **8.4.3.1. Specific objectives**

The objectives include:

- providing support for monitoring of the programme;
- ensuring an adequate flow of information and publicity;
- supporting studies, visits and seminars;
- providing support for external expertise;
- providing support for the evaluation of the programme;
- providing support for the future implementation of a national rural development network.

#### **8.4.4. Linkage to other IPARD II measures in the programme and national measures**

This measure will provide coverage of technical assistance needs for all the measures of the programme.

#### **8.4.5. Recipients**

The recipient of activities under this measure is the Managing Authority.

#### **8.4.6. 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>14</sup>.

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.

Eligible expenditure shall be reported on in the context of the Annual Report for implementation of the IPARD II programme. The expenditure may be based also on flat rate amounts (such as per diem), in accordance with the terms and rates applied in the country for similar actions where no

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<sup>14</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.

Community co-finance is involved. All expenditure as regards experts and other participants will be limited to those from and going to applicant countries and Member States.

Technical assistance to support the setting up of management and control systems is eligible prior to the initial entrustment of budget implementation tasks, for expenditure incurred after 1<sup>st</sup> of January 2014.

#### **8.4.7. Specific eligibility criteria**

N/A

#### **8.4.8. Eligible expenditure**

1. Expenditures on meetings of the IPARD II monitoring committee;
2. Other expenditure necessary to discharge responsibilities of the IPARD II monitoring committee;
3. Expenditure on information and publicity campaigns, including costs of printing and distribution;
4. Cost of translation and interpretation provided in response to requests by the Commission;
5. Expenditure associated with visits and seminars;
6. Expenditure associated with "acquisition of skills" to prepare potential LAGs for the implementation of the measure "Implementation of local development strategies – Leader approach";
7. Expenditure associated with the preparation, or streamlining of implementation, of measures in the programme to ensure their effectiveness including those measures where application is foreseen at a later stage;
8. Expenditure for evaluations of the programme;
9. Expenditure associated with the establishment and operation of a national network supporting the coordination of activities preparing and implementing local rural development strategies. IPA II beneficiaries and organisations established in the IPA II beneficiaries and administrations of IPA II beneficiaries active in the field of rural development may benefit from the actions of the European Network for Rural Development as foreseen by Article 52(3)(g) of Regulation (EU) No 1305/2013. Relevant detailed provisions shall be agreed with IPA II beneficiaries;
10. A level of salary support which takes into account remuneration levels on the labour market in order to retain staff and build/keep know-how in the operating structure of the IPARD II programme..

#### **8.4.9. Selection criteria**

N/A

#### **8.4.10. 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%.

#### **8.4.11. Indicators and targets**

*Table 38: Indicators and targets*

| <b>Indicator</b>   | <b>Target</b> |
|--|---------------|
| Number of promotion materials for general information of all interested parties (leaflets, brochures etc.) | 83,000        |

|   |     |
|---|-----|
| Number of publicity campaigns   | 375 |
| Number of expert assignments supported                                    | 15  |
| Number of workshops, conferences, seminars                                | 250 |
| Number of meetings of the Monitoring Committee                            | 16  |
| Number of studies on elaboration and implementation of Programme measures | 60  |
| Number of rural networking actions supported                              | 23  |
| Number of potential LAGs supported  | 23  |

#### 8.4.12. Administrative procedure

The administrative procedure for the implementation of this measure will include the following phases: completeness and eligibility check of the application; allocation of funds; public procurement; implementation of activity; payment and finally finance and accounting. The administrative procedure will respect the requirements of the IPARD II regulatory framework and will be reflected in the respective manuals and procedures.

The Managing Authority is a recipient for the Technical Assistance measure, and is not to be considered as an implementing body and hence is not part of the accreditation procedure for the implementation of the measure Technical Assistance. The Implementing body is the IPARD Agency and shall be the subject of accreditation for the implementation of the Technical Assistance measure.

Nevertheless the Managing Authority needs to have internal procedures for the following tasks:

- The MA shall, according to Article 52(10) SA, each year draw up an indicative annual action plan for the implementation of technical assistance, which shall be submitted to the IPARD II monitoring Committee for agreement;
- The MA needs to draft the list of eligible expenditure (LEE);
- The contracts should be granted after following the appropriate external aid public procurement procedures and should in that way respect the main Treaty principle such as: transparency, proportionality, equal treatment, and non-discrimination and should ensure sound financial management (value for money). Prior approval for necessary derogations from the PRAG rules should be requested.

#### 8.4.13. Geographical scope of the measure

N/A

#### 8.4.14. Budget

Table 39: Financial allocation of funds for the measure (9)

| Year         | Total eligible costs | TOTAL            |             | Public Expenditures |            |                       |            |
|--------------|----------------------|------------------|-------------|---------------------|------------|-----------------------|------------|
|              |                      |                  |             | EU contribution     |            | National contribution |            |
|              | EUR                  | EUR              | %           | EUR                 | %          | EUR                   | %          |
| 2014         | -                    | -                | -           | -                   | -          | -                     | -          |
| 2015         | -                    | -                | -           | -                   | -          | -                     | -          |
| 2016         | 235,294              | 235,294          | 100%        | 200,000             | 85%        | 35,294                | 15%        |
| 2017         | 282,353              | 282,353          | 100%        | 240,000             | 85%        | 42,353                | 15%        |
| 2018         | 329,411              | 329,411          | 100%        | 280,000             | 85%        | 49,411                | 15%        |
| 2019         | 376,471              | 376,471          | 100%        | 320,000             | 85%        | 56,471                | 15%        |
| 2020         | 376,471              | 376,471          | 100%        | 320,000             | 85%        | 56,471                | 15%        |
| <b>TOTAL</b> | <b>1,600,000</b>     | <b>1,600,000</b> | <b>100%</b> | <b>1,360,000</b>    | <b>85%</b> | <b>240,000</b>        | <b>15%</b> |

## 8.5. AGRI-ENVIRONMENT-CLIMATE AND ORGANIC FARMING MEASURE

The agriculture in Montenegro is still of extensive character, meaning low application of fertilisers, herbicides and similar chemicals, which lead to soil, water and air pollution. Therefore, when speaking of quality and quantity of these three critical factors, it may be said that there was no need for any specific interventions in terms of agri-environment measures on our territory so far. This viewpoint may be justified by the fact that the share of meadows and pastures is high in total agricultural land, which actually indicates high level of preservation of biodiversity and ecosystem.

Nevertheless, Montenegro has recognized the need to support this type of measures through Agro Budget (Agro-budget measures support the following: preservation of the genetic resources, summer pastures, organic production, etc., which both directly and indirectly influences environment protection and preservation of biodiversity and ecosystem).

Agri-environment measures are mandatory for the government, but not for farmers, who apply them voluntarily. Therefore, it is critical to motivate them and make initial steps in terms of criteria and procedures as simple as possible in comparison to IPARD II requirements, and then gradually increase criteria and requirements.

Agro-environment measures are aimed to contribute to the European Strategy 2020 observing rural development objectives in the context of natural resource management and climate change.

In order to implement the Agri-environment-climate and organic production measure Montenegro will continue to support through national budget these type of activities while preparing for the development and full implementation of the measure from 2018. This also includes the capacity building and implementation of the adequate steps as a precondition for the implementation of this measure.

Agro-environment measures to be further developed are related to support for introduction and maintenance of organic agricultural production methods, usage of pastures and conservation of autochthonous genetic resources. Careful planning will be done since the implementation of these measures and appropriate selection of the measures are precondition for the good implementation.

Table 40: Financial allocation of funds for the measure (4)

| YEAR         | Total eligible costs | TOTAL            |             | Public Expenditures |            |                       |            |
|--------------|----------------------|------------------|-------------|---------------------|------------|-----------------------|------------|
|              |                      |                  |             | EU contribution     |            | National contribution |            |
|              | EUR                  | EUR              | %           | EUR                 | %          | EUR                   | %          |
| 2018         | 823,529              | 823,529          | 100%        | 700,000             | 85%        | 123,529               | 15%        |
| 2019         | 1,600,000            | 1,600,000        | 100%        | 1,360,000           | 85%        | 240,000               | 15%        |
| 2020         | 1,694,118            | 1,694,118        | 100%        | 1,440,000           | 85%        | 254,118               | 15%        |
| <b>TOTAL</b> | <b>4,117,647</b>     | <b>4,117,647</b> | <b>100%</b> | <b>3,500,000</b>    | <b>85%</b> | <b>617,647</b>        | <b>15%</b> |

The measure is provisionally planned to be implemented from 2018.

## 8.6. IMPLEMENTATION OF LOCAL DEVELOPMENT STRATEGIES - LEADER APPROACH

LEADER approach contributes to local acceptance and ownership of local resources, and, based thereon, provides additional value in terms of rural economy, quality of life and living environment, and cultural heritage. In addition to these developmental impacts, LEADER approach contributes to upgrading the local self-governance, and has a considerable potential for building up trust and



social capital. The key to LEADER's effectiveness is in a better adjustment of the projects to users' needs, leading also to positive effects in terms of employment.

LEADER, as an integrated tool for territorial development at the 'local' level, will directly contribute to a more balanced territorial development of rural areas in Montenegro, which is one of the general goals of the rural development policy. Rural areas will be encouraged to search for new ways of becoming or remaining competitive, to use their existing funds in the best way, and to overcome relevant challenges. Therefore, this approach plays an important role in finding innovative responses to both old and new problems in rural areas.

The measure is aimed at using developmental potentials of local communities, to set up local partnership of public, private and non-governmental sectors which will have the capacity to act as Local Action Groups (LAGs) in preparing and implementing local development strategies, thus enabling good management through local partnerships and stimulating employment and human capital development.

A key advantage of this approach is in its ability to deal with specific problems at the local level, allowing local partnerships to design and implement projects tailored for local needs. This is done through a consistent application of the following seven key elements:

1. area-based approach;
2. bottom-up approach;
3. local partnership;
4. multi-sector integrations;
5. innovations;
6. networking; and
7. co-operation.

Recipients of this measure are selected LAGs.

*Table 41: Financial allocation of funds for the measure (5)*

| YEAR         | Total eligible costs | TOTAL          |             | Public Expenditures |            |                       |            |
|--------------|----------------------|----------------|-------------|---------------------|------------|-----------------------|------------|
|              |                      |                |             | EU contribution     |            | National contribution |            |
|              | EUR                  | EUR            | %           | EUR                 | %          | EUR                   | %          |
| 2018         | 233,333              | 233,333        | 100%        | 210,000             | 90%        | 23,333                | 10%        |
| 2019         | 266,667              | 266,667        | 100%        | 240,000             | 90%        | 26,667                | 10%        |
| 2020         | 266,667              | 266,667        | 100%        | 240,000             | 90%        | 26,667                | 10%        |
| <b>TOTAL</b> | <b>766,667</b>       | <b>766,667</b> | <b>100%</b> | <b>690,000</b>      | <b>90%</b> | <b>76,667</b>         | <b>10%</b> |

The measure is planned to be implemented from 2018.

## 8.7. INVESTMENTS IN RURAL PUBLIC INFRASTRUCTURE

The development of local infrastructure is an essential element of any effort to realise the growth potential and promote the sustainability of rural areas.

Rural areas in Montenegro are facing different problems such as: low level of development, unemployment, poor rural infrastructure, the migration problems, low population densities, scattered settlements etc. Current support for the development of the rural infrastructure is provided both from the national and local level, but due to configuration of the terrain and lack of finances, further support is needed.

Development of the rural infrastructure is a precondition for economic growth. Support to the investments in rural public infrastructure will have a positive impact on economic and social status of rural area population and contribute to a better quality of life and scaling down of depopulation, since this provides farmers with an easier access to the market.

The general objective is to support economic, social and territorial development, with a view to a smart, sustainable and inclusive growth through the development of physical capital, and in cooperation with Municipalities as recipients.

Specific objectives will be achieved through:

- providing infrastructure needed for the development of rural areas;
- contributing towards the improvement of living standards for rural population;
- supporting public investments necessary to achieve development and environmental aims;
- increasing the attractiveness of rural areas for local and outside investors.

The eligible investments projects shall refer to energy supply and energy efficiency, water management, waste management, and village renewal, roads and community services.

With a view to reaching a maximum effectiveness of this support, the activities implemented should be in compliance with the strategy for municipal development, where there is one.

Recipients within this measure are municipalities.

*Table 42: Financial allocation of funds for the measure (6)*

| YEAR         | Total eligible costs | TOTAL            |             | Public Expenditures |            |                       |            |
|--------------|----------------------|------------------|-------------|---------------------|------------|-----------------------|------------|
|              |                      |                  |             | EU contribution     |            | National contribution |            |
|              | EUR                  | EUR              | %           | EUR                 | %          | EUR                   | %          |
| 2020         | 2,133,333            | 2,133,333        | 100%        | 1,600,000           | 75%        | 533,333               | 25%        |
| <b>TOTAL</b> | <b>2,133,333</b>     | <b>2,133,333</b> | <b>100%</b> | <b>1,600,000</b>    | <b>75%</b> | <b>533,333</b>        | <b>25%</b> |

The measure is planned to be implemented from 2020.

## 9. NATIONAL RURAL DEVELOPMENT NETWORK

A conference in Niksic "The role of civil society in rural development of the Western Balkans" held on June 6<sup>th</sup> 2012, has been used to formally establish and promote the Network for Rural Development of Montenegro, in cooperation with the Ministry of Agriculture and Rural Development, Ministry of Tourism and Sustainable Development and the Regional Rural Development Standing Working Group - SWG RRD for South East Europe.

The founders are the 12 non-governmental organizations: *Agrogrupa*, *Dani drenjina*, Agricultural Union of Montenegro, *Viola* - association of collectors of medicinal herbs, *Status* - Women's Network for Rural Development, *Da zaživi selo*, *Agrobiznis Centar*, *ZZ Agrosjever*, Regional Agency for Komovi, Prokletije and Bjelasica, Association of olive producers, Centre for knowledge transfer.

The objectives of the National Network for Rural Development are:

- Support municipalities in developing local strategies for rural development;
- Problem solving in the formation of LAGs (not being a geographical area designed for high-quality formation of LAGs in relation to the criteria of the EU in the framework of LEADER). It is necessary to involve all stakeholders in agriculture and rural development in Montenegro;

- Providing support to LAGs in providing the necessary documentation;
- Providing information on the activities and programs implemented by the Ministry of Agriculture and Rural Development;
- Maximum local involvement;
- Increase support for LAGs by the Ministry of Agriculture and Rural Development;
- Design and promote a web portal - *Rural Portal Montenegro*, which will be regularly updated and contain all information necessary for the field of rural development and agriculture in Montenegro and the region;
- The involvement of the agro industry and its influence on rural areas;

In the meantime the Network for Rural Development of Montenegro is working intensively to achieve the stated goals. Network activities are divided into two groups

- The first action within Montenegro (Network organized several roundtables where they addressed the issues of rural development, agriculture, organic farming, etc.). And other regional activities were very intense (under the Agricultural Policy Forum in Pristina, 07<sup>th</sup>. October 2013, a meeting was held with prospective new members (Bosnian, Croatian, Kosovo\* and Albanian networks).
- The rural portal (<http://mne.ruralportal.me>) was prepared and put into operation, officially on May 1<sup>st</sup> 2013. The role of the Rural portal - information of the target group about the opportunities for rural development in Montenegro, the region, the EU and worldwide, transfer of good practice, advice and education. The website is publishing news, interviews and analysis of their own production, and transfer current affairs published in other media in Montenegro and the region of the Western Balkans. Portal will be an on - line informant on all current developments in the field of agriculture, rural development and tourism in Montenegro and the region WBC.

The Montenegro network with 6 participants participated in PREPARE GATHERING work on Jahorina, Bosnia and Herzegovina in September 2013.

## **10. INFORMATION ON COMPLEMENTARITY OF IPARD II WITH THE MEASURES FINANCED BY OTHER (NATIONAL OR INTERNATIONAL) SOURCES**

### **10.1. Demarcation criteria of IPARD with support under other IPA II policy areas**

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 II funds.

Demarcation criteria of IPARD with support under other IPA II policy areas are defined under description of the selected measures of IPARD II.

The main task of efficient financing for the implementation of the IPARD II programme is to achieve value added of IPARD II funding to priority sectors.

Complementarity is needed between the IPA II policies in terms of building the capacity of state institutions, especially the Managing Authority and the IPARD Agency. Using funds from the policies and within the twinning project, the Ministry of Agriculture and rural development builds institutions and improves administrative capacity.

In view of the above, it takes a strong relationship and coordination between the selected measures of IPARD II measures under IPA II policy areas. The Managing Authority, the IPARD Agency and the National Fund, 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 will ensure complete control of double financing of domestic support programs.

In the period of 2007-2013 the agricultural sector in Montenegro was supported through IPA I assistance (components I-IV), with the amount of EUR 11 million. Through these projects, mainly by supporting institutions such as the Ministry of Agriculture and Rural Development, Veterinary Administration, the Phytosanitary Administration, as an end user creates the preconditions to use IPA II for Agriculture and Rural Development policy area (IPARD II).

### **10.2.Complementarity of IPARD with other forms of financing**

From the 2011 measure of the Agrobudget (Investments in agriculture holdings-MIDAS), is being implemented in collaboration with the World Bank. The main objective of this project is the preparation of Montenegrin farmers and administrative capacities for the use of IPARD II funds. One component of the MIDAS project aims to support Montenegrin agriculture by strengthening the competitiveness of Montenegrin farmers and food safety.

Under this component of MIDAS project, the realization of the plan of rural development support primarily:

- a) Providing assistance to agricultural producers and processors;
- b) Capacity building related to environmental protection in agricultural advisory services and raising awareness of the users and the community.

Grants play a dominant role in the financing of this component.

Since the funds foreseen for the year 2012 have not been used, resources has been transfered into the IPA Component I. This funding are available to agricultural producers through the IPARD like project, which is implemented through cooperation between the World Bank and the EU.

According to the Law on Agriculture and Rural Development (Official Gazette of MNE, No 56/09 and 34/14), Agrobudget will be implemented each year. It is expected that by 2016 - the accreditation for IPARD will be achieved. Thereafter measures under the rural development policy area of Agrobudget will be clearly separated from the measures of the IPARD II programme. Part of the Agrobudget will be used for co-financing of the IPARD II measures, and other part for national support measures.

The IPARD II programme responds to the priorities of the European Union Strategy for the Adriatic and Ionian Region (EUSAIR), which was adopted in 2014.

The EUSAIR will mobilise and align existing EU and national funding instruments (including IPA) for each of the topics identified under the four pillars.

The IPARD II programme of Montenegro will contribute to the objectives of the Strategy and in particular through support to nature and rural tourism in rural areas.

### **10.3. Complementarity of IPARD II with national payment schemes**

The National budget supports all projects whose criteria are below the minimum criteria specified accredited by IPARD II measures. Measures of the national budget are also designed to enable farmers, who are under the criteria prescribed by the IPARD II programme, reach the level where they are able to apply for pre-accession funds.

Table 43: Complementarity IPARD II with national payment schemes

| Table 45: Complementarity IPARD II with national payment schemes  |                                |                   |       |                     |
|---|--------------------------------|-------------------|-------|---------------------|
| MEASURE/YEAR  | 2015                           | 2016              | 2017  | 2018 - 2020         |
| Support for investments in physical assets in agricultural holdings <sup>15</sup> :<br><br>Milk, meat, eggs, fruits and vegetables (including Horticulture, medicine herbs, aromatic herbs, exotic herbs, industrial herbs and fodder), viticulture, olive growing, beekeeping and fishery and aquaculture. | AGROBUDGET/ IPA I (IPARD LIKE) | AGROBUDGET/IPARD  |       |                     |
| Support the establishment of producer groups  | AGROBUDGET                     |                   |       |                     |
| The support for investment in physical assets in processing and marketing of agricultural and fishery products <sup>16</sup>  | AGROBUDGET IPA I (IPARD LIKE)  | AGROBUDGET /IPARD |       |                     |
| Support cooperation   | AGROBUDGET                     |                   |       |                     |
| Support schemes Quality   | AGROBUDGET                     |                   |       |                     |
| Support for risk management in agriculture  | AGROBUDGET                     |                   |       |                     |
| Support for the conservation and sustainable use of genetic resources   | AGROBUDGET                     |                   |       |                     |
| Support sustainable use of mountain pastures  | AGROBUDGET                     |                   |       | IPARD <sup>17</sup> |
| Support the development of organic production   | AGROBUDGET                     |                   |       | IPARD               |
| Support the transfer of knowledge and information activities  | AGROBUDGET                     |                   |       |                     |
| Support advisory services   | AGROBUDGET                     |                   |       |                     |
| Investments in the development of rural infrastructure  | AGROBUDGET /IPARD              |                   |       |                     |
| Diversification and business development in agricultural holdings   | AGROBUDGET                     |                   | IPARD |                     |
| Support for areas with natural constraint   | AGROBUDGET                     |                   |       |                     |
| LEADER approach   |                                |                   | IPARD |                     |

## 11. DESCRIPTION OF THE OPERATING STRUCTURE FOR IMPLEMENTATION OF THE PROGRAMME (MANAGING AUTHORITY AND IPARD AGENCY), INCLUDING MONITORING AND EVALUATION

### 11.1. Description of the operating structure (Managing Authority and IPARD Agency) and their main functions

Framework Agreement between the Government of Montenegro and the EC gives the rules for cooperation concerning EC financial assistance to Montenegro in the framework of the implementation of the assistance under the IPA. (Official Gazette, International Agreements, No

<sup>15</sup> This measure will be supported under the National budget with clear distinction of recipients (the level and type of the investments)

<sup>16</sup> The recipients from the National budget will be solely farmers that are not eligible under IPARD.

<sup>17</sup> It is planned to be a part of the Agri-environment measure

xx/xx) signed on xx xx. In Montenegro the Operating Structure designated for IPARD II in accordance with Article 10 and 55 IPA Implementing Regulation (EC) No 447/2014 is a collection of bodies consisting of: Managing Authority – the Directorate for Rural Development and IPARD Agency – Directorate for IPARD Payments, both within MARD, subjected directly to the Minister of Agriculture and Rural Development.

#### **11.1.1. Managing Authority functions and responsibilities**

The Managing Authority fulfils the functions and responsibilities as mentioned in Article 10 FWA and Article 8 SA as following:

- (1) The Managing Authority shall be responsible for preparing and implementing the IPARD II programme in accordance with Annex 1 of the Sectoral Agreement.
- (2) The Managing Authority shall carry out its functions with a view to the effective implementation of the IPARD II programme. In accordance with Article 10(1)(c) of the FWA, it shall also be responsible for:
  - (a) drafting the IPARD II programme and any amendments to it, including those requested by the Commission;
  - (b) the controllability and verifiability of the measures, to be defined in the IPARD II programme in cooperation with the IPARD Agency;
  - (c) the selection of measures under each call for applications under the IPARD II programme and their timing, the eligibility conditions and the financial allocation per measure, per call. The decisions shall be made in agreement with the IPARD Agency;
  - (d) ensuring that the appropriate national legal basis for IPARD II implementation is in place and updated as necessary;
  - (e) assisting the work of the IPARD II monitoring committee as referred to in Article 52 of this Agreement, notably by providing the documents necessary for monitoring the quality of implementation of the IPARD II programme.
- (3) The Managing Authority shall in accordance with Clause 4(3)(a)(i) of Annex A to the FWA, set up a reporting and information system to gather financial and statistical information on progress of the IPARD II programme, also on the basis of information to be provided by the IPARD Agency, and shall forward this data to the IPARD II monitoring committee, in accordance with arrangements agreed between Montenegro and the Commission, using where possible computerised systems permitting the exchange of data with the Commission and linked to the reporting and information system to be set up by the NAO in accordance with Clause 2(4)(f) of Annex A to the FWA. The reporting and information system should contribute to the annual and final implementation reports referred to in Article 59 of Sectoral Agreement.
- (4) The Managing Authority shall propose amendments of the IPARD II programme to the Commission, with a copy to the National IPA Co-ordinator (hereinafter referred to as "NIPAC"), after consultation with the IPARD Agency, and following agreement by the IPARD II monitoring committee. The Managing Authority shall be responsible for ensuring that the relevant authorities are informed of the need to make appropriate administrative changes when such changes are required following a decision by the Commission to amend the IPARD II programme.
- (5) Each year the Managing Authority shall draw up an action plan for the intended operations under the Technical Assistance measure, which shall be submitted to the IPARD II monitoring committee for agreement.
- (6) As referred to in Clause 4(3)(a)(iv) of Annex A of the FWA, the Managing Authority shall draw up an evaluation plan in accordance with Article 56 of Sectoral. It shall be submitted to the IPARD II monitoring committee as referred to in Article 52 of Sectoral Agreement not later than one year after the adoption of the IPARD II programme by the Commission. It shall report to the IPARD II monitoring committee and to the Commission on the progress made in implementing this plan.
- (7) The Managing Authority shall draw up a coherent plan of visibility and communication

activities in accordance with Article 24 of the FWA and shall consult and inform the Commission, having taken advice from the IPARD II 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 Union in the IPARD II programme and its results.

(8) When a part of its tasks are delegated to another body, the Managing Authority shall retain full responsibility for the management and implementation of those tasks in accordance with the principle of sound financial management.

#### **11.1.2. IPARD Agency - Functions and Responsibilities**

The IPARD Agency fulfils the functions and responsibilities as mentioned in Article 10 FWA and Article 9 SA as following:

(1) The IPARD Agency shall be allocated the functions and responsibilities in accordance with Annex 1 of the Sectoral Agreement. In accordance with Article 10(1) of the FWA, it shall also be responsible for:

- (a) providing a confirmation to the Managing Authority on the controllability and verifiability of the measures in the IPARD II programme;
- (b) making calls for applications and publicising terms and conditions for eligibility with prior agreement with the Managing Authority on the issues raised in Article 8 (2) (c) of this Agreement;
- (c) selecting the projects to be implemented;
- (d) laying down contractual obligations in writing between the IPARD Agency and the recipients including information on possible sanctions in the event of non-compliance with those obligations and, where necessary, the issue of approval to commence work. The IPARD Agency may continue to contract or enter into commitments under this Agreement for a specific measure up to the date when Montenegro starts to contract or to enter into commitments for this measure under any successor to the IPARD II programme;
- (e) follow-up action to ensure progress of projects being implemented;
- (f) reporting of progress of measures being implemented against indicators;
- (g) ensuring that the recipient is made aware of the Union's contribution to the project;
- (h) ensuring regularity of reporting at national level;
- (i) ensuring that the NAO, the management structure and the Managing Authority receive all information necessary for them to perform their tasks;
- (j) ensuring compliance with the obligations concerning publicity referred to in Article 23 of the FWA.

(2) In respect of investments in infrastructure projects of a type that would normally be expected to generate substantial net revenue, the IPARD Agency shall assess, prior to entering into contractual arrangements with a potential recipient, whether the project is of this type. Where it can be concluded that it is, the IPARD Agency shall ensure that the public aid from all sources does not exceed 50% of total costs related to the project and considered as eligible for Union co-financing.

(3) The IPARD Agency shall ensure that for any project under the IPARD II programme the accumulation of public aid granted from all sources does not exceed the maximum ceilings for public expenditure set out in Article 32 of SA.

#### **11.2. Description of monitoring and evaluation system, including the envisaged composition of the IPARD II monitoring committee**

IPARD II programme monitoring and evaluation 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 II programme. The monitoring and evaluation system has the objective of

providing to the institutions and partners, engaged in the IPARD II programme management; reliable information about programme outputs, results and impacts so as to enable them to take pertinent management decisions.

### **11.2.1 IPARD II programme monitoring system**

In accordance with Annex 1 of the SA, the objective of programme monitoring is to monitor the effectiveness and the quality of the implementation of the IPARD II programme. It shall be carried out by reference to relevant physical, environmental and financial indicators. It shall also ensure that operations are selected for funding in accordance with the criteria and mechanism applicable to the programme, and comply with the relevant Union and national rules.

The Managing Authority and the IPARD II monitoring committee shall monitor the effectiveness, efficiency and the quality of the implementation of the IPARD II Programme and report to the IPA II monitoring committee and to the Commission on progress of the programme measures in accordance with Article 53, 54 of the FWA and Article 51, 52, 53 of the SA. The monitoring is a core management responsibility, which involves systematic and regular collection, analysis, communication and use of information for the purposes of management and decision making, concerning the direction of the Programme as a tool to control the overall effectiveness, quality and coherence of the implementation of the Programme and operations towards meeting its objectives.

The IPARD Agency shall collect, validate and provide the data required by the MA for the execution of its monitoring role in a format, prepared by the MA. In addition to the monitoring data as set in the monitoring tables, the IPARD Agency shall provide additional data in the format and timeframe requested by the Managing Authority.

Recipients under the IPARD II programme have to provide monitoring data when completing their application form. For that purpose specific monitoring forms shall be prepared for each measure as part of the application form. The monitoring data, provided by the applicant, shall be keyed in an electronic format and up-dated by the IPARD Agency at the stages of contracting and payment. The data collected by the IPARD Agency shall be transferred in an agreed compatible format to the Monitoring System (Excel spread sheets) at the MA where the data shall be aggregated and monitoring indicator tables will be produced. The detailed obligations and responsibilities of the MA and IPARD Agency in respect to the monitoring, evaluation and reporting will be laid down in the Memorandum of Understanding between the IPARD Agency and MA.

### **11.2.2 The evaluation of the IPARD II programme**

The evaluation of the IPARD II programme will be done in accordance with Article 55 of the FWA and Article 54, 55, 56, 57 and 58 of the SA.

In accordance with Annex 1 of the SA, the objective of programme evaluation is to improve the quality, effectiveness and consistency of assistance from Union funds and the strategy and implementation of the IPARD II programme. The evaluations shall examine the degree of utilisation of resources, the effectiveness and efficiency of the programming and its socio-economic impact on the defined objectives and priorities, and shall, as a general rule, be accompanied by achievement related criteria and indicators.

The IPARD II programme shall be subject to ex-ante and ex-post and, where considered as appropriate by the Commission, interim evaluations carried out by independent evaluators under the responsibility of Montenegro for organizing the evaluations. The evaluation activities will be financed under the technical assistance measure. The MA will be responsible for the proper



reporting of the evaluation findings and recommendations submitted to the relevant national authorities and the Commission.

The Managing Authority will be responsible for drawing up an evaluation plan for the period 2014-2020. The evaluation plan will be submitted to the IPARD II monitoring committee not later than one year after the adoption of the IPARD II programme by the Commission. The MA will regularly report to the IPARD II monitoring committee and to the Commission on the progress made in implementing this plan.

### **11.2.3. Reporting**

In accordance with Annex 1 of the SA the objective of programme reporting is to ensure that implementation of the Programme and progress of the individual operations and measures are reported in a way, which helps to ensure the effective and efficient implementation of the measure, using adequate information and communication systems. It will be done in accordance with Article 59 of the SA.

### **11.2.4. The responsibilities and composition of the IPARD II monitoring committee**

The IPARD II monitoring committee will be established not later than 6 months after the entry into force of the first financing agreement. Its functions and responsibilities are in accordance with Article 53 of the FWA and Article 52 of the SA. A senior representative of Montenegro will chair the IPARD II monitoring committee. It will consist of representatives of relevant national authorities and bodies, other stakeholders such as economic, social and environmental partners and, where relevant, international organisations, including international financial institutions and civil society. The Commission shall participate in the work of the committee.

The Commission, the operating structure, the NAO and the NIPAC will participate in the work of the IPARD II monitoring committee without voting rights. The IPARD II monitoring committee shall consider and approve the annual and final implementation reports before they are sent to the NIPAC for submission to the Commission, with copies to the NAO and the Audit Authority.

The IPARD II monitoring committee shall adopt its rules of procedure. The IPARD II monitoring committee shall meet at least twice a year. Ad hoc meetings may also be convened.

The MA will act as Secretariat to the IPARD II monitoring committee and assist its work by providing information and analysis and providing follow-up on its decisions.

## **12. BRIEF DESCRIPTION OF THE STRUCTURE OF MANAGEMENT AND CONTROL IPARD II PROGRAMME**

In accordance with the requirements of Article 10 of the FWA and Article 6 of the SA, the following bodies are responsible for IPA assistance in Montenegro:

*Table 44: 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   | National IPA   | Aleksandar                                | Stanka  | +382 20   | aleksandar.pejovic@mfa.gov.me |

|                                       |                                    |                    |   |                   |  |
|---------------------------------------|------------------------------------|--------------------|---|-------------------|--|
| function                              | Coordinator (NIPAC)                | Andrija Pejović    | Dragojevića 2, Podgorica, Podgorica       | 225 - 568         |  |
| Certification function                | National Authorizing Officer (NAO) | Miodrag Radonjić   | Stanka Dragojevića br. 2, 81000 Podgorica | +382 20 202 - 145 | miodrag.radonjic@mif.gov.me            |
| Financial function                    | National Fund (NF)                 | Dunja Nelević      | Stanka Dragojevića br. 2, 81000 Podgorica | +382 20 202 - 145 | dunja.nelevic@mif.gov.me               |
| The control function                  | Audit Authority                    | Mila Barjaktarović | Trg Republike 31, 81 000 Podgorica,       | +382 20 513 - 149 | mila.barjaktarovic@revizorskotijelo.me |
| Control functions                     | Managing Authority                 | Darko Konjević     | Rimski trg 46, 81 000 Podgorica           | +382 20 482 336   | darko.konjevic@mpr.gov.me              |
| Implementation and executive function | IPARD Agency                       | Blagota Radulović  | Rimski trg 46, 81 000 Podgorica           | +382 20 482 175   | blagota.radulovic@mpr.gov.me           |

### 12.1.National IPA Coordinator (NIPAC)

NIPACs responsibilities are in accordance with Articles 6, 16, 59 and 75 of the FWA, for the overall coherence and coordination of programs supported under IPA II where budget implementation tasks are entrusted to the IPA II 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 II assistance.
- (b) In accordance with Article 57 of the FWA, 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 FWA.

The decision of the Government of Montenegro, no. 03-5835 of 22 September 2011, was that the State Secretary for European Integration of the Ministry of Foreign Affairs and European Integration has been appointed as the National IPA Coordinator (NIPAC) for Montenegro.

### 12.2.National Authorising Officer (NAO)

Functions and responsibilities of the national authorising officer are in accordance with Article 10 and Article 11 of the FWA and Article 7 of the SA.

The NAO shall bear the overall responsibility for the financial management of IPA II 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 II accounts and financial operations;
- (b) the effective functioning of the internal control systems for the implementation of IPA II 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 and MA) shall reflect the institutional, procedural, reporting and communication arrangements and will be signed in due time.

### **12.3.Management Structure (National Fund (NF) - NAO support office)**

The management structure shall be composed of a National Fund and a support office for the NAO. The functions and responsibilities of the NF are given in the Rules of the Internal Organisation and Systematization of the Ministry of Finance in June 2013.

The NF 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 NF 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 FWA.

### **12.4.Audit Authority (AA)**

Activities and responsibilities of the Audit Authority (AA) are in accordance with Article 11 of the FWA.

The IPA II 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 (as a temporary solution) 13 January 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).

## **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**

In line with the Specific provisions on rural development programmes, laid down in Article 55 of the Commission Implementing Regulation (EU) No 447/2014, the IPARD II programme has been prepared in consultation with the appropriate interested stakeholders applying partnership principle.

The preparation of the Sector Analysis for meat, milk, fruit and vegetable, olive and wine, took place in parallel with programme development and measure preparation process. The measure design of the IPARD II 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. In the frame of the work on the Sector Analysis and the Programme preparation several workshops have been organized to discuss the results, conclusions and recommendations with relevant public authorities, bodies and partners concerned with these Sector Analysis. The Managing Authority in its position as being responsible for the IPARD II programme preparation, used the opportunity to gather the views of the representatives of the sectors on actual needs as well as their comments on proposed activities under particular measures.

A consultation process has accompanied the IPARD II programme preparation with all relevant parties, which took different forms, depending on the stage of programming. In the beginning of the programming, the Managing Authority established mechanisms for efficient intra-ministerial coordination and consultation as well as provisions taken to associate the relevant other public authorities, bodies and socio economic and environmental partners. On March 10<sup>th</sup> the working groups were established to develop the IPARD II programme. Members of the working group were representatives of the following institutions: Ministry of Agriculture and Rural Development, Ministry of Tourism and Sustainable Development, Agency for Environmental Protection, Ministry of Transport and Maritime Affairs, Association of Municipalities, National Parks, National Tourism Organization, Network for Rural Development of Montenegro, the National Association of Beekeepers, an Association of olive producers Bar, the National Association of Winegrowers, Biotechnical Faculty, Extension Service in plant Production, service for Livestock Breeding, Veterinary Directorate and Phytosanitary Directorate.

During the measures drafting process, a series of working meetings were held from March 2014, for consultation on the IPARD II programme and the development of selected measures. After the official approval of the IPARD II programme, institutions and partners from working meetings will form the basis for the sub-working group of the IPARD II monitoring committee.

Strategy for Development of Agriculture and Rural Areas 2015-2020, which lay down the long-term perspective of the development of agriculture and Rural Development of Montenegro according to the Law of Agriculture and Rural Development, was already prepared by applying the partnership approach. A consultation process with relevant stakeholders like relevant sector associations, NGOs, public authorities at the national and local level, took place in the frame of the Strategy development. The Ministry of Agriculture and Rural Development conducted the process of preparing and drafting the Strategy. In the period from 20 October to 20 November 2014, a public hearing was conducted, where all stakeholders were involved (citizens, professional and scientific institutions, the Capital City, Royal Capital and municipalities, political parties, trade unions, NGOs, the media and other interested bodies and institutions, organizations, associations and individuals (interested public) who have had an opportunity to send their suggestions and comments submitted to the Minister of Agriculture and Rural Development. During the public hearings, presentations of the Strategy were organized in Bijelo Polje (11/07/2014), Bar (11/14/2014) and Podgorica (11/18/2014), while at the same time the website of MARD set up a strategy draft, so the general public had access to the text and could provide their comments and suggestions.

During the preparation of the IPARD II programme meetings, workshops, presentations and round table discussions were held with agricultural producers, producer groups and representatives of the agricultural associations, which were presented to the Programme, with emphasis on measures that are defined through the Programme. Representatives of the agricultural sector in this way expressed their views and comments on the measures of the IPARD II programme and were directly involved in defining priority needs and further steps to enhance the development of rural areas of Montenegro. Frequently asked questions and comments were sent to the account of the complicated

procedures and the necessary documentation to apply for support the public calls, greater engagement on the issue of building up of the processing capacity in the sector of fruit and vegetables, as well as interest and the mutual association of farmers and functioning of producer organizations by the standards of the EU.

Representatives of the Directorate for Rural Development presented the draft measures of the IPARD II programme to agricultural producers in February 2015. Presentations were held in Bijelo Polje (02/11/2015), Niksic (02/13/2015), Herceg Novi (02/14/2015) and Podgorica (02/16/2015). In this way all regions of Montenegro were covered, and the farmers had the opportunity to provide their comments and suggestions on the proposed measures.

### **13.2.Designation of the partners consulted – summary**

The detailed table of the partners consulted is in Annex V.

### **13.3.Results of consultations – summary**

The detailed table with results of consultations is in Annex VI.

## **14. THE RESULTS AND RECOMMENDATIONS OF THE EX-ANTE EVALUATION OF THE PROGRAMME**

### **14.1.Description of the process**

The ex-ante Evaluation of the Programme for development of Agriculture and Rural Areas of Montenegro under IPARD II 2014-2020 has been carried out in the period February - April 2015 by the Agrotec spa - consulting company.

The ex-ante evaluation is prepared to the draft guidelines for ex-ante evaluations of Instrument for Pre-accession Assistance Component for Rural Development II (IPARD II) programmes, prepared by the Directorate General for Agriculture and Rural Development (DG Agri), February 2014, and to the ex-ante guidelines for rural development programmes (RDPs) under the Common Agricultural Policy (CAP) prepared by DG Agri in 2013. The draft IPARD II guidelines also determine the objectives of the ex-ante evaluation and the indicative outline of the report.

The evaluation process has seven phases:

1. Desk research
2. Data collection mission to Montenegro (23 to 27 February)
3. Analyses and drat reporting of main recommendations
4. Mission to MNE to discuss main recommendations with DG Agri (23 – 25 March)
5. Final reporting
6. Mission - Presentation of conclusions and recommendations and discussion of the implementation of recommendations with the Ministry of Agriculture and Rural Development (13 – 17 April)
7. Finalization of the ex-ante evaluation report

The main sources used for evaluation process were: IPARD II programme 2014-2020, Final draft (MARD, 15 February 2014); Sector analyses of the Meat, Milk, Fruit and Vegetables (F&V), Viticulture and Wine, Olives (all studies updated by MARD during 2014); Strategy for Agricultural and Rural Development, draft (MARD, 2014); EU regulations related to IPA and Rural Development; Sectoral agreement, draft; Draft guidelines for Ex-ante Evaluation, DG Agri, February 2014; MONSTAT data; Eurostat data; Interviews with stakeholders from agriculture,

horticulture and from the food industry and staff of the EU Delegation (EUD), MIDAS-project, MARD, National Veterinary Services, National plant phytosanitary Services, Extension services, MA and PA; Interview with the Ministry of Sustainable Development and Tourism and Environmental Protection Agency.

The overall objective of the ex-ante evaluation is to optimize the allocation of budgetary resources under the IPARD II programme and improve programming quality as well as contributing to capacity building for future monitoring and evaluation activities.

## **14.2. Overview of the recommendations**

Title of the recommendation: Data

Date: 20/03/2015

Topic: Data and documentation

Description of the recommendation: Strengthen the justification of intervention with the help of better data documentation. Use the up-dated sector analyses to enhance the documentation.

Title of the recommendation: Needs assessment

Date: 20/03/2015

Topic: Economic significance of agricultural sector

Description of the recommendation: How is the economic contribution of agriculture to GDP calculated when only a small share of the family holdings produce to the market and mainly produce for self subsistence? Is the contribution to GDP only the market-oriented share or also an estimate of the subsistence share? Please clarify.

Title of the recommendation: Needs assessment

Date: 20/03/2015

Topic: Analyses of agricultural sub-sectors and food processing

Description of the recommendation: No comprehensive economic analysis of the situation in agriculture and in food processing in particular is presented in the draft programme. No data on economic importance of food processing is provided. No data on trade, even though that solid export and import data are available in value and volume. MONSTAT data weaknesses are recognized by the evaluation team (ET), but the sector analyses include data, which can be used and which can contribute to a stronger analysis in the draft programme. See the wine sub-sector example provided in the main text of the evaluation report, and also presented briefly for MA staff on the ET mission in February.

Title of the recommendation: Needs assessment

Date: 20/03/2015

Topic: Environment and land management

Description of the recommendation: Improve, correct and clarify text and, if available, provide more detailed and precise data (e.g. nutrients in waters, per ha usage of plant protection products and mineral and organic fertilizers, grazing pressure, eventual abandonment, agriculture in nature protected areas, high-nature-value (HNV) grasslands, collection of medicinal and aromatic plants and wild fruits, population trends of domestic breeds, status of the implementation of the Nitrates and Water Framework Directives and Natura 2000)

Title of the recommendation: Construction of the Intervention logic

Date: 20/03/2015

Topic: Intervention logic

Description of the recommendation: Consider introducing all (or some of) the relevant measures in the draft programme now. Physical Assets in Agri Holdings, Physical Assets in Processing and

Diversification are ready to be implemented as soon as the programme is opened, while the rest can be included in the programme and described as so-called dormant (or sleeping) measures to be opened at a later stage, when institutional capacity is developed and the implementing procedures are ready for them. These measures can be Extension service, Producer groups, Agro-Environment, LEADER, Rural infrastructure.

Title of the recommendation: Establishment of targets and distribution of financial allocations

Date: 20/03/2015

Topic: Financial plan

Description of the recommendation: Describe the rationale behind the prioritization and distribution of funds among measures and ensure that justifications are transparent. The text includes no explanation of how the balance is achieved in the financial plan or how the distribution of funds relates to needs and targets. A multi-criteria model for analysing objective criteria for the distribution of funds on sectors and measures may be relevant, and is very briefly demonstrated in the main ex-ante evaluation report. The principles are also previously presented to MA staff.

Title of the recommendation: Programme implementation, monitoring, evaluation and financial arrangements

Date: 20/03/2015

Topic: National Minimum Standards

Description of the recommendation: Compare all relevant national legislation with the EU standards in order to map the gaps between NMS and EU standards. Check which existing NMS are already in compliance with EU standards. If deemed necessary, prepare request to EC for derogation from the relevant EU regulation.

Title of the recommendation: Programme implementation, monitoring, evaluation and financial arrangements

Date: 20/03/2015

Topic: Managing Authority (MA)

Description of the recommendation: The role of the MA is important to both programming and programme implementation, including M&E. There is an urgent need to strengthen the MA at MARD and the capacity of staff (in terms of both numbers and competences).

Title of the recommendation: Programme implementation, monitoring, evaluation and financial arrangements

Date: 20/03/2015

Topic: Paying Agency (PA)

Description of the recommendation: Prepare a Workload Analysis for PA in the light of the experiences from MIDAS and IPARD Like.

Title of the recommendation: Programme implementation, monitoring, evaluation and financial arrangements

Date: 20/03/2015

Topic: Paying Agency (PA)

Description of the recommendation: Reconsider to what extent IT systems are needed for PA and MA in order to ensure a) an appropriate management of projects and of resources, b) appropriate M&E and c) in order for MARD to get accreditation.

Title of the recommendation: Programme implementation, monitoring, evaluation and financial arrangements

Date: 20/03/2015

Topic: Environmental measures

Description of the recommendation: Consider establishing a common technical working group to:  
a) Coordinate and enhance the enforcement of existing regulations through controls, inspections etc., and b) Prepare for the development and implementation of agri-environment-climate measures to be implemented under IPARD II in a later stage

Title of the recommendation: Programme implementation, monitoring, evaluation and financial arrangements

Date: 20/03/2015

Topic: GAEP

Description of the recommendation: Cross-check existing Codes of Good Agricultural and Environmental Practice and ensure that these meet the needs and reality of farming situation in Montenegro (e.g. requirements related to manure storage).

*Table 45: Overview of the recommendation*

| Date  | Topic  | Recommendation   | How recommendation has been addressed, or justification as to why not taken into account                    |
|---|--|--|---|
| <i>SWOT analysis and needs assessment</i>     |  |  |   |
| 18/03/2015                                    | Data   | Strengthen the justification of intervention with the help of better data documentation. Use the up-dated sector analyses to enhance the documentation.  | Recommendation has been followed up and modifications in the final version of the Programme are introduced. |
| 18/03/2015                                    | Economic significance of agricultural sector             | How the economic contribution of agriculture to GDP is calculated, when only small shares of the family holdings produces to the market and mainly produce for self-subsistence? Is the contribution to GDP only the market-oriented share OR also an estimate of the subsistence share? Please clarify.   | Recommendation has been followed up. Text has been clarified.   |
| 18/03/2015                                    | Analysis of agricultural sub-sectors                     | Documentation of challenges and needs in the sub-sectors is weak and production data from sector analyses could be used better. Data are missing and some are wrong. The analysis is not providing a clear and coherent picture of the sub-sectors. See draft programme with TC for detailed comments.   | Recommendation has been followed up. Text has been changed.   |
| 18/03/2015                                    | Analysis of agricultural sub-sectors and food processing | No real economic analysis of the situation in agriculture and in food processing in particular. No data on economic importance of food processing is provided. No data on trade, even though that solid export and import data are available in value and volume. MONSTAT data weaknesses are recognized, but the sector analyses include data, which can be used. | Available official data have been used.   |
| 18/03/2015                                    | Environment and land management                          | Improve, correct and clarify text and, if available, provide more detailed and precise data.   | Recommendation has been followed up. Text has been changed.   |
| <i>Construction of the intervention logic</i> |  |  |   |
| 18/03/2015                                    | Intervention logic                                       | Consider introducing all relevant measures in the draft programme now,   | Recommendation has been followed up. Dormant measures   |



| Date   | Topic                      | Recommendation   | How recommendation has been addressed, or justification as to why not taken into account |
|--|----------------------------|--|--|
|  |                            | some of them ready to be launched now, some of them dormant measures to be opened at a later stage, when institutional capacity is developed (Extension service, Producer groups, Agro-Environment, LEADER, Rural infrastructure).   | introduced.  |
| <i>Establishment of targets and distribution of financial allocations</i>          |                            |  |  |
| 18/03/2015   | Financial plan             | Describe the rationale behind the distribution of funds among measures and ensure that justifications are transparent.   | Recommendation has been followed up.   |
| <i>Programme implementation, monitoring, evaluation and financial arrangements</i> |                            |  |  |
| 18/03/2015   | National Minimum Standards | Compare all relevant national legislation with the EU standards in order to map the gaps between NMS and EU standards. Check which existing NMS are already in compliance with EU standards. If deemed necessary prepare request to EC for a derogation from the relevant EU regulation. | Recommendation has been followed up.   |
| 18/03/2015   | MA                         | Strengthen the MA at MARD and the capacity of staff (in terms of both number and competence).  | This recommendation will be taken into account.  |
| 18/03/2015   | PA                         | Prepare a Workload Analysis for PA in the light of the experiences from MIDAS and IPARD Like.  | Recommendation has been followed up.   |

## 15. PUBLICITY, VISIBILITY AND TRANSPARENCY IN ACCORDANCE WITH IPA LEGISLATION

Information on the IPARD II 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 FWA 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 2014-2020. The Managing Authority shall draw up a coherent plan of visibility and communication activities consult and inform the Commission, having taken advice from the IPARD II 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 II programme and its results. Activities from the Plan of visibility and communication activities will be financed under the Technical assistance measure.

The Managing Authority 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 II 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 shall be responsible for the publication of the list of the operations and recipients of IPA II assistance in accordance with the conditions established by Article 29 of the SA.

The IPARD Agency is also responsible for undertaking publicity actions in particular preparing to inform the recipients of IPARD II assistance of the EU contribution, publishing announcements for Calls under this Programme prepare and publicise Guidelines for recipients. In addition, the IPARD Agency shall regularly publicise a list of most “frequently asked questions and answers” and “most common mistakes during application”. The IPARD Agency maintains its own data base of visibility and communication actions. For all undertaken actions under the Plan for visibility and communication, the IPARD Agency shall report periodically to the Managing Authority.

#### **15.1.Actions foreseen to inform potential recipients, professional organisations, economic, social and environmental partners and bodies involved in promoting equality between men and women and ngo`s about possibilities offered by the programme and rules of gaining access to funding**

The MA and IPARD Agency will be responsible for informing potential recipients as follows:

Phase 1: IPARD II 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 II programme implementation – keeping recipients abreast with measure requirements and the public informed about progress in Programme implementation. The focal point during this phase will be to keep recipients informed about the funding opportunities and the launching of application calls; the eligibility of expenditure conditions to be met in order to qualify for support under the IPARD II 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 8 of the SA. Best practice and practical lessons learned from the measure implementation process will be studied and publicized.

Phase 3: IPARD II programme final phase – summing up experience. This phase will summarize positive and negative experiences from implementation of the IPARD II 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 television broadcasts in national and local media and information websites.

#### **15.2.Actions foreseen to inform the recipients of the EU contribution**

MA, with IPARD Agency will ensure that the general public and potential users are informed about the IPARD II programme and meet with him and the EU contribution in support of the assigned.

The recipients have to fulfil all requirements from the SA, ANNEX 8.

The recipients who have been contracted under the IPARD 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 IPARD Agency 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 foreseen to inform general public**

The MA shall provide information to the general public on and publicize the IPARD II programme after its adoption by the Commission. The MA shall publicize regularly the IPARD II 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 II programme. The MA shall highlight the role of the Community and ensure transparency of Community 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 MARD website. The transparency of operations will also be ensured by publication of the list of recipients and Community and national contribution to their projects on the Programme/MARD web sites.

## **16. EQUALITY BETWEEN MEN AND WOMEN AND NON- DISCRIMINATION**

In terms of the IPA Regulation No. 231/2013 and No. 236/2013 and of the IPA Implementing Regulation (Regulation (EC) No 447/2014), MARD 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 II 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.

### **16.1.Equality of men and women**

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 Program 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 program 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 II 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 II 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 of 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 II monitoring committee and other expert committees in the implementation, monitoring, evaluation and communication of the IPARD II 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 IPARD II 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 II 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 II 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 households and enterprises run by women.

## **16.2. Non-discrimination in IPARD II programme**

The implementation of the IPARD II 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 II 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. ADVISORY SERVICES AND TECHNICAL BODIES**

### **17.1 Advisory services**

Advisory services are available to farmers through municipal advisory services and State advisory services. The obligation to establish a system of agricultural advisory reform is one of the main elements of the reform of the Common Agricultural Policy. Harmonization action and organization of advisory services required in accordance Council Regulation (EC) No 1305/2013.

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, through Advisory service in plant production, respectively Podgorica, Pljevlja, Bar, Nikšić, Berane, Bijelo Polje through Livestock Selection Service).

The Advisory Service lacks a certain number of employees, who could meet the needs of service users; despite they're on going professional development and profiling in the profession. It is also necessary to strengthen the competence of advisers to acquire experience in the preparation and development of projects for the use of EU funds for the users, but also for advisory services.

Of great importance is the need for professional development of advisory services when it comes to the implementation of agro-environmental measures.

The Agricultural Advisory Service is a specialized public institution for the performance of the agro-advisory activities in agriculture, rural development and fisheries. Jobs and activities that make up the core business of agro-advisory services are:

- Technical and technological improvement of farms and providing technical assistance to farmers in order to increase profit from farming and supplementary activities on farms;
- Providing expert advice, instructions and practical advice from the fields of agriculture, transfer of technical knowledge and skills required for developing and maintaining the value of the rural environment and sustainable development;
- Participation in the preparation of development plans for farms and rural environments
- Encourage the establishment of various associations;
- Information and publishing activities for the development of agriculture and rural areas.

## **17.2 Technical bodies**

No later than before final payment of the investment, the entire holding must comply with appropriate national minimum standards in force regarding environmental protection and animal welfare, and has to be in force at the time of the beginning of the investment.

### **Veterinary Directorate**

The Veterinary Directorate operates as a separate body under the authority of the Ministry and the supervision of the Government and is in charge of: monitoring and prevention of occurrence, detection, control and eradication of certain infectious animal diseases; carrying out preventative veterinary measures as regards animals, food of animal origin, composite food and feed, semen for artificial insemination of ova and the fertilized ova and waste of animal origin – by-products, in national trade and trade across Montenegro's border; carrying out the mandatory scope of animal health protection and monitoring of implementation of the program of preventative measures; ensuring the performance of duties of public interest; animal welfare protection; establishing the compliance with the conditions prescribed for veterinary work; production and trade in food of animal origin, composite food, feed after primary production and waste of animal origin; register keeping, preparation of a technical basis for the annual program of residue monitoring and prevention of certain animal diseases and zoonosis, the annual plan of controls, the monitoring plan and the crisis management plan in the field of safety of food of animal origin, composite food and feed and adoption of regulations; development of analyses of programs, and briefing notes that serve as a technical basis for setting forth and implementation of the policy in the veterinary field, food safety and animal welfare protection; cooperation and coordination with international organizations (OIE and similar), institutions, business entities and other institutions in the veterinary field; inspectorial supervision in accordance with the law and powers, as well as other activities conferred thereon.

The Diagnostic Veterinary Laboratory was established as a public institution owned by the state, under the authority of the Veterinary Directorate. The Laboratory's scope of work includes veterinary specialist diagnostic and research activities in the territory of Montenegro with the objective of: protecting and improving animal health, detection and diagnostic of animal diseases, control of health safety of raw materials, foodstuffs and products of animal origin, feed and water for watering, research work, education in various veterinary aspects.

The Veterinary Directorate, in close cooperation with the field veterinary service and the Diagnostic Veterinary Laboratory, implements the program of health protection of domestic animals and safe production and trade in food of animal origin.

### **Phytosanitary Directorate**

The Phytosanitary Directorate is a single and central body under the supervision of the Ministry and the Government and carries out the administrative and related technical affairs concerning the following: plant health protection; plant nutrition products; plant protection products; seed and planting material; plant varieties protection; food safety and GMOs; prepares a technical basis for the annual program of residue monitoring, the annual control plan, monitoring plan and crisis management plan for the field of safety of food of plant origin at the primary production level and for adoption of regulations; control and inspectorial supervision in the fields within its scope of authority; keeping registers and records; implementation of international conventions, treaties and exchange of information; participation in international bodies and organizations; establishment of an information system, collecting, processing and keeping of data; preparing reports, analyses, briefing notes and other materials in accordance with the regulations and international treaties and agreements and other affairs conferred thereon.

### **Environmental Protection Agency**

The Environmental Protection Agency is an independent public administration body. The Ministry of Sustainable Development and Tourism 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 protection; nature protection; development of studies on natural resources protection; development of plans and programs 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 Sustainable Development and Tourism**

The Ministry of Spatial Planning and Tourism carries out administrative activities with regard to: integrated planning, management and valorisation of the space; sustainable development; implementation of sustainable development programs and projects falling within the scope of the authority of this Ministry; provision of technical, organisational and administrative support to the work of the National Council for Sustainable Development; strategic spatial and environmental planning; development of public planning documents; giving opinions and approvals for local planning documents; coastal management; development and adoption of plans for temporary facilities in the coastal zone and national parks; maintenance of documentation basis on space for the purpose of monitoring the status of space and development of planning documents; writing reports on the physical planning status; development of physical development programs; setting up and maintenance of the Spatial Information System in co-operation with the public administration

body in charge of information society; development of offprints and issuing of zoning and technical requirements; 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; pursuing the developmental and strategic policy in the civil engineering field; energy efficiency through the system of planning and construction of facilities; development of tourism, hospitality industry, tourism supply, conditions of doing business in the tourism industry, selective tourism forms; creating links between coastal and continental tourism; development of the private sector in tourism; development of tourism resorts and areas; categorisation and classification of tourism facilities; tourism trends in the domestic and foreign market; co-operation with tourism associations in Montenegro and abroad; sustainable valorisation of potentials and environmental advantages of national parks and protected areas from the viewpoint of tourism development; implementation of investment programs of interest for sustainable tourism development; monitoring of infrastructure projects supporting tourism development; monitoring and promotion of investments in the tourism sector; 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; 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; protection of the ozone layer; protection against noise and vibration; chemicals; protection against radiation (radioactive substances and ionising radiation); non-ionising radiation; protection of soul against pollution; integrated coastal zone management; integrated protection of the sea against pollution; industrial pollution control and risk management; use of new and clean production technologies; waste and wastewater management; system of public services and utilities; co-ordination of regional water-supply systems; genetically modified organisms within this Ministry's scope of authority; hydrographical activities; 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; co-operation with non-governmental organisations; proposing measures for the current and developmental policy measures and analysis of their impact on the economic status of companies and entrepreneurs; promotional activities falling within the scope of the Ministry; international co-operation and international agreements falling within the scope of the Ministry; harmonisation of national legislation within its scope of authority with the EU Acquis; 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. The internal organization provides conducting joint inspections, thereby increasing the efficiency of inspection, and reduces the costs associated with its implementation.

Establishing the Inspection Directorate has created the conditions for a professional, efficient and effective system of inspection that its predominantly preventive and corrective function contributes to raising awareness of the need to respect the rules, raising the level of social discipline and reducing corruption and improving the business environment and living standards in Montenegro.

### **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 EN 45011:2004 - Certificate of Accreditation ATS - 0021, issued by the Accreditation Body of Montenegro. Authorized the activity carried out by the Ministry of Agriculture and Rural Development.