# COMBINED PROJECT INFORMATION DOCUMENTS / INTEGRATED SAFEGUARDS DATA SHEET (PID/ISDS) ADDITIONAL FINANCING

Report No.: PIDISDSA17320

Date Prepared/Updated: 27-May-2016

# I. BASIC INFORMATION

## A. Basic Project Data

<b>Country:</b>	Montenegro	<b>Project ID:</b>	P159115	
		Parent	P107473	
		Project ID		
		(if any):		
Project Name:	Additional Financing to MIDAS			
Parent Project Name:	Montenegro Institutional Development and Agriculture Strengthening (MIDAS) (P107473)			
Region:	EUROPE AND CENTRAL AS	IA		
Estimated Appraisal Date:	16-May-2016	Estimated Board Date:	20-Jul-2016	
Practice Area (Lead):	Agriculture	Lending Instrument:	Investment Project Financing	
Sector(s):	Public administration- Agriculture, fishing and forestry (40%), General agriculture, fishing and forestry sector (30%), Animal production (30%)			
Theme(s):	Rural policies and institutions (40%), Rural non-farm income generation (40%), Managing for development results (20%)			
Borrower(s):	Ministry of Finance			
Implementing	Ministry of Agriculture and Rural Development			
Agency:				
Financing (in US	SD Million)			
Financing Sou	rce		Amount	
Borrower			0.50	
International Ba	ank for Reconstruction and Deve	lopment	3.28	
Total Project Co	ost		3.78	
Environmental Category:	B - Partial Assessment			
Appraisal Review Decision (from Decision Note):	The review did authorize the tea	um to appraise a	nd negotiate	
<b>Other Decision:</b>				
Is this a	No			

Repeater	
project?	

### **B.** Introduction and Context

#### **Country Context**

Montenegro (s agricultural development is held back by constraints similar to those witnessed elsewhere in the region of Southeast Europe: (i) low levels of information among farmers and a reluctance and/or inability to adopt modern technologies; (ii) small average farm size and a limited or sub-optimal land rental market; (iii) slow uptake in development of intermediaries or of agricultural cooperatives that could improve collecting, storage, packaging and marketing of produce; (iv) the effects of climate change, especially increased risks of weather-related natural disasters such as floods, and to a lesser extent droughts, the former often resulting in damaging land erosion once torrential rains occur after these dry periods.

Montenegro was officially granted candidate status on December 17, 2010. After obtaining the EU candidate country status, Montenegro has worked intensively to prepare its institutions to meet negotiations requirements. To this end the Montenegro Institutional Development and Agriculture Strengthening (MIDAS) project was designed to improve compliance with EU agricultural standards and strengthen institutional capacity to provide agro-environmental advisory services to Montenegrin farmers, thus enabling them to access EU grant funds to enhance their operations. Thus far the Ministry of Agriculture and Rural Development (MARD) supported by the MIDAS Project has taken a number of steps including setting up the required Operating Structure for managing IPARD funds, namely establishment of a Directorate for IPARD Payments and a Directorate for Rural Development which will evolve to become the future Paying Agency and Managing Authority respectively.

MIDAS among other activities supported on one side, the strengthening of the institutional structures in terms of capacity and technical needs, and on the other side designing and piloting the support program approximating IPARD requirements in a gradual manner. The Project provided IPARD-like grants to eligible agricultural holdings, gradually introducing the IPARD requirements in subsequent rounds, while involving the relevant institution and introducing required procedures with a learning-by-doing approach. The MIDAS step wise approach has built both supply and demand capacity while continuing to support investment in agricultural holdings until Montenegro will receive conferral of management, and IPARD funds will become available. In this regard MARD completed the preparation of its IPARD II Program for 2014 > (2020 that has been adopted by the EU in July 2015 and by Montenegro in September 2015, while the IPARD II Accreditation Package has been submitted by Montenegro to the EU in August 2015.

#### Sectoral and institutional Context

The importance of agriculture to Montenegro (s rural economy remains significant, as it represents a key source of employment, income generation, and food security for a large segment of the population including some of its most vulnerable members. According to official statistics, agricultural primary production represents around 10% of GDP, yet official data likely underestimate the contribution of agriculture to the economy because a large share of agricultural production is carried out informally. Historically, the region of Southeast Europe has had a tradition of growing food at home and many families still grow fruits and vegetables and sometimes raise animals (even urban dwellers often have rural second houses called vikendica).

This production is not accounted for in most national statistics, as is the case with the related agricultural employment. For instance, according to the official statistics provided by the Statistical Office of Montenegro (MONSTAT), the number of persons formally employed in agriculture was 2,347 in 2010. However, the 2010 Agricultural Census reported the equivalent of 46,473 Annual Work Units for agriculture, suggesting that only 5% of agricultural employment is formal. This implies that 95% of agricultural employment is not reported in official statistics. In turn, this also means that a large share of this production may not be reported, neither as production nor as consumption.

The importance of agriculture is also expressed through the growing demand for agricultural products that contributes to a large and increasing trade deficit. Agricultural exports have been increasing by around 4% annually during the last 8 years, while agricultural imports have been increasing much faster, around 16% annually. This divergence has resulted in a worsening agricultural trade deficit that increased from US\$166 million in 2005 to US\$473 million in 2012. Agriculture ► ( s share within the goods trade deficit increased from 21% to 27% over the same period. The role of tourism should not be neglected in understanding these figures which drives a surge in demand in summer to a multiple fold of what the average monthly figures show. But there is potential to supply a substantial share of this surging demand from a better organized local production base for fresh produce and niche products.

## **C. Proposed Development Objective(s)**

### **Original Project Development Objective(s) - Parent**

The Project Development Objective is to improve delivery of government assistance for sustainable agriculture and rural development in a manner consistent with the EU's pre-accession requirements.

#### **Current Project Development Objective(s) - Parent**

The new objectives of the Project are: (i) to improve delivery of government assistance for sustainable agriculture and rural development in a manner consistent with the EU's pre-accession requirements; (ii) to increase the experience of Montenegrin authorities in administering rural development grants in accordance with EU-IPARD core rules, and (iii) to support a selected number of agricultural holdings and food establishments in upgrading towards EU standards.

## **Key Results**

The main expected outcomes are therefore the following: (i) design of a functional system supporting the disbursement of direct payments, (ii) design one or two measures to be piloted with the new system, and (iii) pilot the direct payments.

## **D.** Project Description

The proposed AF will provide additional resources to strengthen the capacity of all the implementing entities and structures involved in the management of the IPARD measures. It would furthermore introduce systems, processes and applications necessary for the management of direct payments which along with the farm register, the livestock registration and identification system and the eventual Land Parcel Identification System (LPIS) will form the backbone of the emerging Integrated Administration and Control System (IACS).

#### **Component Name**

## Component 1: Strengthening MARD's rural development program

### **Comments** (optional)

Continues support MARD in the implementation of EU-compatible rural development measures including: (i) provision of funds for piloting of direct payment scheme; (ii) implementation of a monitoring support system to measure results achieved by the scheme; (iii) enhancement of knowledge and capacity in implementing the tasks foreseen under the future full-fledged Paying Agency in particular through financing TA (including training, study tours, etc.) and equipment; (iv) further strengthening the extension and advisory serivces; and (v) carry-out baseline beneficiary satisfaction/socioeconomic surveys and public awareness campaign including dissemination of promotional material to illustrate the features of the program and dedicated presentations and workshops country-wide.

### **Component Name**

Component 2: Strengthening MARD's administrative and management capacity in accordance with EU pre-accession requirements

#### **Comments** (optional)

Further supports MARD in building key elements of an emerging IACS as required for implementation, management and control of the Common Agriculture Policy (CAP) implementation .To this end the AF will finance technical assistance, training; IT and office equipment as well as software applications; refurbishment of an estimated 3 or 4 regional offices; workshops for local stakeholders; and logistical support in order to develop such system. The rudimentary IACS system developed under the project will be tested during the piloting and processing of direct payments.

#### **Component Name**

Component 3: Project Management, Administration and Monitoring

#### **Comments** (optional)

Continues to support MARD in managing the day-to-day implementation of the project as well as monitor and evaluate its impact. In addition to the required consultant services, the AF would finance: (i) training expenditures, (ii) IT and office equipment, (iii) financial audits, and (iv) incremental operating costs including the TSU and its fiduciary functions.

# **E.** Project location and salient physical characteristics relevant to the safeguard analysis (if known)

The project would operate country-wide.

## F. Environmental and Social Safeguards Specialists

Esma Kreso (GEN03) Vera Dugandzic (GSU03)

## **II. Implementation**

#### **Institutional and Implementation Arrangements**

The Implementing Agency of the Project is the Ministry of Agriculture and Rural Development (MARD), supported by a small Project Management Team (PMT) established under the Montenegro Institutional Development and Agriculture Strengthening (MIDAS) that will continue to operate

under the direction of the Project Coordinator/General Director of Directorate for IPARD Payments of the MARD. The PMT is composed by a Project Manager, a Monitoring & Evaluation (M&E) Specialist, and a part-time Environment Specialist. Additional local consultants with specific expertise required during the implementation of the AF may be hired. During the implementation of MIDAS MARD has worked toward mainstreaming of Monitoring & Evaluation activities into the ministry structure. As such, M&E of project activities will be also supported both by the Directorate for Rural Development, tasked with the monitoring and evaluation of the MARD rural development program, and by the Directorate for IPARD Payments that will provide data on the implementation of the support piloted through the direct payments system to be established under the project. With regard to the required fiduciary requirements, procurement and financial management aspects of the Project will be carried out under the Technical Service Unit (TSU) established under the Ministry of Finance (MOF) to provide procurement and financial management services to the line ministries as defined in the Memorandum of Understanding signed by MARD and MOF.

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	An Environmental management framework has been prepared under the original project and included in each of the Grant Operational Manuals, as applied to each of the grant cycles. The purpose of the EMF is to determine activities that cannot be financed and screen them out, which include activities that correspond to World Bank category A projects or activities requiring a Profound EIA as per the Montenegrin Law on EIA; activities that may impact quality or quantity of an international waterway or activities where proof of land ownership is not available. The EMF sets forth guidance on developing site specific Environmental Management Plans that are to be disclosed with public consultations in the project area. No issues have been noted with the EMF screening process or implementation of EMP measures on sites. All reconstruction/refurbishment activities under the AF shall be subject to a simple EMP or Checklist EMP, as was the case for the Paying Agency and BIP Bar works under the original project.
Natural Habitats OP/BP 4.04	Yes	The original project triggers this policy mostly due to the broad scope of the project that was envisaged during the preparation of the original project and the potential for degradation of natural habitats. The AF shall not finance any activities that would have an impact on natural habitats of any kind or type and all financed activities will be on existing agricultural land.
Forests OP/BP 4.36	Yes	The original project triggers the policy on forestry,

## **III. Safeguard Policies that might apply**

		due to the potential loss of forested areas and conversion of forested areas into agricultural land, which has not happened under the original project. The AF does not foresee any activities that would impact forests and all financed activities will be on existing agricultural land.
Pest Management OP 4.09	Yes	The original project triggers this policy due to the risk of increased pest management with increasing agricultural production. The support to agricultural activities may also lead to an increased use of pest management products, which would need to be controlled by the Integrated Pest Management Plan, as part of the original EMF.
Physical Cultural Resources OP/BP 4.11	Yes	The original project included works on the reconstruction of the Institute for Marine Biology in Kotor which is a building under the protection regime. No such works are anticipated under the AF.
Indigenous Peoples OP/BP 4.10	No	
Involuntary Resettlement OP/ BP 4.12	Yes	The original project triggered the Bank's Policy OP 4.12 on Involuntary Resettlement. It was expected that the project would finance the construction of the Paying Agency building and that land may be required to be expropriated for that purpose. Therefore, as a guiding resettlement instrument, the Resettlement Policy Framework (RPF) document was developed, approved and disclosed in November 2008. However, it is to be noted that no land acquisition took place under the original project as the implementing Ministry of Agriculture and Rural Development decided not to construct a new building. Moreover, the eligibility criteria for the existing grant scheme spelled out in the Grant Operational Manual (GOM) clearly state that only activities that do not trigger the application of Bank's OP 4.12 policy on Involuntary Resettlement are eligible for grant funding. The AF new support program of piloting direct payments to farmers will follow the same eligibility criteria which also state that the activities that may result in displacement of any third party formally or informally occupying or using the land on which the activity is to be implemented will be excluded from financing. Only activities that are located on the farmer's own land or on land for which the grant

		applicant has written consent from the owner to use the land will be eligible for funding.
Safety of Dams OP/BP 4.37	No	No activities related to dams are envisaged to be financed.
Projects on International Waterways OP/BP 7.50	Yes	An exemption from notification based on Para 7(a) of the policy was approved by the ECA VP on 9/24/2008, based on the assessment that water requirements for water-related infrastructure to be rehabilitated under the project will not adversely affect the quantity or quality of water flow to other riparians, and will not be adversely affected by the other riparians' possible water use. In addition, the Loan and Grant Agreements for the original project specify that "the Borrower shall ensure that no Loan proceeds are used to finance: (a) any new irrigation systems or extension of existing irrigation systems; or (b) any agri-processing or other activities which could result in increased contamination of international water bodies." The AF does not envisage activities that could impact international waterways beyond the existing exemption, while the Trust Fund aimed at supporting agro-processing has conducted a notification of the riparians (namely the International Commission for the Protection of the Danube River - ICPDR and the Mediterranean Action Plan - Barcelona Convention MAP/RCU) was sent out by MARD on March 06, 2015. No objections or comments have been received to date
Projects in Disputed Areas OP/ BP 7.60	No	

## **IV. Key Safeguard Policy Issues and Their Management**

## A. Summary of Key Safeguard Issues

# **1.** Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:

The project will maintain the current ongoing monitoring systems to ensure the environmental and social safeguards under the project are adequately tracked and managed. The scale-up of already existing project activities will not trigger any additional safeguards policies. The original project, as prepared in 2009 had triggered OP 4.01 on Environmental Assessment, OP 4.04 on Natural Habitats, OP 4.36 on Forests, OP 4.09 on Pest Management, OP 4.11 on Physical Cultural Resources, OP 4.12 on Involuntary Resettlement and OP 7.50 on International Waterways. The triggering of this number of policies was mostly due to the fact that the size, location and type of investments to be financed under the grants was unknown at the time, and that the activities beyond the grants included works on a cultural heritage building (Marine Biology Laboratory in Kotor), and the potential for irrigation development, for which an Exception to Notify Memo had been prepared in line with OP 7.50. The most relevant of the

policies, OP 4.01 was reflected in the Environmental Management Framework prepared for the project, and applied in each of the grant cycle through its provision in the GOM. Sound environmental practices have been integrated into each of the grant applications for which an Environmental Management Plan was necessary. A relatively small number of activities that could have an impact on international waterways were screened out.

In preparation of each of the subsequent grant cycles, the MIDAS team had worked closely with the World Bank team to streamline the process and to integrate lessons learned into the new grant cycle. The revisions have been minor, but have helped improve the overall process. In addition, the safeguards specialist that is on board the Project Management Team has played a crucial role in educating the applicants and reviewing all of the grant applications with respect to potential risk to the environment, land ownership issues and assigning adequate due diligence. As a result, each of the applications has been screened with respect to environmental and social impact, and adequate measures were provided through EMPs prepared for each activity that required one. The screening procedure was also in place for the two TF-funded activities under the project. Each of the Environmental Management Plans called for public consultations and disclosure and this has been carried out for each of the activities. There have been no issues noted during the select site visits, and there were no cases reported on any environmental or social safeguards non-compliance All reconstruction/refurbishment activities under the AF shall be subject to a simple EMP or Checklist EMP, as was the case for the Paying Agency and BIP Bar works under the original project.

# **2.** Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:

There are no negative long-term or indirect impacts associated with the AF. The potential longterm impacts may only be indirectly reflected in the increased environmental awareness of the participating farmers. The AF will carry out a baseline beneficiary satisfaction surveys as well as public awareness to familiarize farmers with the application process and required minimum documentation.

# **3.** Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.

There are no alternatives that were considered, as each application is screened for individually upon submission. The grant applications are screened upon receipt to ensure no Category A activities or any activities that would require any land acquisition are financed. The grants are then awarded on a competitive basis following criteria defined in the GOM.

# 4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.

The proposed AF would provide additional resources to strengthen the capacity of all the implementing entities and structures involved in the implementation of IPARD measures, processing direct payments and an emerging IACS system as defined above and in line with EU approximation requirements. Implementation arrangements, beneficiary institutions and existing mechanisms would be substantially retained as designed under the original MIDAS project. The MIDAS project has included an environmental and social specialist that has conducted regular environmental and social screening, education and training of applicants and site supervision. The borrower is therefore very knowledgeable of the World Bank procedures and has a solid track record of implementing them. in addition, there is a good track record of complaints handling mechanism with adequate registering, monitoring and reporting established. The GOM lays out in detail the guidelines to be followed for handling rejections and complaints; the composition and role of the evaluation and complaints commissions (CC); and disclosure requirements stating that

all complaints handling procedures and information are to be posted on the MIDAS website: www.midas.co.me to ensure transparency of the whole process.

# 5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.

The original Environmental Assessment and Resettlement Policy Framework (RPF) have been disclosed in country with public consultations held in 2008 that solicited reviews and comments from a group of varied stakeholders, including NGOs, academia and the agencies and ministries that deal with environmental protection. For each of the grant cycles, the Grant Operational Manual has included a section on environmental and social screening and compliance, which have also been disclosed to the public prior to the start of the application submissions. Each of the EMPs that has been developed following the guidelines in the GOM was subject to disclosure and public consultations. The two linked Trust Funds have also required a revised EMF (or environmental and social screening procedure) that was disclosed on the MIDAS project website on June 24, 2014, and also through the World Bank Infoshop and continues to be applicable for this Additional Financing as well.

## **B.** Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other Date of receipt by the Bank	16-Jun-2008
Date of receipt by the Dank	10-Juli-2008
Date of submission to InfoShop	30-Jul-2008
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	,
Montenegro	24-Jun-2014
Comments: The EMF was re-disclosed for the Trust Fund ac	tivities.
Resettlement Action Plan/Framework/Policy Process	
Date of receipt by the Bank	16-Jun-2008
Date of submission to InfoShop	28-Nov-2008
"In country" Disclosure	
Comments:	
Pest Management Plan	
Was the document disclosed prior to appraisal?	NA
Date of receipt by the Bank	NA
Date of submission to InfoShop	NA
"In country" Disclosure	
Comments:	
If the project triggers the Pest Management and/or Physical	Cultural Resources policies th

respective issues are to be addressed and disclosed as part of the Environmental Assessment/ Audit/or EMP.

If in-country disclosure of any of the above documents is not expected, please explain why:

## C. Compliance Monitoring Indicators at the Corporate Level

report?If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?YeAre the cost and the accountabilities for the EMP incorporated in the credit/loan?YeOP/BP 4.04 - Natural HabitatsYould the project result in any significant conversion or degradation of critical natural habitats?YeIf the project would result in significant conversion or degradation of other (non-critical) natural habitats, does the project include mitigation measures acceptable to the Bank?YeOP 4.09 - Pest ManagementDoes the EA adequately address the pest management issues?YeIs a separate PMP required?YeIf yes, has the PMP been reviewed and approved by a safeguards specialist or PM? Are PMP requirements included in project design?If yes, does the project team include a Pest Management Specialist?YeOP/BP 4.11 - Physical Cultural ResourcesYeDoes the EA include adequate measures related to cultural property?YeDoes the credit/loan incorporate mechanisms to mitigate the potential adverse impacts on cultural property?YeOP/BP 4.12 - Involuntary ResettlementYe	$es [ \times ]$		NA [ ] NA [ ]
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property?			
potential adverse impacts on cultural property?         OP/BP 4.12 - Involuntary Resettlement	58[^]	No [ ]	NA [ ]
	es [ × ]	No [ ]	NA [ ]
Has a resettlement plan/abbreviated plan/policy framework/ Ye			
process framework (as appropriate) been prepared?	es [ × ]	No [ ]	NA [ ]
If yes, then did the Regional unit responsible for safeguards or Ye Practice Manager review the plan?	es [ × ]	No [ ]	NA [ ]
Is physical displacement/relocation expected? Ye	es [ ]	No [ × ]	TBD[]
Provided estimated number of people to be affected			
Is economic displacement expected? (loss of assets or access to assets that leads to loss of income sources or other means of livelihoods)	es [ ]	No [ × ]	TBD[]

Provided estimated number of people to be affected				
OP/BP 4.36 - Forests				
Has the sector-wide analysis of policy and institutional issues and constraints been carried out?		No [	]	NA [ × ]
Does the project design include satisfactory measures to overcome these constraints?	Yes [ ]	No [	]	NA [ $\times$ ]
Does the project finance commercial harvesting, and if so, does it include provisions for certification system?	Yes [ ]	No [	]	NA [ $\times$ ]
OP 7.50 - Projects on International Waterways				
Have the other riparians been notified of the project?	Yes [ ]	No [	]	NA [ $\times$ ]
If the project falls under one of the exceptions to the notification requirement, has this been cleared with the Legal Department, and the memo to the RVP prepared and sent?	Yes [ × ]	No [	]	NA [ ]
Has the RVP approved such an exception?	Yes [ × ]	No [	]	NA [ ]
The World Bank Policy on Disclosure of Information	•			
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [×]	No [	]	NA [ ]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [ × ]	No [	]	NA [ ]
All Safeguard Policies				
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [×]	No [	]	NA [ ]
Have costs related to safeguard policy measures been included in the project cost?	Yes [×]	No [	]	NA [ ]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [×]	No [	]	NA [ ]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [×]	No [	]	NA [ ]

# V. Contact point

# World Bank

Contact:Daniel P. GerberTitle:Sr Agricultural Spec.

## **Borrower/Client/Recipient**

Name:	Ministry of Finance
Contact:	Radoje Zugic
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