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Combined Project Information Documents / Integrated Safeguards Datasheet (PID/ISDS)

Appraisal Stage | Date Prepared/Updated: 20-Nov-2017 | Report No: PIDISDSA23780



BASIC INFORMATION

A. Basic Project Data

Country Montenegro	Project ID P164424	Project Name Montenegro Second Institutional Development and Agriculture Strengthening Project	Parent Project ID (if any)
Region EUROPE AND CENTRAL ASIA	Estimated Appraisal Date 17-Nov-2017	Estimated Board Date 30-Jan-2018	Practice Area (Lead) Agriculture
Financing Instrument Investment Project Financing	Borrower(s) Ministry of Finance	Implementing Agency Ministry of Agriculture and Rural Development	

Proposed Development Objective(s)

The Project Development Objective is to improve the competitiveness of agriculture and fisheries in Montenegro through enhanced delivery of government support in alignment with EU accession requirements.

Components

Strengthening MARD agriculture, rural development and fisheries program
Support for the Food Safety, Veterinary and Phytosanitary Services
Modernization of the Fisheries Sector
Project Management

Financing (in USD Million)

Financing Source	Amount
International Bank for Reconstruction and Development	34.89
Total Project Cost	34.89

Environmental Assessment Category

B - Partial Assessment

Decision

The review did authorize the preparation to continue



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Other Decision (as needed)

B. Introduction and Context

Country Context

Montenegro, a small, upper middle-income country, gained its independence in 2006 and is making big strides towards negotiating its accession to the European Union (EU). With a population of only 0.6 million, and a Gross National Income (GNI) per capita of US\$7,320, Montenegro is the smallest country in the Western Balkans. It started negotiations with the EU in June 2012 and strives to join by 2020 ahead of the other countries in the Western Balkans. Of the 35 negotiations chapters, three have been provisionally closed and twenty-four have been opened. Good progress towards EU alignment has been made in areas such as free movements of goods, agriculture and rural development, food safety, veterinary and phytosanitary policy, energy, employment and social policy, regional policy and preparation for structural instruments. In the latest Progress Report on Montenegro (November 2016), the European Commission (EC) notes that the country is at early stages of preparation regarding budgetary and financial provisions, environment and climate change, and more needs to be done to improve competitiveness, as well as economic and monetary policy. Strengthening the administrative capacity for ensuring the application of the *acquis communautaire* remains a substantial challenge for Montenegro.

Montenegro has followed a steady path of economic growth, but not without challenges. The economic boom, from 2000 to 2008, was triggered by a large inflow of capital that stimulated aggregate demand, led to a steady increase in Gross Domestic Product (GDP) growth, and a fall in the unemployment rate. During the boom, there was a steady decline in the percentage of households below the poverty line and an increase in the income of households in the bottom 40 percent, most of them in rural areas. After experiencing a double-dip recession due to the 2008 global financial and the 2012 Eurozone debt crises, Montenegro's economy slowed down to 1.8 percent in 2014 and recovered to 2.5 percent in 2016, continuing its recovery path (with 3.2 percent in 2017) due to investments in road infrastructure and robust tourism activity. However, the unemployment rate remains high at 17.3 percent in early 2017. Large fiscal deficit and growing fiscal debt have prompted the Government of Montenegro to adopt a set of fiscal consolidation measures aimed at reducing public spending.

Montenegro's overarching development goal is to achieve smart, sustainable and inclusive growth. Montenegro's development plan is outlined in three separate, but complimentary strategies: the EU Accession Program 2014-2018, the Montenegro Development Directions (MDD) 2015-2018, and the Montenegro Economic Reform Program (ERP) 2016-2018. Montenegro's EU Accession Program was adopted in December 2013 and represents the main strategic document regarding European integration. It focuses on measures required for completing alignment with the *acquis communautaire*. The MDD, aligned with the Europe 2020 strategy, was adopted by the Government in July 2015. The MDD identifies four driving sectors, namely tourism, energy, agriculture and rural development, and manufacturing,



towards achieving the objective of “smart, sustainable and inclusive growth.” The ERP complements these efforts by tightening fiscal spending and reducing public debt.

Sectoral and Institutional Context

Agriculture is an important sector for the economic development of Montenegro. In this predominantly mountainous country, agricultural land represents 38 percent of total land area, two thirds of which is covered by pastures. Agriculture and food production play an important role in the economy, contributing 12 percent of GDP (with the primary sector contributing 10 percent, and agro-food processing and fisheries contributing around two percent). With agricultural exports increasing by around four percent annually during the last eight years, agricultural imports have been increasing much faster (around 16 percent annually) leading to the worsening of agricultural trade deficit from US\$166 million in 2005 to quadrupling by 2014.

Agriculture contributes to income and job creation, but much of it is not accounted for. Agriculture is the largest economic activity in rural Montenegro; close to 50,000 families (roughly a quarter of the country’s population), with an average holding of 4.5 hectares, derive their income partly or entirely from agriculture. Despite its small size, the agro-climate and landscape varies dramatically from the north to the south and coastal areas of Montenegro. Olive and citrus fruit production dominate in the coastal region; early vegetable production and vineyards - in the center and in proximity of the larger agglomerations of Nikšić and Podgorica; and, extensive livestock production - in the north. According to MONSTAT, in 2010 there were 2,347 people formally employed in agriculture. Yet according to the 2010 Agricultural Census, the equivalent of 46,473 Annual Work Units were employed in agriculture, suggesting that only around five percent of agricultural employment is formal.

Montenegro agriculture is characterized by constraints similar to those that prevail in Southeast Europe. Among them: (i) inability of agricultural producers to adopt modern technologies due to limited access to finance; (ii) small average farm size and an incomplete land use planning; (iii) slow uptake in development of aggregators that could improve collecting, storage, packaging and marketing of produce; and (iv) the effects of climate change, especially increased weather-related natural disasters such as droughts and floods that have a major negative impact on productivity, water supply and land erosion.

With an extensive coastline, the fisheries sector of Montenegro has an enormous potential that has not yet been capitalized on. The fisheries sector has not yet developed to its full potential. According to recent stock assessments, marine living resources are currently under-exploited by the domestic fleet, which could safely increase in size. Today Montenegro is a net importer of fish products. In 2014, for example, 3,316 tons of fisheries products were imported into Montenegro, of which 2,000 tons of fresh, frozen and fileted products, whereas a mere 11 tons of fisheries products were exported. With current marine catch estimated at around 900 tons a year, Montenegro has the potential to substantially increase its production to meet domestic demand (leading to an ultimate phase-out of imports), a large share of which will be absorbed by the growing tourism sector. The capacity of the fisheries sector, however, is currently constrained by outdated equipment, lack of adequate infrastructure (landing sites and dedicated access in existing ports) and an underdeveloped value chain.

The Ministry of Agriculture and Rural Development (MARD) has a cross-cutting mandate that covers not only agriculture, rural development, and the food system, but also encompasses water, forestry and fisheries.



While the focus of the past 10 years has primarily been on agricultural production and to a lesser extent on food safety, the Ministry recognizes the need to strengthen the performance of other sub-sectors, i.e. food safety and fisheries, for which little policy orientation or support has been provided. The MARD has recently taken important steps to address this matter by adopting legislation that provides a new framework for food safety and establishes the Administration for Food Safety, Veterinary and Phytosanitary Affairs (AFSVPA). Further, it has functionally separated the Directorate for Agriculture and Fisheries into two Directorates to focus on supporting each sub-sector individually.

Agriculture is an important sector in the EU accession agenda of Montenegro. Montenegro has made significant progress in establishing the required institutions and systems, and has developed capacity to implement the EU Instrument for Pre-Accession and Assistance for Rural Development (IPARD). However, further work is required as the country has committed to align its national agricultural policy to the Common Agricultural Policy (CAP) of the EU by the date of accession. To this end, the country is required to have all the necessary systems in place in order to manage and receive funding from the EU and to make payments to Montenegrin beneficiaries in accordance with EU rules and procedures. An Integrated Administration and Control System (IACS), along with other tools, are necessary for the efficient utilization and monitoring of support funds, and for the harmonization of the national direct payment measures with those currently implemented in the EU. EU membership brings important benefits to the country both at the macro and micro levels. It has been found to increase GDP per capita by approximately 12 percent. Trade liberalization has increased the flow of goods and services and has put competitiveness at the forefront of market integration. In agriculture, EU membership unlocks significant assistance and direct payments to farmers under the EU's CAP, yet it also imposes stricter food safety and other trade-related requirements to agricultural production.

Montenegro is making good progress towards alignment to EU food safety legislation. A number of rulebooks, decrees and bylaws have been adopted. A new AFSVPA has been established under the oversight of the MARD, which also incorporates inspection services that previously operated autonomously. Several advances have been made in veterinary policy. The Animal Identification and Registration system, which already included large and small ruminants, was extended to pigs, and it has been completed. The multiannual program for the eradication of rabies has continued and routine monitoring and testing of ruminants for transmissible spongiform encephalopathies (TSEs) are being introduced. The implementing legislation on food safety rules was adopted in various fields but enforcement remains a challenge mainly due to shortage of human and material resources. As the country moves towards EU accession, the MARD would need to continue improving its administrative capacity, in particular for inspection services and laboratories, as well as upgrading food safety establishments.

Montenegro's preparations for the fisheries sector are at an early stage, but important progress has been made. The country's Fisheries Strategy of 2015-2020 provides an overall guidance for the development of the Montenegrin sector and its administration in line with the Common Fisheries Policy (CFP), including steps required to fully align and harmonize the national fisheries policy with the EU *acquis communautaire*. Steps must be taken to inform fishermen, traders and processors about the requirements they will face prior to and upon accession of Montenegro to the EU. The strategy identifies some of the sub-sector's key areas for potential growth, including improved resource exploitation and connecting production from capture fisheries to the tourism sector and processing, thus ultimately increasing the added value of fish products. To reach this potential, adequate support will be required to increase fisheries production – including number of boats, improvement of fisheries coastal infrastructure, and enhancement of the control and surveillance system to address illegal, unregulated and unreported (IUU) fishing. It is important to note that after EU accession,



production capacity will be capped because of overall EU policy for the preservation of marine living resources. As a new EU member, Montenegro's vessel capacity will be frozen as to the date of entry, without possibility of future expansion of the fleet.

Since the early stages of Montenegro's EU accession process, the EC and the World Bank (WB) have closely coordinated their activities to support Montenegro's authorities and the agricultural sector towards unlocking access to the IPARD. Funded by the International Bank for Reconstruction and Development (IBRD) and the Global Environment Facility (GEF), the Montenegro Institutional Development and Agriculture Strengthening Project (MIDAS) was launched in July 2009¹ and has made important contributions to compliance with the IPARD requirements. The country's authorities have put considerable efforts into setting up the required legal and institutional framework to meet EU pre-accession requirements. To this end, the MIDAS project has contributed towards (i) the establishment and capacity building of the Directorate for Rural Development (future Managing Authority) and preparation of the IPARD 2014-2020 Program and of the Code of Good Agricultural Practices; (ii) the establishment of the Directorate for Payments (future Paying Agency), including setting up its infrastructure that meets accreditation's requirements, and establishment of the Farm Registry and of the Reference Price Database; (iii) provision of grants to agriculture holdings to promote their development and modernization along with familiarization of both farmers and Montenegrin authorities with the IPARD rules and principles; and (iv) enhancing food safety through investments in the national reference laboratories (Veterinary Lab and Institute of Marine Biology), as well as building and equipping the first Border Inspection Post (BIP) in Bar and strengthening the sector's legal and regulatory framework.

Montenegro received the EU's "Entrustment of budget implementation tasks for EU IPARD funds." Specifically, the entrustment was received in October 2017 for Measure 1 (Investments in physical assets of agricultural holdings) and Measure 3 (Investments in physical assets concerning processing and marketing of agricultural and fishery products) of the IPARD II Program. To this end, Montenegro's IPARD II Program for 2014-2020 (approved by the EU and adopted by the Government of Montenegro in September 2015) is conceived as a multi-annual development program for rural areas and proposes seven measures to be co-financed by EU and implemented by the Government, for which the Sectoral Agreement between Montenegro and the EU has been signed and ratified.

Montenegro has opened negotiations with the EU on Chapter 11 (Agriculture and Rural Development) in December 2016, while negotiations for Chapter 12 (Food Safety), and Chapter 13 (Fisheries) were opened in June 2016. The opening benchmarks for these chapters have all been met and negotiations positions adopted by the Montenegrin Government. MIDAS activities have actively contributed in supporting the country in reaching the EU pre-accession negotiation opening benchmarks for Chapters 11 and 12. In this context, the MARD has requested the Bank to continue its support to the Ministry with meeting the closing benchmarks of these two chapters and provide additional support towards meeting the closing benchmarks for Chapter 13.

C. Proposed Development Objective(s)

Development Objective(s) (From PAD)

The Project Development Objective is to improve the competitiveness of agriculture and fisheries in Montenegro through enhanced delivery of government support in alignment with EU accession requirements.

¹ The MIDAS is scheduled to close on March 30, 2019



Key Results

D. Project Description

The project will include the following components:

Component 1: Strengthening MARD agriculture, rural development and fisheries program (EUR20 million).

The component will: (i) increase and diversify income generation opportunities for productive units, and contribute to the creation of jobs, and (ii) support Montenegro for meeting Chapter 11 closing benchmarks. The grant program is expected to address most of the constraints faced by the country's agricultural sector, including: (i) enabling access to finance to grant beneficiaries to adopt modern technologies; (ii) development of aggregators to improve collection, storage, packaging and marketing of produce; and (iii) implementation of agro-environmental measures to improve resilience to climatic pressures.

Sub-component 1.1: Increasing and diversifying income opportunities through grants for agriculture, rural development and fisheries. This sub-component will support the development of agriculture, rural development and fisheries through the provision of grants. The design of the grant program will follow the implementation experience gained through the MIDAS project, where "the learning by doing" approach has been successfully tested with the core principle of IPARD. Investments are pre-financed by the beneficiaries, with reimbursement received upon successful completion and on-spot verification of the investment, and according to the share of support to total cost of investment (normally between 50 and 65 percent of the total investment); four-eye principle both for administrative control and on-spot control, coordination with Technical Bodies as appointed for verification of compliance with relevant national legislation.

The grant program will be targeted at: (i) piloting further IPARD-like measures, including farm diversification and on-farm processing, that have not been previously implemented in order to develop the capacity of both institutions and beneficiaries while stimulating economic growth in rural areas; (ii) implementing direct support for rural development measures, including agro-environment measures, that will support MARD's policy objectives towards harmonization with the CAP; (iii) support to production and processing associations/collections centers (including for milk, fruit and vegetables, etc.); and (iv) fisheries grants to enhance the capacity of the sector in preparation for the implementation of the European Maritime Fisheries Fund. The grant program is expected to leverage private sector investment and beneficiaries' contribution, as well complement public sector investment in the modernization of the fisheries sector under Component 3. Detailed criteria, procedures, and related safeguards requirements of the grant program will be described in the Grant Operational Manual (GOM), satisfactory to the Bank, which will be prepared during project implementation prior to each call.

Sub-component 1.2: Strengthening the MARD toward fulfilling EU accession requirements. This sub-component will provide investments to strengthen the DfP (future Paying Agency) management capacity through the development of the IACS components required for the management and control of payments to productive units, as well as the implementation of the European Agriculture Guarantee Fund, functionality of



which constitute one of the closing benchmark of Chapter 11. The project will support the development of several modules necessary for the operational system of integrated controls, strengthen the regional offices for Advisory Services, and build the Paying Agency system at the regional level, which will be part of the final structure of a fully functional Paying Agency. For logistical and accessibility purposes, the two services could be hosted in the same building but in different offices, however, the roles and responsibilities of the Advisory Services and Paying Agency will be well defined and fully separated from each other. To this end the project will finance refurbishing and equipping of existing offices, and purchasing the required hardware and software infrastructure. The project will also strengthen capacity of the DfRD, DfA, and DfP through provision of technical assistance (TA), training and study tours to assist with the policy design towards the EU CAP, and to assist with the design required to finalize the IACS and its various applications.

Component 2: Support for the Food Safety, Veterinary and Phytosanitary Services (EUR3 million). This component will develop capacity for food safety, veterinary and phytosanitary services as part of the creation of an integrated food quality system which is consistent with EU requirements. Promoting safer agricultural products, including the prevention and control of animal and plant diseases are essential for improving the competitiveness of Montenegro's agricultural production both domestically and abroad. It will also help producers to introduce cross-compliance requirements to receive IPARD funds. This component will support: (i) the establishment of an official, comprehensive control system for the safe disposal and/or processing of animal by-products (ABPs); (ii) strengthening of the diagnostic capacity of the phytosanitary laboratory; and (iii) strengthening of the capacity of the inspection services. The following set of activities will be financed under this component:

Sub-component 2.1: Safe management of animal by-products (APBs). The project will support the establishment of a comprehensive system for the processing and/or disposal for ABPs which will be identified and documented in the National Strategy and Action Plan for the Management of ABPs scheduled to be adopted by the MARD in late-2017 or early-2018. Specifically, the project will provide TA for the design of a control system for the safe management of ABPs. The design will include a business plan for a disposal facility, detailed technical specifications and cost estimates for a housing facility. The project will also support the gradual operationalization of the official control system for ABPs along the entire chain (production, separation, storage, transport, and disposal and/or processing), including training of inspectors and business operators, establishing documented procedures and check lists for the approval of establishments and inspection thereof, aligning and completing the legal and regulatory framework in line with the current and relevant EU acquis and launching a public information and awareness campaign addressed to the associated food production/processing industry.

Sub-component 2.2: Strengthening the diagnostic capacity of the phytosanitary laboratory. The project will assist the NRL housed at the Bio-Technical Faculty of the University of Montenegro with construction of new laboratory facilities (vertically extending an existing site), procurement of laboratory equipment and fixed laboratory furniture to support official controls. The project will also provide targeted TA aiming to ensure efficient inter-agency collaboration between the AFSVPA and the NRL by means of a Memorandum of Understanding, and pave the way towards accreditation of priority tests and methods as per ISO standard 17025.



Sub-component 2.3: Support to inspection services. To enable the inspectors of the unified AFSVPA to implement effectively the enhanced official control regime arising from alignment of national legislation with EU legislation, and the risk-based annual official control and sampling plan, the project will provide new vehicles and equipment for collection, cold storage and transport of samples, IT equipment, protective clothing, official uniforms, and other items.

Component 3: Modernization of the Fisheries Sector (EUR6 million). This component will finance public sector investment aimed at achieving two objectives: (i) enhancing the productive capacity of the sector with investments in basic infrastructure and equipment that will provide fishermen regulated safe, and sanitary landing facilities and access to port, and (ii) strengthening the institutional capacity in the sector to apply the CFP upon EU accession, as well as substantially strengthen administrative, inspection, and control capacity. This component will finance the following interventions:

Sub-component 3.1: Development of a network of landing sites (both in ports and other locations) with enhanced access to auxiliary services. Sub-component. A national coastal urban planning strategy is currently being elaborated at various levels of government (both national and local), though it is not expected to be fully finalized before 2019. This planning process incorporates the designation of several locations for landing sites, including in the country's six coastal cities, where accommodations can be designed for fishing activities in existing ports and in new landing sites to be developed. The port towns of Bar (in the far South of the country's coastline), Herceg Novi (the far North of the country's coastline) and a network of other sites along the coastline will be subject to infrastructure improvements and specific sites for construction and reconstruction activities will be identified by the Government. The project will finance TA for the preparation of designs and technical specifications required for equipment and infrastructure. The project will also finance civil works, including construction of facilities for landing, catch data collection, weighing and access to market for landed catches in sites that comply with World Bank norms. In addition, and where appropriate, improvements will be made in certain locations for access to water and fuel, and operational support (boat and gear maintenance).

Sub-Component 3.2: Capacity Building for the Directorate for Fisheries, and support to Associations of Fishermen. The MARD Directorate for Fisheries already benefits from the various regional programs supporting the sustainable management of marine living resources. Scientific support is provided mainly by the Institute of Marine Biology in Kotor, while the Directorate itself is receiving support in the development of rules and regulations pertaining to the sector converging towards the full application of the CFP. The project will support training and equipment for fisheries inspectors to enable them to meet EU requirements. Significant TA support will be provided to Associations of Fishermen, which will be the direct beneficiaries of resources from the European Maritime Fisheries Fund (EMFF) designed mainly to cover the added expenses incurred by fishermen in application of CFP rules and regulations.

Component 4: Project Management (EUR1 million). This component will cover the costs for project management related to staffing, consultancies, and equipment costs, as well as implementation of the Environmental and Social Management Framework (ESMF), monitoring and evaluation of all project activities in line with the Results Framework,



adequate fiduciary (procurement and financial management), audits and accountability mechanisms for oversight, including a grievance redress mechanism.

E. Implementation

Institutional and Implementation Arrangements

The MARD will be the lead Implementing Agency and will have overall responsibility for project management and implementation. Following the project implementation structure established under the ongoing MIDAS Project, relevant Directorates and Administrations within the MARD will be responsible for the technical implementation (i.e. preparing terms of reference and technical specifications, preparing training programs, supervising consultants and advisors, participating in procurement evaluation committees, etc.) of project activities. Specifically, given the extensive experience on implementation of Bank-funded projects, the General Director of the Directorate for Payments (DfP) will be appointed as a Project Coordinator. The Director for Rural Development (DfRD) will be responsible for the implementation of Component 1; the Director for the AFSVPA will be responsible for the implementation of Component 2; and the General Director of the Directorate for Fisheries will oversee Component 3 of the project.

An existing, experienced and well-performing Project Management Team (PMT) established to implement the MIDAS Project, will also manage MIDAS2. The PMT is currently housed in the DfP premises, and consists of the Project Coordinator (General Director of DfP, civil servant), Project Manager, Civil Engineer, IT specialist and Safeguards Specialist. Up to the closing date of the MIDAS Project, i.e. March 30, 2019, the proposed Project will continue to be supported by the current PMT staff. Thereafter, sufficient resources will be allocated to retain a Project Manager and other staff as required. The project implementation team will also continue to rely on a part-time environmental and social specialist, who will take active participation in the screening of the grants and direct payments as per the ESMF. The specialist's tasks will include desk reviews, training and guidance of the applicants, and site visits to review compliance with both the World Bank safeguards policies and relevant Montenegrin laws. In addition, a Monitoring and Evaluation Specialist and other specialists in the field of fisheries and civil engineering will be recruited to support MIDAS2. Details of the above-mentioned arrangements will be provided in the Project Operational Manual (POM).

A Project Steering Committee (PSC) will be established and maintained throughout the life of the Project to ensure overall coordination and strategic guidance functions. The PSC will be chaired by the Minister of Agriculture and Rural Development and will include the Project Coordinator (DfP General Director); General Directors of Directorate for Rural Development (DfRD), Directorate for Agriculture (DfA), and Directorate for Fisheries (DfF); Director of the Administration for Food Safety, Veterinary and Phytosanitary Affairs, Advisory Services, Ministry of Finance, Ministry of Transport and Maritime Affairs, Morsko Dobro, Biotechnical Faculty/Phytosanitary Laboratory Director; and representatives of beneficiaries (civil society, local institutions, private sector).

Fiduciary responsibilities, including procurement and financial management and disbursement, will be carried out by the existing central Technical Services Unit (TSU) under the Ministry of Finance. The TSU will be responsible for the preparation of quarterly unaudited financial reports and annual audited financial statements. Expenses incurred by the TSU will be financed out of the loan on a pro rata basis with other World Bank-financed projects in Montenegro.



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F. Project location and Salient physical characteristics relevant to the safeguard analysis (if known)

The project will be implemented throughout Montenegro, including the activities targeting the fisheries under Component 3 in the coastal part of Montenegro. The activities on grants and direct payments will follow the well established screening procedure from the original MIDAS project, and will help screen out activities that may have additional safeguards implications.

G. Environmental and Social Safeguards Specialists on the Team

Vera Dugandzic, Social Safeguards Specialist
Esma Kreso, Environmental Safeguards Specialist

SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The project activities on direct payments and grants under Component 1 will finance a diverse series of activities aimed at improving the agricultural practices in country. However, some of these activities, as evident from the support provided under the original MIDAS project, could have environmental impacts and implications. This includes, but is not limited to, small scale construction of barns, farm facilities, manure management platforms, traditional katuni huts, etc. The environmental screening procedure has been implemented for the original project and will continue to be applicable to these activities; the procedure has been slightly revised to reflect the envisaged project activities including support to the fisheries sector, in the form of an ESMF. Furthermore, the ESMF addresses the construction



		and reconstruction activities under Component 3, aimed at improving the pier facilities for the fisheries. There are no major environmental impacts anticipated at this stage except for the dust and noise, material sourcing, and waste management with regards to Components 1 and 3. For Component 2, the technical assistance provided will help establish a sound management system of the animal byproducts as a follow on to the strategic planning documents to be developed by the client towards the end of 2017. These activities will be supplemented by adequate due diligence documentation prepared based on the final management solution of ABPs.
Natural Habitats OP/BP 4.04	No	The activities will be carried out on already established farms on agricultural land and there will be no activities involving natural habitats.
Forests OP/BP 4.36	No	There are no activities involving forests foreseen under the project.
Pest Management OP 4.09	Yes	The project will support increase and improvement in agricultural practices, and may indirectly lead to an increase in the pest management practices. The project will not support directly purchasing or supplying of pest management materials, but the project's ESMF includes a precautionary section on PMP.
Physical Cultural Resources OP/BP 4.11	No	There are no activities involving cultural resources foreseen under the project.
Indigenous Peoples OP/BP 4.10	No	There are no activities involving indigenous peoples foreseen under the project.
Involuntary Resettlement OP/BP 4.12	No	The original project triggered the Bank's Policy OP 4.12 on Involuntary Resettlement as 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. The Resettlement Policy Framework (RPF) document was developed, approved and disclosed in November 2008. However, the implementing Ministry of Agriculture and Rural Development decided not to construct a new building but rather opted to use the existing state-owned building. To date, no land acquisition took place under the MIDAS and associated IPARD-like grants. As stated in the Grant Operational Manual (GOM), only activities that do



not trigger the application of Bank’s OP 4.12 policy on Involuntary Resettlement are eligible for grant funding. The Grant scheme support program under the proposed project will follow the same eligibility criteria which clearly state that the activities which 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. Additionally, no land acquisition will take place under the sub-component on development of the landing places (piers) and their auxiliary services in the ports of Bar and Herceg Novi as the civil works will be carried out in public maritime domain. In brief, project will not support any activities which might involve involuntary taking of land or physical or economic displacement of squatters, scavengers, or any other third party formally or informally occupying or using the land.

Safety of Dams OP/BP 4.37	No	There are no activities involving dams foreseen under the project.
Projects on International Waterways OP/BP 7.50	No	The activities under Component 3 aimed at supporting and improving the docking facilities for fisheries may pose a risk to international waterways, i.e. the Adriatic Sea. However, due to the scope of works there is very little potential to impact the quantity and quality of water to riparians. In consultations with LEGEN it was determined that the activities are not of such scope or scale that would require triggering of this policy.
Projects in Disputed Areas OP/BP 7.60	No	

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 potential environmental and social impacts that are foreseen for the activities financed under the project are not large scale, significant or irreversible. The activities financed under the project can be broadly grouped into three



groups, per project components: the grants and direct payments scheme, the support to the fisheries sector through small scale infrastructure interventions and the technical assistance towards establishment of a management system of animal byproducts (ABPs). The grant scheme activities will be screened using an ESMF and a mechanism established under the original MIDAS 1 project. The procedure will screen out activities that correspond to a Category A or that trigger additional safeguards policies. For activities that correspond to a World Bank Category B adequate due diligence will be prepared. The ESMF also sets up the monitoring and follow up activities that the PMT will undertake. The activities supporting the fisheries component will be subject to a Checklist EMP for simple infrastructure works, since all of the works anticipated are of a limited scope and to be carried out within the existing marine areas designated for reception of the fisheries fleet. Support provided under the animal byproducts Technical Assistance, will be supplemented with the adequate environmental and social due diligence documentation, that would be adapted to the final selection of the methods and treatment chosen for safe management of ABPs.

2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area: There are no indirect or long term impacts anticipated in the project area due to the project financed activities. All of the activities are limited in scope and localized to a given location.

3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts. No alternatives have been considered. The ESMF will screen out activities based on the associated impact and activities corresponding to a Category A or triggering additional safeguards policies will not be financed.

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 Client has a well established PMT with a part time environmental and social specialist in place. The key staff have attended multiple World Bank environmental safeguards trainings and have a good track record along with the experience of implementing multiple rounds of grant calls and screening of all received applications. The PMT has strong ownership over the screening process and have used each subsequent call to additionally fine-tune the screening procedures, and to also conduct environmental awareness raising trainings for all applicants. The Client has prepared a revised ESMF coupled with the Checklist EMP for the fisheries component and a precautionary Integrated Pest Management Plan and has disclosed this document with the public consultations held on November 10, 2017 in Podgorica.

5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people. The key stakeholders are the project beneficiaries, that is the farmers and agricultural and fisheries workers, along with the neighbors and adjacent plots that could be impacted by the supported activities. Additionally, the stakeholders that may be involved include the different institutions supporting the development and operations of the agricultural sector in country, including government institutions, academia and non-governmental institutions. The client has publically disclosed the ESMF with an announcement made on their website and through the local media for the public consultations that were held on November 10, 2017 in Podgorica. In addition to the public consultations of the ESMF, each of the ESMPs that will be produced under the ESMF procedure will also be subject to public disclosure and consultations, as well as the Checklist EMPs for the fisheries infrastructure. Overall, the project has an established grievance redress mechanism where each of the affected parties can communicate directly with the designated contact person through established email and telephone contacts.



B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other

Date of receipt by the Bank	Date of submission for disclosure	For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors
14-Nov-2017	14-Nov-2017	

"In country" Disclosure

Montenegro
03-Nov-2017

Comments

The ESMF was disclosed on the website of the Ministry of Agriculture and Rural Development - the MIDAS project. www.midas.co.me

Pest Management Plan

Was the document disclosed prior to appraisal?	Date of receipt by the Bank	Date of submission for disclosure
Yes	14-Nov-2017	14-Nov-2017

"In country" Disclosure

Montenegro
03-Nov-2017

Comments

The ESMF including the IPMP was disclosed on the website of the Ministry of Agriculture and Rural Development - the MIDAS project. www.midas.co.me

If the project triggers the Pest Management and/or Physical Cultural Resources policies, the 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 (to be filled in when the ISDS is finalized by the project decision meeting)

OP/BP/GP 4.01 - Environment Assessment

Does the project require a stand-alone EA (including EMP) report?



Yes

If yes, then did the Regional Environment Unit or Practice Manager (PM) review and approve the EA report?

Yes

Are the cost and the accountabilities for the EMP incorporated in the credit/loan?

Yes

OP 4.09 - Pest Management

Does the EA adequately address the pest management issues?

Yes

Is a separate PMP required?

NA

If 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?

NA

The World Bank Policy on Disclosure of Information

Have relevant safeguard policies documents been sent to the World Bank for disclosure?

Yes

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

All Safeguard Policies

Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?

Yes

Have costs related to safeguard policy measures been included in the project cost?

Yes

Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?

Yes

Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?

Yes

CONTACT POINT



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APPROVAL

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Approved By

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