AGRICULTURE AND RURAL DEVELOPMENT POLICY IN MONTENEGRO
State of the play and challenges ahead

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Content
- Overview of the agricultural sector
- Main reforms in the agriculture
- National program for food production and rural development 2009–2013:
- Structure of the agro budget
- IPARD system in Montenegro-preparations done so far
- Donors assistance in MNE
- World Bank program for MNE
- Common Rural Development problems in the SIE
Main characteristics of Montenegro’s agriculture

- Montenegro:
  - area – 13.812 km²,
  - population – 630,000
  - population density - 45/km²

- Land resources:
  - 517,000 ha of total agricultural land, or 0.82 ha per capita
  - 190,000 ha of arable land, or 0.30 ha per capita

- Agriculture is quite diversified – from olive and citrus growing in the coastal region, early vegetables and tobacco in the central to extensive sheep breeding in the northern region

- Montenegro is a net importer of food
Main characteristics of Montenegro’s agriculture

- **Economic importance** – high share in GDP (primary agric. 11%), together with processing industry> 20%,

- Agriculture is **labour intensive**, plays a role of a social buffer – as the main source of income or a part of income for more than 60,000 of rural households

- **Structural characteristics**: small family farms prevail, average size≈ 5 ha, low productivity

- **Low level of use of chemicals** (fertilizers and pesticides) – more than 10 times less than the EU average – good precondition for organic production

- Agriculture is the most important activity of rural population

Structure of agricultural land in Montenegro

<table>
<thead>
<tr>
<th></th>
<th>Total Agricultural land - 517,337 ha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable land (fields and gardens)</td>
<td>44,524 ha</td>
</tr>
<tr>
<td>Grassland (meadows)</td>
<td>128,621 ha</td>
</tr>
<tr>
<td>Permanent crops</td>
<td>16,107 ha</td>
</tr>
<tr>
<td>Permanent pastures</td>
<td>325,436 ha</td>
</tr>
<tr>
<td>Other</td>
<td>2,649 ha</td>
</tr>
</tbody>
</table>
Reform activities in the agriculture sector

- Reform of the agro-policy by consistent implementation of the Strategy – the National program for Food Production and Rural Development (NP) is the follow-up of the Strategy
- The Activities and the projects related to strengthening of institutional and administrative capacities,
- International integrations: new CEFTA; WTO negotiations are in the final phase; the membership in international organizations (FAO, OIE, IOV, IOC, UPOV etc); EU integration process as the most complex and demanding

Reform activities in the agriculture sector

Objectives of EU integrations:
- Full integration into the EU legal system, with all the rights and obligations,
- Solving of structural weaknesses of the sector during the pre-accession,
- Increase the absorption capacity of agriculture in general,
- Entering into EU without turbulences – the so-called “soft landing”.

Priorities on the EU path:
- SAA implementation (since January 2008 Interim Agreement)
- Full implementation of the National Integration Program (NPI),
- Preparation for the candidate status: development of sector analyses,
- Strengthening of the institutions and administrative capacities,
- Implementation of the EU standards in primary production and processing industry,
Reform activities in the agriculture sector

The principles in the reforms:
1. Clear vision,
2. Legal frame – laws as a positive frame for development, with applicable solutions and harmonized with EU Acquis
3. Strategic guidance (EU model, Strategy, NP, RD program),
4. Respecting Montenegrin specificities,
5. Continuity of consistency of policy,

Legislation harmonization with the Acquis Communauté

• **New Laws adopted:**
  The Veterinary Law, the Law on Organic Agriculture, the Law on Plant Health Protection, the Law on Seeds of Agricultural Plants, the Law on Planting Material, the Law on Wine, Amendments and Modifications to the Veterinary Law, the Law on Plant Varieties Protection, the Law on Plant Nutrients, the Law on Identification and Registration of Animals, the Food Safety Law, the Law on Freshwater Fisheries, the Law on Animal Welfare, Amendments to the Law on Tobacco, Amendments to the Law on Plant Production Products.

• **In the parliamentary procedure:** The Law on Agriculture and Rural Development, The Law on Marine Fisheries

• **The following Draft Laws under preparation:** The Law on Cooperatives, The Law on Alcohol,

• **New Laws planned for adoption in 2009:** The Law on Cattle, The Law on agricultural Land
• **Bylaws** developed at the same time as laws
What is NP?

- Operational document of the Strategy,
- Guidance for harmonisation of Montenegrin agro-policy with CAP of EU,
- It defines and designs the agro-policy measures, sorted out by the policies and axes, as single fiches,
- Multi-annual budgetary plan (indicative figures),
- Frame for donor support
  - Choice (menu) of the measures
  - Convergence of the policy
- Tool for strengthening institutional frame and improvement of budgetary procedure

Why NP?

European Union → CAP
  - IPARD
  - Membership negotiations
    - NPI
  - NATIONAL PROGRAM
    - AGROBUDGET

Montenegro
  - Law on Agriculture and Rural development
  - Strategy for Food production and Rural development
Basic principles in preparation of NP

- Introduction “CAP-alike” measures:
  - Respecting WTO rules,
  - Respecting circumstances for implementation of the measures,
  - To introduce more complicated measures in the later stage,
  - To achieve high degree of harmonisation with CAP until 2013;
- Gradual approach: phase-in new measures and phase-out old ones;
- Respecting capacities: administrative and financial;
- Improvement of the implementation procedure
  - Clear eligibility criteria and submission procedure,

Agro-policy measures

<table>
<thead>
<tr>
<th>Group of measures</th>
<th>No. of measures</th>
<th>National budget, ‘09-13, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market policy measures</td>
<td>9</td>
<td>29.0</td>
</tr>
<tr>
<td>2. Rural development policy measures</td>
<td>17</td>
<td>39.1</td>
</tr>
<tr>
<td>3. Support to general services in agriculture</td>
<td>8</td>
<td>18.1</td>
</tr>
<tr>
<td>4. Social transfers to rural population</td>
<td>1</td>
<td>11.2</td>
</tr>
<tr>
<td>5. Technical and administrative support to program implementation</td>
<td>1</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>36</td>
<td>100</td>
</tr>
</tbody>
</table>
Agro-budget 2009

<table>
<thead>
<tr>
<th>Group of measures</th>
<th>Number of measures</th>
<th>Amount, €</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Market policy measures</td>
<td>9</td>
<td>5.304.028</td>
<td>26.8</td>
</tr>
<tr>
<td>2. Rural development policy measures</td>
<td>16</td>
<td>5.946.000</td>
<td>30.1</td>
</tr>
<tr>
<td>3. Support to general services in agriculture</td>
<td>8</td>
<td>3.441.780</td>
<td>17.4</td>
</tr>
<tr>
<td>4. Social transfers to rural population</td>
<td>1</td>
<td>2.900.000</td>
<td>14.7</td>
</tr>
<tr>
<td>5. Technical and administrative support to program implementation</td>
<td>1</td>
<td>410,000</td>
<td>2.1</td>
</tr>
<tr>
<td>Census in Agriculture</td>
<td>1</td>
<td>1.400.000</td>
<td>7.1</td>
</tr>
<tr>
<td>B) Fishery</td>
<td>2</td>
<td>315.000</td>
<td>1.6</td>
</tr>
<tr>
<td>C) Contingencies</td>
<td></td>
<td>33.192</td>
<td>0.2</td>
</tr>
<tr>
<td>Total:</td>
<td>38</td>
<td>19.750.000</td>
<td>100</td>
</tr>
</tbody>
</table>

1. Market policy measures

1.1 Direct payments

1.1.1 Supporting livestock production – headage payment for ruminants

1.1.2 Supporting commercial dairy production - premium per litre of delivered milk

1.1.3 Strengthening of milk collection network - co-financing of collection costs

1.1.4 Strengthening of slaughterhouses network - co-financing of the costs

1.1.5 Supporting arable crop production - payment per ha

1.1.6 Supporting tobacco production: 2009–10 per kg, 2011–13 per ha

1.2 Bee-keeping improvement – (competitiveness, quality, education)

1.3 Market stabilisation measures (Market interventions, Risk management)
### 2. Rural development policy measures

#### 2.1. Improving competitiveness of agro-food sector – Axis One

<table>
<thead>
<tr>
<th>Subcategory</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.1</td>
<td>Investments in agricultural equipment and mechanisation</td>
</tr>
<tr>
<td>2.1.2</td>
<td>Investments in livestock farms</td>
</tr>
<tr>
<td>2.1.3</td>
<td>Restructuring of permanent crop plantations and horticulture</td>
</tr>
<tr>
<td>2.1.4</td>
<td>Land operations</td>
</tr>
<tr>
<td>2.1.5</td>
<td>Investments in processing of animal products</td>
</tr>
<tr>
<td>2.1.6</td>
<td>Investments in storage, packing and processing of plant products</td>
</tr>
<tr>
<td>2.1.7</td>
<td>Investments in processing on family holdings</td>
</tr>
<tr>
<td>2.1.8</td>
<td>Producers’ organisations</td>
</tr>
<tr>
<td>2.1.9</td>
<td>Improving the quality of agro-food production and products</td>
</tr>
<tr>
<td>2.1.10</td>
<td>Promotion and information activities</td>
</tr>
</tbody>
</table>

* - Co-financing up to 30%, 40% or 50%, depending on the measure, and the criteria

#### 2.2. Measures for sustainable management of natural resources – Axis Two

<table>
<thead>
<tr>
<th>Subcategory</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2.1</td>
<td>Less favoured areas (LFAs) - payments per ha or per LU</td>
</tr>
<tr>
<td>2.2.2</td>
<td>Preservation of genetic resources in agriculture - payments per LU or per ha</td>
</tr>
<tr>
<td>2.2.3</td>
<td>Organic production - payments per ha or per LU</td>
</tr>
<tr>
<td>2.2.4</td>
<td>Sustainable use of mountain pastures – per LU</td>
</tr>
</tbody>
</table>

#### 2.3. Measures for improving quality of life and diversification of economic activities in rural areas - Axis Three

<table>
<thead>
<tr>
<th>Subcategory</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.3.1</td>
<td>Diversification of economic activities in rural areas – investment support</td>
</tr>
<tr>
<td>2.3.2</td>
<td>Village renewal and infrastructure improvement – co-financing of the projects</td>
</tr>
</tbody>
</table>

#### 2.4. Leader projects – Axis four - support for the formation of local action groups and their activities
3. Support to general services in agriculture*

| 3.1 | Education, research and analytical work |
| 3.2 | Livestock breeding improvement |
| 3.3 | Public services for livestock production |
| 3.4 | Public services for plant production |
| 3.5 | Extension services |
| 3.6 | Quality control |
| 3.7 | Phyto-sanitary measures |
| 3.8 | Veterinary measures |

* - Supporting programs
Component V of the IPA – IPARD – objectives

- Contribution to the implementation of the Acquis Communautaire concerning the Common Agricultural Policy and related policy areas by the candidate countries.

- Contribute to sustainable development of rural areas in the candidate country

- The objectives to be met by implementation of 9 different measures under 3 priority axis
IPARD implementation for Montenegro

- When Montenegro obtains the EU candidate country status, it will become eligible for further EU rural development assistance IPARD.

- IPARD aims to:
  - contribute to a sustainable adaptation of the agriculture sector and implementation of the *acquis communautaire*;
  - development of rural areas.

- It is yet unknown how much funds will be allocated to Montenegro under IPARD. The criteria for allocation of funds will probable be the same as it was for 10 New Member State in the year 2000 (The financial support for SAPARD/year in 000 Euro was: Slovenia 6,5; Estonia 12,3; Latvia 22,2; Lithuania 30,3, Bulgaria 53,0; Hungary 38,7; Czech Republic 22,4; Slovakia 18,6; Romania 153,2; Poland 171,6).

- The exact IPARD allocation will be based on a number of objective criteria including farm population, agriculture area, GDP per capita in purchasing power parity and the specific territorial situation.

- The MAFWM will be obligated to prepare the IPARD Program 2010-2013. The basis for this will be National Rural development Program 2010-2013.

- Time necessary for the execution of activities depends on the organisation of actions, engagement of foreign experts, adequate number of employees engaged in Rural Development Directorate, as well as cooperation with national experts.

- At the same time with the establishment of IPARD Program, the MA and Paying Agency must be also completed. The necessary period for the national accreditation and conferral of Management is 1,5 to 2 years.

- The quality of the Program implementation is monitored by the Managing Authority and the Monitoring Committee with financial indicators as well as output and result indicators.
PROTOTYPE PAYING AGENCY

- The prototype paying agency will be established in parallel with the Rural Development Unit (RDU). This unit will be responsible for establishing and updating rural development plans and for defining measures to be supported by rural development funds (in line with IPARD priority axes).
- The Paying Agency will also be responsible for the processing of grant applications and authorizing payments in line with the criteria defined within the EU IPARD Rural Development Plan. Moreover, the Agency will be responsible for organizing on the spot controls and independent audits.
- According to EU procedures, the IPARD Paying Agency may be established either as a separate department of the MAFWM or later as an independent Agency (possibly located in the proposed future “House of Agriculture”).
• The MAFWM has nominated a coordinator responsible for setting up the proto-agency. Office space has been allocated.

• During the second half of February 2008, the EAR helped prepare an action plan for establishing of an IPARD agency. Under IPA 2008, the EU will finance:
  
  – Technical assistance, training and study tours to strengthen the administrative capacity of MAFWM unit playing the EU IPARD paying function (Proto-Paying Agency), including the preparation of an organizational chart, identification of Paying Agency functions, and, guidebook of procedures for the payment of rural development funds;

  – Technical assistance for identifying information and data sets needed for the installation of an IT system for rural development measures

• A 2-phase approach is anticipated for the establishment of the IPARD and national Paying Agency:

• (i) Establishment of a proto-agency (support unit counting ca. 10 members) that will manage national support programs and World Bank grants. In terms of accreditation and procedures, the proto-agency should already meet the key EU requirements for IPARD Paying Agencies. It should become operational by end of 2009.

• (ii) From mid 2009 onwards, the IPA 2008 program would assist the establishment of the IPARD Paying Agency. The proto-agency will be the nucleus for this process.
Next steps in the IPARD implementation

• Rural development program - EU members alike,
• Classification and mapping of LFA-s,
• Carrying out agricultural census-October 2009.
• Registers and cadastre,
• Paying agency and IACS,LPIs
• Infrastructure in the field, strengthen of advisory service
• Preparation of the local community – beneficiaries

DONORS SUPPORT IN THE FIELD OF RURAL DEVELOPMENT

• Two sources of donation are crucial:
• IPA assistance for 2008, 2009 and 2010 that will have several main components:
  • Development of the Food Safety Services in Montenegro, TA program - 2.2 mil €
  • Support to the establishment of the IPA Rural Development programming and implementation system in Montenegro 2.2 mil € - Twinning
• Support to animal disease eradication in Montenegro, € 1.7 mil
• Fishery Sector Reform – 1.5 mil € - TA

• World Bank project: MONTENEGRO AGRICULTURE DEVELOPMENT PROJECT (MIDAS) the 15 mil. US $ IBRD long-term loan, with additional 4 mil. US$ as the GEF grant.
• These two kinds of the assistance are fully compatible and will produce synergy during their implementation.
• The WB project development objective is to create an efficient rural development program consistent with pre-accession rural development programs.

The project will have the following components:

• Component 1: Strengthening the Rural Development Program (Improving rural development program delivery, Increasing rural development program funds for specific objectives and areas with GEF co-financing, Building knowledge and capacity of agricultural producers and processors);

• Component 2: Strengthening of Administrative and Management Capacity of the Ministry of Agriculture, Forestry and Water Management in compliance with EU accession requirements (Improvement of the administrative capacity and establishment of new institutional structures within the Ministry, with an emphasis on strengthening Agriculture Policy, Establishment of main elements of an Integrated Administrative and Control System (IACS), including required IT upgrade, Creation of a sustainable sanitary and phytosanitary (SPS) capacity for an EU-compliant Food Safety System). Will finance Census in Agriculture in 2009.

• Montenegrin agriculture was a beneficiary of support through bilateral cooperation with Italy (Sustainable development of rural areas in Ulcinj region)

• MEDNEM – Diary sector reform - Luxembourg

• Sweden (Genetic resources in plant production - SEEDNET).

• USDA (AMIS),

• USAID

• FAO-Organic agriculture and piloting rural development project (SWG)

• Strengthening of cross border cooperation (GTZ);

• Monitoring of the instruments of social status of the farmers (France);

• EU information centre in the agriculture (Slovakia);

• Strengthening of extension services for faster development of organic agriculture (Denmark)

• Expecting: STAR – USAID 10-15 mil $
Possible fields of cooperation with donors

linked to IPARD:

- Capacity building: Managing Authority, National Fund, IPARD agency,
- supporting services (veterinary, environmental, social services)
- • RD strategy, ex-ante evaluation / analysis of rural areas/agricultural sectors (milk, meat, fruit & vegetables ...)
- • Increase the budget allocated to Agriculture/RD (WB)
- • Improving land ownership/registration of land (cadastre)
- • Setting up/strengthening extension/advisory services
- • Improving agricultural statistics, farm registers (IACS and LPIS), FADN
- • Setting up farmers’ associations (cooperatives and producer organizations)
- • Improving the access to loans for SME, farmers in rural areas (creation of Credit Guarantee Funds in Agriculture)

Agriculture and Rural Policies - challenges for WB Countries

- development and implement a sustainable rural development policy
- Insufficient administration capacities (staff, skills, equipment, salary) - most countries currently try to prepare institutions and legal framework in order to become eligible for EU pre-accession support (IPARD)/(IPA)
- Budgetary resources for agriculture are low. In all countries they are well below agriculture’s shares in employment and GDP
- The region clearly is under a specific and urgent need for the reconstruction of farms and food industries
- Rehabilitation of rural infrastructure and the provision of social support for poor rural people are of similar importance
THANK YOU FOR YOUR ATTENTION!

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