



*Montenegro*

*Ministry of Agriculture, Forestry and Water Management*

**NATIONAL PROGRAMME FOR FOOD  
PRODUCTION AND RURAL  
DEVELOPMENT  
2009–2013**

Podgorica, September 2008



This document has been created with the help of a project financed by the EU and managed by the European Agency for Reconstruction.

(Programming and upgrading of rural development in Montenegro) LOT 1: Agriculture and Rural Development; REQUEST N°: 06MON01/06/007

## PRELIMINARY REMARKS

The adoption of a new Strategy on food production and rural development in mid-2006 was a very important step in executing reforms in the agricultural sector of Montenegro. The Strategy paved the new way to agricultural development, speeded up the preparation and adoption of key laws in the fields of agriculture and food safety, and also incited and intensified the preparation and implementation of numerous programmes and projects, while further strengthening institutions in agriculture. One of the tasks anticipated by the new Strategy is the preparation of a national programme (NP) for agriculture and rural development. This document serves as an elaboration of the Strategy, in terms of defining and implementing of agricultural policy.

The National Programme for Food Production and Rural Development is a document of the Ministry of Agriculture, Forestry and Water Management, and it was prepared with the technical assistance of the EAR project: *Programming and development of rural areas in Montenegro*. A joint expert group of Slovenia and Montenegro worked on drafting of the Programme.

The document consists of the following chapters:

- I. Starting points
- II. Description of measures
- III. Financial plan
- IV. Programme implementation

Chapter I, *Starting points*, outlines the Programme's objectives, its strategic and legal framework and the conceptual starting points for agricultural policy—as well as its harmonisation with the requirements of the European Union (EU) model for support in agriculture. In the second chapter, agricultural policy measures are described in detail by main components and the rural policy development by main axes. Every measure consists of the basic elements necessary for implementation. In the third chapter, a five-year financial plan is presented by measure groups, and by each measure separately, with financial sources defined, as well. In the last chapter, gives an overview of providing the conditions necessary for implementation, from creating new and strengthening existing administrative capacities, to creating infrastructure prerequisites in practice.

Bearing in mind the specific nature of the document (i.e., a planning and technical document), the expert group had three basic starting points in the process of preparation and development:

- a) analyses, evaluation and recommendation, from the viewpoint of the Strategy;
- b) EU requirements for integration and the dynamics for harmonising agricultural policy with the EU Common Agricultural Policy;
- c) participative process in which all stakeholders take part in defining and implementing agricultural policy in Montenegro.

In the course of the document preparation and development, participative process was executed, first of all, by distributing a detailed questionnaire about existing policy and views on its development. After collecting answers, workshops were organised during which new suggestions and ideas were obtained and elaborated on. Then, the public discussion took place in the form of roundtables organised in Bar, Bijelo Polje, Niksic and Podgorica. All the suggestions and recommendations from the workshops and the public discussion are incorporated into the final version of the document.

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# I Starting Points

## 1 Document's Objective and Structure

The National Programme for Food Production and Rural Development 2009–2013 (hereinafter: the NP) is an operational programme for the implementation of agricultural policy that consists of measures concerning market-price policy, measures for rural development, support to general services in agriculture and social transfers to the rural population—and, in the broader sense, technical and administrative support as well. In the NP, the objectives of agricultural policy are defined, policy types are discussed and specific measures are presented, together with financial costs and basic implementation rules.

The NP is founded on the Strategy for Food Production and Rural Development, which was adopted by the Government of Montenegro in the middle of 2006 and is valid for the period 2007–2013. In fact, the NP represents a further elaboration of the Strategy and its practical implementation. In addition, the NP is harmonised with the National Programme for EU Integration (NPI), adopted by the Government of Montenegro in June 2008. The current situation analysis, aims and objectives presented in these two documents are **wholly applicable to the NP**.

The achievement of development aims, as defined in the Strategy, is very much dependent on the choice of measures and the amount of budget support aimed at specific types of measures.

Above all, the NP's aim is to support the development of agriculture and rural areas, with a special emphasis on adjusting agricultural policy and its implementation, to conform to EU requirements. In this respect, preparations for the implementation of policy of pre-accession support, the Instrument for Pre-Accession Assistance for Rural Development (IPARD) will have a special place.

The NP is a planning and technical document for carrying out agricultural policy; on the basis of the NP, further detailed annual budgets will be prepared during the specified period.

The choice of measures and budget projections for implementation is made on the basis of the following:

- concept of agricultural policy and its aims defined by the Strategy
- analysis of the implementation of the policy of support to date, defined in the Strategy, through the measures of the agro-budget, whose type and amounts are adjusted every year
- evaluation of the dynamics of the adjustments of agricultural policy measures to the principles of the Common Agricultural Policy (CAP), as well as the projection of the potential of the pre- and post-accession EU support

Considering these starting points, a definition and analysis of measures actually represents long-term budget planning, which is introduced into the Montenegrin practice for the first time.

Defining agricultural policy and choosing separate measures are flexible processes, besides the fact that the principles and rules of the World Trade Organization (WTO) and the need for harmonisation with the EU model for support impose some obligations and limitations. Long-term development and the competitiveness of agriculture rely on proper rationalisation and making good choices.

According to budget projections, the main source for financing agricultural policy is the national budget. However, in the pre-accession period, one part of the rural development policy will be proposed for support from EU IPARD sources, and a smaller portion from donor projects. In addition, possibilities for financing measures through local community sources should be exploited as well. Sources from local communities can be used as an additional source for financing all the measures projected by the NP, with the exception of the direct payments and measures for market stabilisation, because the principles of a single internal market would be jeopardised, otherwise. As well, sources at the local-community level can and should be used within the limits defined by EU regulations, as upper limits for the participation of public sources in the implementation of certain projects and activities.

The implementation of the NP should roll out through annual regulation with regards to the implementation of measures for agricultural policy—i.e., the agro-budget—while the evaluation of the effects of agricultural policy will be followed through the regular annual report on the realisation of the NP and the agro-budget.

## **2 Strategic and Legal framework**

### **2.1 Food Production and Rural Development Strategy**

The key document for the continuing development of agriculture involves a new strategy: the Montenegrin Agriculture and European Union – Strategy for Food Production and Rural Development, in force from mid-2006. It was created jointly by the Ministry of Agriculture, Forestry and Water Management (MAFWM) and the European Agency for Reconstruction (EAR).

The Strategy is a comprehensive document that, in its first part, provides an analysis of the existing situation in agriculture, evaluates its competitiveness and surveys previous agricultural policy. On the basis of these analyses, it offers several possible scenarios for the future development of agriculture.

The Strategy is a platform for harmonisation of agricultural policy, legal and institutional support to agriculture with the principles and requirements of the EU association process.

With the new Strategy, Montenegro has chosen a concept of sustainable development, which means achieving a full balance between economic

development, and preserving both the environment and development of the society in general. The Strategy takes into account the multifunctional role of agriculture that places agriculture in the wider context, rather than just looking at its GDP contributory value.

The Strategy defines four main objectives:

- a) achieving sustainable resource management
- b) achieving a stable and acceptable supply of safe food
- c) providing decent living standards for rural population
- d) increasing the competitiveness of agro-food producers

In the agricultural policy laid down by the Strategy, the most important place is reserved for rural development measures, which have three main directions:

- increasing competitiveness
- sustainable resource management
- providing better quality of life and diversification of economic activities in rural areas

The Strategy also lays out a concept for agricultural policy measures and financial outlines for budget planning. As well, it provides a framework for further restructuring and creating the modern role of the state, which should facilitate accession to the EU.

## 2.2 The National Programme for EU Integration

Harmonisation of the legislation and institution-building are the main prerequisites for any country's integration into the EU. Agriculture, including food safety, is the largest contingent of the EU legislation.

With this in mind, starting in June 2008, Montenegro prepared the NPI, which represents the basis for harmonisation of the NP with the EU legislation over the next five years, including a staff recruitment plan and the necessary resources and well as short-term (for the period 2008–2009) and mid-term (2010–2012) priorities.

Three chapters of this document relate to agriculture and food production as a whole. Chapter 3.11 (Agriculture and rural development) includes a legal system harmonisation plan in the following areas: market organisation and direct payments, rural development policy, financing the Common Agricultural Policy, paying agency, quality policy and organic farming. Chapter 3.12 deals with the area of food safety, veterinarian and phyto-sanitary policy, and chapter 3.13 with the harmonisation plan in the fishery area.

The part of the NPI that refers to **market organisation and direct payments** shows the legislative and institutional frameworks for each of the EU and Montenegro, as well as the newest reforms in EU by which most of the existing common market organisations are united and simplified, as governed by the EC Regulation (Celex 32007R1234).

In terms of short-term priorities (2008–2009), one of the most important is the adoption of the Law on Agriculture and Rural Development. The Law will represent the basis for prescribing bylaws that would regulate the agricultural product market. Among the priorities are quality standards and information bases that will enable and ease the marketing of the most important Montenegrin products (i.e., the creation of rulebooks on classification and evaluation of lamb carcasses in slaughter line, overhauling the existing regulations on criteria for setting the collecting prices of raw milk, developing new rulebooks on olive oil quality and on wine production, and setting up of the register and making of a study on zoning the vine-growing area of Montenegro).

The most important middle-term priorities in the field of market organisation are: establishing of a legal framework and implementation of quality standards on classifying beef carcasses at the slaughter line, the complete harmonisation of legal documents in the vine-growing sector; full harmonisation of the system for collecting marketing information with that in the EU and setting up of a system for executing direct payments to producers.

In the **policy on rural development**, in addition to enactment of the aforementioned law, the short-term priorities include the development of Rural Development Programme while the middle-term priorities include the Programme implementation. It will also include the measures to be financed from the IPARD support for rural development.

Paying agency will have an important place in implementation of the new agricultural policy. Preparations necessary for establishing of this agency will take place under the short-term priorities, in order to have it established in the course of 2010.

In the field of **horizontal measures**, including organic agriculture, quality policy, state aid and a farm accountancy data network, the complete harmonisation of the legislation with the EU *Acquis* is planned prior to accession.

With regards to the implementation of planned policy, new employment positions at the Ministry of agriculture are planned. Currently, there are 51 employees in the Ministry and employment of 70 more is planned over the five-year period.

Chapter 3.12 defines the fields of **food safety, veterinary and phyto-sanitary policies**, and discusses the short-term priorities of adopting many laws and bylaws that will be harmonised with the EU legislation. The process of strengthening the Veterinary Directorate will be continued by forming new units, then strengthening the diagnostics capacities of the Veterinary Diagnostic Laboratory. In the phyto-sanitary service, in terms of short-term priorities, the foundation of a unique body for phyto-sanitary issues is anticipated, called Phyto-sanitary Directorate.

In 2010–2012 (i.e., the timeframe of middle-term priorities), the harmonisation of legislation with the *Acquis communautaire* will be completed in the field of veterinary policy, zoo-techniques and phyto-sanitary policy, including those involving seeds, planting material and plant-variety protection.

Because of the implementation of legislation in the field of veterinary and phyto-sanitary service, 25 new employment positions are anticipated.

### **2.3 The Law on Agriculture and Rural Development**

The legal framework for the creation of the NP is based on the Law on Agriculture and Rural Development. The Law is the main legal document for agricultural and rural development policy, and is in the process of enactment. The Law, among other things, governs the following: development of agriculture and rural areas, aims and objectives of agricultural policy, support measures in agriculture and eligibility criteria for their use, beneficiaries, additional agricultural activities, organisational forms in agriculture; public services in agriculture, the foundation of a paying agency in agriculture, registration and evidence, and other important points regarding agricultural and rural development.

The Law stipulates that the agricultural policy in Montenegro is to be carried out in accordance with the NP for food production and rural development, which is adopted by the government for a period of five years. The implementation of the NP is carried out through an annual decree on the implementation of agricultural policy (i.e., the annual agrobudget).

In its essence, the Law takes over the aims and the agricultural policy of the Strategy and gives them the necessary legal shape. The importance of agricultural policy is reflected through the fact that the chapter on agricultural policy measures is explained in detail, where the whole agricultural policy is sorted into four basic groups: market-price policy, rural development policy, support for general services in agriculture and social transfers to the rural population.

In the field of market-price policy, the most important form of support to production are area payments accompanied with direct payments per head, which is in accordance with the principles of the WTO; this concept follows the newest reforms of CAP in EU.

A very important place in agricultural policy is reserved for the rural development policy, which is executed through four basic groups of measures. The first group (axis) is directed to strengthening the competitiveness of food producers through support in investments in primary production and processing industries, then investments for executing land policy, support for introduction of international standards and organisations of the producers. The Law, with respect to the newest EU regulations, sets up and defines support in investments very broadly—investments by which abundant financial support to development is enabled, especially during the pre-accession period when it is needed to implement numerous standards and raise the competitiveness of domestic production. The second group (axis) refers to the sustainable management of resources, where the support for the development of areas with limited possibilities for agriculture and agro-environmental measures are anticipated. In the third group (axis) are the measures for supporting the quality of life in rural villages (i.e., building rural infrastructure and a programme for reviving villages) and diversifying the

economic activities in rural areas, regardless of the nature of additional commercial activities regarding agricultural holdings or support to entrepreneurship, the development of small enterprises or different kinds of tourism. The fourth group (axis) of measures for rural development should stimulate and support local communities and local groups in creating and implementing their strategies and development projects.

The third component of agricultural policy refers to financial support for general services for agriculture that are of public interest: extension services, animal and plant breeding and other expert work in livestock and plant production, support to research, analyses and education in agriculture, along with rules on the basis of which the support for carrying out the activities of public interest could be executed.

The fourth component of the agricultural policy refers to social transfers to agricultural households and relaxations related to obligatory social insurance for farmers.

The Law defines the beneficiary of the support, the implementation of agricultural policy and the foundation of a paying agency. As mentioned, the paying agency will execute financial support in agriculture and rural development, from both the domestic budget and donors' resources—especially IPARD support in the pre-accession period.

There is also a place in the Law for producer organisations and groups in agriculture, in accordance with the CAP and European practice, and the legal definition of supplementary activities in agricultural households. The registers and records necessary for the functioning of agricultural policy and for harmonisation with the EU system.

### **3 Conceptual Starting Points**

#### **2.1 Analysis of Agricultural Policy Budget 2002–2008**

An analysis of existing measures represents one of the more important bases for programming and planning agricultural policy. The analysis was created on the basis of a data base of planned, annual budgetary transfers for agriculture in the period 2002–2008—that, in addition to the agro-budget includes the programme of veterinary measures (even during the years when those sources were not included in the agro-budget). All the measures are systematised according to the classification system that largely follows the essence of the newest measure classifications of the Common Agricultural Policy of the EU. The grouping of measures, according to that classification, is not directly comparable with the classification of measures from the agro-budget within respective years, nor with the classification used in the analysis of agricultural policy in the Strategy.

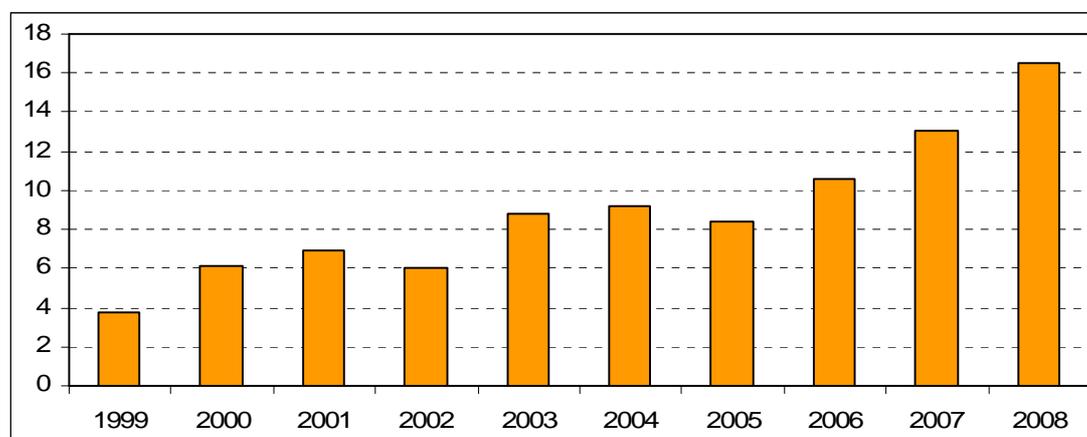
##### 2.1.1 Total agricultural budget and its structure

According to the Strategy, at the beginning of the transition, agricultural policy in Montenegro was very unstable and significantly carried elements

of the pre-1990 policy, with administrative pricing and strong interventions. During 1999 and 2000, there was a great turning point in comparison to the previous policy, and after that time a complete liberalisation of the market took place. From the middle of 2001, all prices were formed freely by the market.

In spite of low competitiveness in the agricultural sector, liberalisation of the market during the initial years was not followed by an adequate increase in the budget. It remained at a relatively low level (i.e., under 10 million Euros), and until 2006, the budgetary oscillations reflected the transitional process and a seeking-out of more stable concepts for agricultural policy (graph 1).

*Graph 1: Total agricultural budget (including the veterinary programme), 1999–2008 (millions of Euros)*



From 2006, by adopting the Strategy, significant changes were seen in agricultural policy, as well as in the tendency of strengthening of overall budgetary expenditures for agriculture (including the veterinary programme), reaching the level of 16.5 million Euros in 2008. That figure is three times greater than the comparable figure for 2000–2002. A detailed analysis, according to the policies, is presented in tables 1 and 2 and graph 2.

*Table 1: Agricultural budget (including the veterinary programme) by group of measure, 2002–2008 (000s of Euros)*

Type of measure	BUDGETARY TRANSFERS (national budget)						
	2002	2003	2004	2005	2006	2007	2008
<b>Market policy</b>	1.052	3.039	3.058	2.772	3.492	4.219	4.951
Direct payments in livestock production	675	1.271	1.339	1.353	1.677	1.897	2.160
Direct payments in crop production	164	197	340	414	465	630	588
Direct support to processing industry	0	867	867	743	1.080	1.040	1.072
Other	213	704	512	262	270	652	1.131
<b>Rural development policy</b>	1.485	1.337	1.352	1.031	2.381	3.199	4.387
Measures for improving the competitiveness of agricultural sector	672	544	589	442	1.589	2.127	2.949
Measures for sustainable management of	0	0	0	0	0	23	225

natural resources							
Measures for improvements to quality of life and diversification of economic activities in rural areas	813	794	764	589	792	1.049	1.213
<b>Support to general services in agriculture</b>	1.661	1.591	1.778	1.899	2.041	2.666	3.542
Of which: Veterinary programme	444	649	712	731	850	1.250	1.810
<b>Social transfers to rural population</b>	1.329	2.330	2.450	2.310	2.400	2.400	2.900
<b>Other</b>	506	496	561	368	236	598	781
<b>TOTAL BUDGET</b>	6.033	8.793	9.200	8.380	10.550	13.081	16.560

*Table 2: Breakdown of agricultural budget (including the veterinary programme) by group of measure, 2002–2008 (%)*

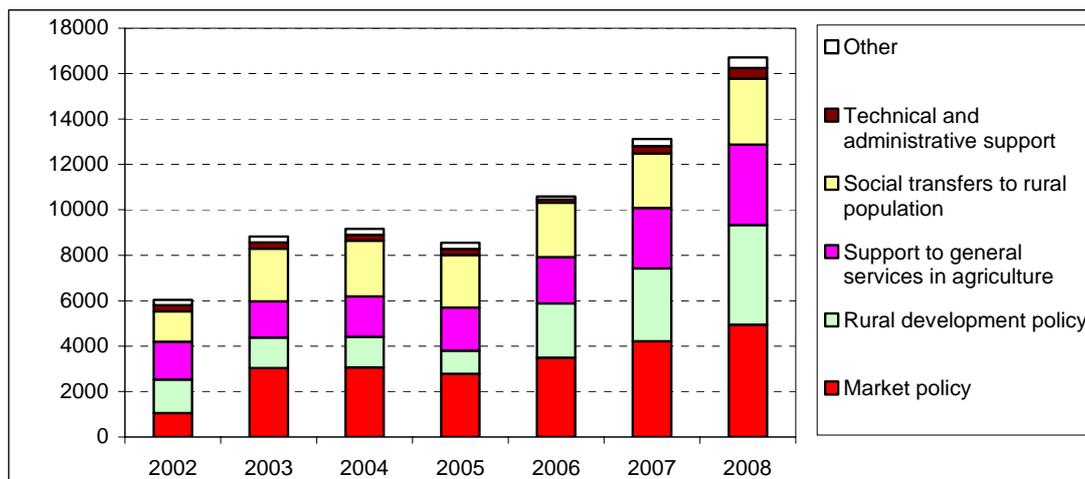
Group of measure	2002	2003	2004	2005	2006	2007	2008
<b>Market policy</b>	17.4	34.6	33.2	33.1	33.1	32.2	29.9
<b>Rural development policy</b>	24.6	15.2	14.7	12.3	22.6	24.5	26.5
<b>Support to general services in agriculture</b>	27.5	18.1	19.3	22.7	19.3	20.4	21.4
<b>Social transfers to rural population</b>	22.0	26.5	26.6	27.6	22.7	18.3	17.5
<b>Other</b>	8.4	5.6	6.1	4.4	2.2	4.6	4.7
<b>TOTAL BUDGET</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0

In the whole of 2000–2002, social transfers represented an important part of the agricultural budget, which, until 2006, resulted in a relatively small amount of funds for traditional pillars of agricultural policy – market-price and rural development policies- and limited implementation of these measures. After price liberalisation, attempts were made to improve the respective economic positions of farmers and the food industry by introducing different production-coupled payments, especially in the dairy sector.

Between 2003 and 2005, the market policy measures represented around one-third of the budget expenditures. In that period, budgetary financing of general services was quite stable. Because of limited budgetary sources, funds for rural development decreased; this was very unfavourable from the viewpoint of the significant needs inherent in developmental support in agriculture and rural areas.

Budgetary expenditures after 2005 show that there was more active and more consistent policy. Significant increases in the total budget were recorded, as well as in all policy group measures. The fastest increase was recorded in funds for rural development and for general services in agriculture. The tendencies in policy change and budgetary funding followed the concept of the Strategy, adopted in 2006.

Graph 2: Agricultural budget (including the veterinary programme) by group of measure, 2002–2008 (000s of Euros)



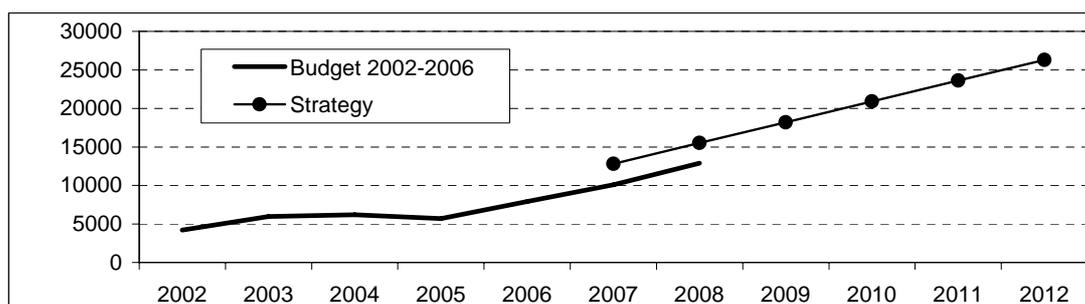
### 2.1.2 Agricultural budget for 2007–2008 and comparison to the Strategy

A more detailed analysis of the budgetary expenditures for agriculture in the years 2007–2008, and their comparison to the planned budget in the Strategy, show that deviations were within expected margins. Some instruments anticipated in the Strategy are being implemented at a faster pace, while some are behind schedule. The NP should certainly continue to follow the policy defined by the Strategy, and at the same time it should respect the changes that have occurred in recent years.

A direct comparison of the budgetary items for agriculture and planned funds in the Strategy are possible only at the level of programmes incorporated in that document. The analysis thus refers to the measures in terms of market-price policy, rural development policy and support to general services in agriculture (including the veterinary programme).

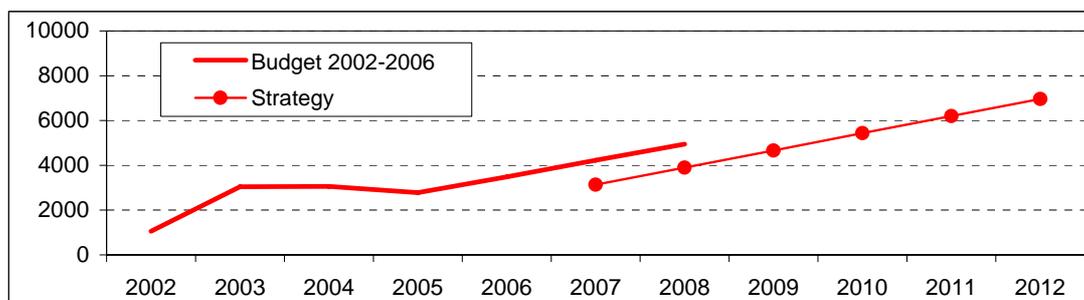
At the level of aggregation (i.e., all three groups of measures), harmony with the plan in the Strategy is very high (graph 3); lately, the pace of increase in budgetary expenditures for comparative programmes has been harmonised with the pace of increase projected in the Strategy.

Graph 3: Total funds for comparative programmes in budgetary expenditures for agriculture (with veterinary) and in the financial plan in the Strategy (000s of Euros)



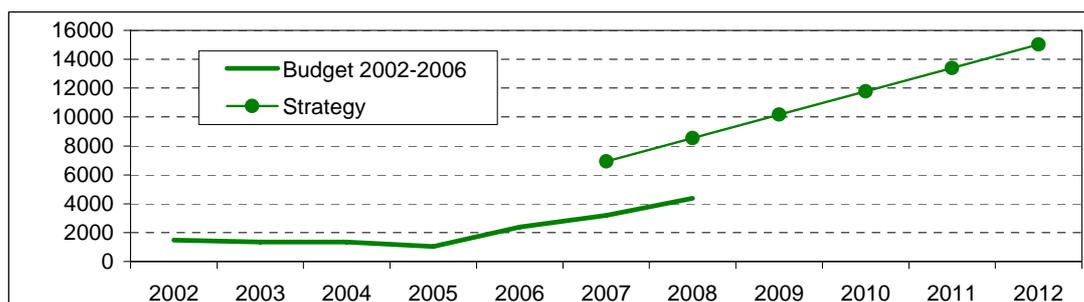
A similar situation is seen with the market policy, where the pace of funding growth in recent years has been similar to the pace of growth planned in the Strategy, but the total expenditures for those measures from 2007 are higher than were planned (graph 4). This is a consequence of higher expenditures related to support to the dairy sector, in the forms of direct payments and intervention measures.

*Graph 4: Budgetary expenditures for the market policy, in comparison to the Strategy (000s of Euros)*



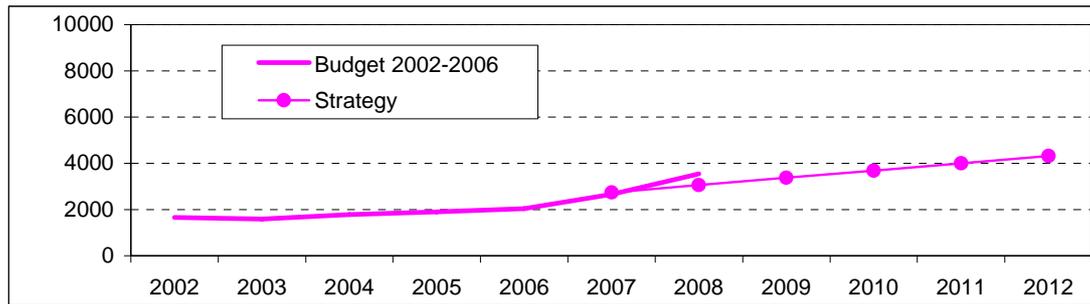
The budgetary expenditures for rural development measures are significantly lower than those in the Strategy. The reason for that significant difference should be examined, in light of the fact that the programme for payments in the less-favoured areas (LFA) has not yet been implemented. For that purpose, a large volume of funding was planned in the Strategy for 2007–2009. That programme is very demanding in an administrative and technical sense, from the standpoints of implementation and establishing a solid information base. It seems that the conditions for Programme implementation are not going to be completed in the near future; thus, this must be taken into consideration while preparing the NP.

*Graph 5: Budgetary expenditures for rural development policy, in comparison to the Strategy (000s of Euros)*



The budgetary expenditures for financing general services in agriculture—where resources for implementation of the operational programme for animal health protection are involved—are very well harmonised with the plan in the Strategy (graph 6). General services are a very important part of support in EU integration processes; thus, the support to that component of agricultural policy should have its own place within the NP.

Graph 6: Budgetary expenditures for general services in agriculture (with veterinary), in comparison to the Strategy (000s of Euros)



In general, it can be concluded that the level for fulfilling budget plan from the Strategy is a good basis for further planning and programming the measures. Some consideration must be paid to the changes of the past two years, including obligations from the NPI and changes within the CAP. The course planned by the Strategy should be continued and the EU integration process should be supported by strong reforms, while supporting requirements for the development of domestic agriculture and rural areas.

### 3.2 Requirements for EU accession in agriculture

#### 3.2.1. CAP and European integration process

CAP is a complex system of legal regulations, budgetary support and market interventions that significantly influences matters relating to agriculture and rural areas in the EU. With the CAP, member states have reached the highest point of integration in policy affairs, at the EU level. This means that member states have decided to regulate the policy only through common institutions and to provide a common budget for it. CAP was formed by the Rome Treaty in 1958, by which the European Economic Community (EEC) was defined. For 50 years, CAP has not only significantly influenced the agricultural development but also European integration processes in general.

Because of differences in the concept, scope and implementation of agricultural policy, the accession of candidate countries in the EU is a challenge for every country, especially for small countries with generally lower development statuses which normally do not invest a lot in agriculture. Thus, this is a special challenge also for Montenegro.

The process of integration in the CAP consists of three main areas: harmonising the legislation, building and strengthening institutional capacities and policy reforms.

- a) *Harmonising legislation.* A candidate country must be able to implement a common legal procedure in certain areas, after accession. CAP is based on regulations that need not be directly incorporated into the legal system of the candidate country, but which must be executed completely and properly. The CAP is very demanding in terms of institution-building and implementation (e.g., financial activities, information systems, control, monitoring),

as well as in understanding policy concepts and technical requests, even for the administration and especially for the sole beneficiaries. Thus, it is recommended that Montenegro adjust its legal system to conform to the main CAP principles before accession, which would require serious reforms and substantial adjustments.

- b) *Institution-building.* High standards of modern public policy are incorporated into the system of CAP implementation. Paying agencies, information and administrative control systems and other institutions and activities must be created prior to accession, all of which require significant administrative, financial and personnel changes. For a country like Montenegro, in practice, this means a general and demanding modernisation of all public activities in the field of agriculture.
- c) *Policy reform and support to restructuring.* The aim of successful adjustments is to decrease the negative and increase the positive effects of EU integration. According to the practice, before accession, a great number of the measures are not compatible with the CAP, so keeping them until the accession would give the wrong signal to the beneficiaries. An emphasis must be placed on accepting the CAP measures, which would significantly support adjustments and re-structure both the agro-food sector and rural development. This is why it is useful and rational to gradually adjust the policy to the principles and requirements of the CAP. Doing so is not possible without reforms to the policy and strengthening of budgetary support. The Strategy highlights the areas that require further restructuring.

Accepting CAP requires also a detailed knowledge in the sense of concepts, the legal system and institutional support. It is possible to strengthen all three elements with well-prepared and executed pre-accession support. Entering CAP is a special topic and one of the most difficult issues in negotiating EU accession, because it is necessary to fulfil CAP's demanding legal and institutional conditions, and the financial EU contribution for any individual country is defined through these negotiations.

### ***Development and reforms of the CAP***

CAP has gone through different phases and changes in the last five decades. The CAP objectives have not changed since the beginning, and they refer to securing the income of the rural population, stabilising the market and raising productivity and competitiveness in food production. Over the last 10 years, agriculture has been found to have an especially important place, in terms of the environment and food safety. The arguments for support are based on the economic concept of market imperfections (externalities)—i.e., accepting economic and the other important functions of agriculture—that are not regulated by the market, but that can have significant societal and public roles. In that sense, the concept of an “EU model of agriculture” and the “sustainable agriculture” have been recognised.

General CAP objectives have never been doubted. However, CAP was and still is a matter of conflict in EU affairs. The conflict points are the

instruments and financing of agricultural policy, as well as their effects. Historically, CAP was, for years, based on price support. This means that, through high levels of import protection, the EU has increased agricultural producer prices of main products, significantly above the level that would be defined by the market; the prices would become stabilised by export support and by different interventions on the internal market.

High prices contributed to increases in production and a restructuring of agriculture, but when the EU achieved the status of a net food exporter, the expenses for maintaining those prices increased to the extent that such a policy was financially and politically unsustainable. The influence this EU policy had on the world market drew criticism from the international community. With high export subsidies and oversupply, the EU was lowering prices on the worldwide market, thus making the development of agriculture in other countries more difficult. High product prices stimulated the consumption of production inputs and a concentration on production, which had a negative influence on the environment.

Especially larger producers of stable continental agricultural commodities like cereals, milk, sugar and beef had the greatest advantage in of large budgets: In the 1970s, they comprised 70% of the overall EU budget. Also, today around 80% of the support goes to 20% of producers. The countries with a large and developed agro-industry (e.g., France, Denmark and Ireland) had the greatest interest, which means that those countries even today acquire greater financial flow from the EU budget than they contribute. All new countries with lower GDPs have also positive budgetary balances with the EU. On the hand, Sweden, the Netherlands and especially Great Britain—all of which are net contributors to the EU budget—strongly oppose this kind of budgetary distribution.

All this criticism has led to gradual reforms and changes that gradually neutralise the negative effects on the market, but maintain the level and distribution of the CAP benefits among the member states. First, the production of milk was fixed by production quotas, as milk represented the largest budgetary issue then. After that, set aside payments were introduced, with the aim of lowering the pressure of the production on the market.

The other and more significant reform was one in 1992, which was implemented under the pressure of international trade negotiations (today in the form of the WTO). Along with lowering prices, the reform introduced direct payments (per hectare and head) and gave greater emphasis to rural development policy. EU enlargement, new requests made by WTO members, and even the definition of the new role of agriculture in the society induced new reforms between 2003 and 2008. The essence of those new reforms was further market deregulation, the introduction of decoupled direct payments and a strengthening of rural development policy.

The existing CAP model has a legal and budgetary basis that remains in effect until 2013. A new basis will be defined between 2009 and 2012 and may bring about great changes. The basic dilemma within the EU is the argumentation and the long-term vision of agricultural policy, the

definition and choice of measures, the relationship between common and national financing, and especially the scope for total budget expenditures for agriculture.

Because of its constant changes, the CAP is a “moving target” for all candidate countries. This especially refers to further enlargement, although previous reforms have shown a certain stability in policy changes. The main concept of a policy stays unchanged, especially the measure implementation system, and changes always bring the elements of previous policies. Thus, the main contours of future measures can be anticipated, to some extent.

The future form of CAP, to which the agricultural policy of Montenegro will need to adjust, is based on the new roles of agriculture and rural development; this was also emphasised by the Strategy. It is necessary to stress the need to strengthen the role of rural development policy, the new framework and the form of direct payments, as well as to minimise market interventions to the level of securing the market in critical situations.

A review of the current and potential future policy to which Montenegrin agriculture must adjust is being created within the framework of two main pillars of the CAP: direct payments and market interventions, and a definition of rural development policy.

Other measures, like general services, social transfers and the like, are not the subject of the CAP. These and some measures of rural development can be implemented within the legal framework of state aid. This means they are completely financed and regulated by the member state, but that they must be approved by the European Commission, to ensure those measures would not jeopardise the competitiveness of the common market.

### 3.2.2. Direct payments and market interventions

The first pillar consists of different measures that directly or indirectly support agricultural income, and they have either a smaller or greater influence on the market and product pricing. In the basic level, the policy is divided in two main groups: direct payments and market interventions.

#### ***Direct payments***

Since 1992, methods of making direct payments have sustained ongoing changes. Reforms since 2003 have led to significant differences among the Member States in the way they have selected measures in this area. Currently, it is allowed to receive a part of payments as single farm payments on the basis of individual holdings’ historical rights and a part remains from former coupled per-hectare and head payments. In the process of reviewing the CAP in 2007 and 2008 (the so-called “health check”), the production coupled subsidies will to a large extent be abolished. There may remain some subsidies for suckler cows and small ruminant production, because mountain and permanent grassland areas are being maintained by this kind of production, so their abolition would

be harmful in terms of achieving the CAP's aims. It is possible that pastures and meadow areas will be maintained only by ruminants—which, due to unfavourable economic conditions, obviously requires additional support.

A single farm payment based on historical rights has two basic forms. The first one refers to farms that received support for certain products (milk, cereals, etc.) during a reference period in the past, and they can still receive the same amount of funds, but they can also produce other products (hence the name *decoupling*). According to current results and anticipated results, such a system of support leads to an extension and restructuring of production, because producers are not stimulated to increase production volume. There are still great differences remaining in the average per-hectare payment among member countries (from 100 Euros in Baltic countries to 500 Euros in Belgium and Greece), and even more between certain farms within one country.

The other form, called the regional model, has been adjusted for new EU members that have entered the EU after reforms in 2003. According to current legislation, Montenegro could choose that model. This model—called the simplified area payment scheme (SAPS)—defines in special way the total amount for direct payments, which is then divided by agriculture area for which it is expected that the farms will apply for support.

An estimated 300,000 hectares could be taken into consideration for direct payments in Montenegro. The whole available arable land and part of mountain pastures could be incorporated as well.

The national envelope for direct payments is calculated as the sum of the areas under certain arable crops, livestock numbers and sometimes the volume of production, multiplied by the amounts of previous direct payments until the reform in 2003. The first prognoses for Montenegro (i.e., the Strategy from 2006) show that around 30 or 40 million Euros would be gained each year. It should also be mentioned that the numbers are negotiated in pre-accession negotiations with the EU and that the amounts are final after the transition period. At the moment, the valid rule is that in the first year, 25% can be received from the EU sources, and that it is possible to supplement these sources from the national budget to some extent. The final amount per hectare of agricultural land is estimated to be around 100 Euros. It would probably be rational to make a significant differentiation between amounts for arable land and pastures.

The policy of direct payments after 2013 has not yet been defined. Proposals range from complete abolition to the introduction of simplified payments per hectare equal for all EU members, and to merging single area payments with a system of payments for the rural development policy (e.g., agro-environmental payments and LFA payments) into one synchronised system. It is predicted that in some form, the system of direct payments will probably remain, but the conditions for receiving those sources would be refined, and those measures would probably be co-financed by the EU and members' national budgets.

Already, farmers must fulfil certain conditions for direct payments that are connected to environmental protection, food safety and the protection of animal welfare. These conditions, called cross-compliance, will be less

demanding during the implementation of SAPS, even for the first period after Montenegro enters EU, but they are applicable to direct payment measures under the rural development policy, which would probably have special importance in Montenegrin policy after accession.

The implementation of direct payments is very complex, for it requires a very complex control of areas, livestock, applications and financial sources. It is one of more difficult institutional requirements for successful integration. Thus, it is rational that, in accordance with the Strategy, Montenegro should gradually start to execute similar measures and build an implementation system. One particular issue is the administrative control of areas, especially of mountain pastures. Area registration process needs support from larger donors' projects.

### ***Market interventions***

Market interventions are in the process of being deregulated, but they are not going to end by way of mere changes after 2013. The scope and range of measures are still very extensive, starting with foreign trade regulation and internal withdrawals of different kinds of products from the market, to support and the consumption of certain products, production quotas and support to producers' organisations (in the fruit and vegetable sector, for example). For the most part, adjustments are not needed, because these measures—like milk quotas—are in the process of being abolished, or because the production structure in Montenegro and its net food importer status are not taken into consideration. It needs to be emphasised that in areas like direct payments, a member country cannot have its own measures; a policy is entirely at the EU level. That means that if Montenegro would have its own measures that are not adjusted to those requirements, they would have to be abolished in the process of accession.

One of the most important measures where an adjustment is needed is legislation on external trade. Export subsidies in the EU would be probably abolished until Montenegro accesses the EU, but the complex system of import regulations would remain. Harmonisation with WTO rules and standards is the first condition, besides additional harmonisation with EU-specific rules.

Because of its specific nature, measures for the wine market will remain. For support of the wine sector, Montenegro will obtain a national envelope and develop its own special national programme of implementation. A choice between different measures is possible. Support for restructuring and the renewal of vineyards, as well as support to wine sellers and for promotion are very similar with regard to the rural development policy. However, because of historic reasons and interest pressures, they remain in the first pillar of the CAP. The same is applied to support to bee-keeping.

After accession, support to producers' organisations in the fruit and vegetable sector will likely remain. These producers have to be organised in a way that they can have their own fund and a programme. The EU is co-financing that programme, which consists of promotional activities, ecology and market stabilisation. These organisations have to be

representative. Practice within the new members shows that among fragmented farm structures, it is very difficult to establish and maintain such an organisation, although the economic interests and advantages of such an organisation are obvious.

In the “health check” of the CAP in 2007 and 2008, the suggestion was made to attach support to different activities that could lower the risk of agricultural production to the first pillar of the measures. It refers to the consequences of natural disasters and plant and animal epidemics; mostly, it is about co-financing different kinds of insurance for producers. Until now, it has been possible to maintain those measures within the context of state aid. Until 2013, that measure is optional.

Increases in prices in 2007 and 2008 imposed the question of support to unprivileged populations, via different kinds of food aid. There is the possibility that new measures will be developed in this direction.

### 3.2.3. Rural development policy

The rural development policy is designed in a way that member countries solve problems in rural areas according to common principles and by using co-financing from the EU fund for rural development. That support is primarily directed to raising competitiveness in food production and forestry, improving environment and quality of life in rural areas and increasing the diversity of rural economies. The policy involves all principles of modern public policy. The Strategy and the programme serve as bases for rural development in a certain region.

The Strategy and the programme necessarily involve an analysis of situations that allow us to define the problems, aims and priorities of public interventions. A region or a country selects the measures from the list of measures (axes), and then determine the measures according to their needs and possibilities and with the aim of making the programme efficient and effective.

For individual measures, a financial framework is defined that is based on different sources of financing. The portion from EU sources can account for up to 80% of the total financing. A complete financial framework is defined in budgetary negotiations within the EU, and for pre-accession support by the European Commission. Implementation of the measures is executed according to common rules that require accreditation of the programme and a special paying agency—i.e., a financial institution for executing measures. Any financial system requires different levels of control that enable the fair utilisation of public resources.

To develop and monitor the programme, a special Managing Authority is made responsible. This function is largely taken by the state or regional Ministries for agriculture. The programme is monitored on the basis of determined indicators. The policy should positively affect the situation monitored. Those changes and programme implementation are evaluated by a special evaluation system, in different phases of programme implementation.

In essence, the rural development policy is divided into four axes:

The **first axis** involves measures for strengthening competitiveness; different capital investments in production and the processing of agricultural products are supported, as well as those of forestry; land operations, investments in human resources, improving quality and food safety are also involved.

The **second axis** involves measures for the sustainable management of natural resources. This involves different direct payments for covering the costs of production that enable better maintenance of the environment (e.g., agro-environmental measures) or for production in areas with limited agriculture possibilities, as well as for sustainable forestry systems, support to higher levels of protection and animal welfare, and other areas.

The **third axis** involves measures for improving quality of life and diversifying economic activities in rural areas. These are the measures that exceed the frameworks of agriculture and forestry; it is possible to support different projects in building of rural infrastructure, founding micro-enterprises, preservation of natural and cultural heritage, etc.

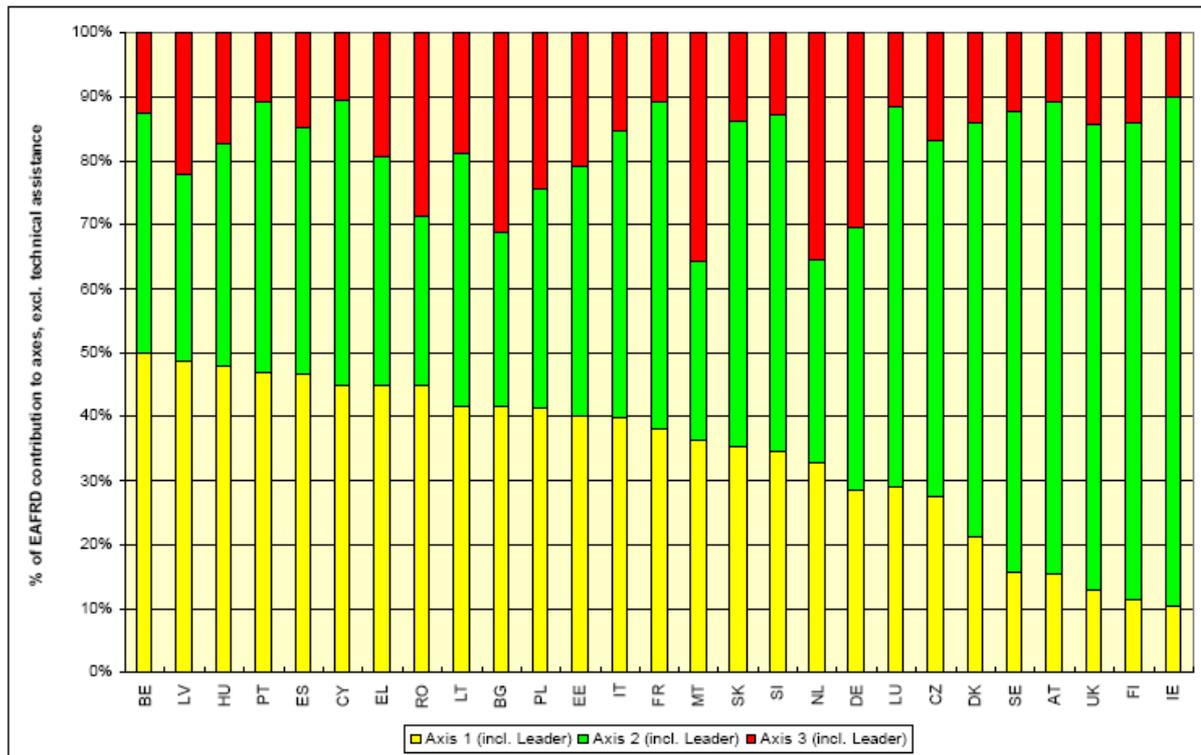
The **fourth axis**, the **Leader approach**, is not a group of measures, but the way to establish specific measures. It supports organising local action groups—e.g., local communities that jointly execute specific projects under measures from the three aforementioned axes.

With regards to measure programming, different basic principles like coherence of measures need to be respected, that measures are complementary. The programme must be designed with an eye to internal consistency between measures, as well as to increasing efficiency with limited public resources.

In principle, all smaller countries—like Slovenia, Austria and Bulgaria—have one programme for rural development, while in bigger countries the programme is executed by regions. The choice and financial framework of certain measures is subject to each country's own decisions. According to the Regulation on Rural Development (Regulation EC, 1698/2005), it is defined that out of the overall amount for rural development, at least 10% should be appointed to each of the first and third axes, at least 25% to the second axis and at least 5% to the Leader approach. The only mandatory measures are the agro-environmental measures from the second axis.

The distribution of resources varies from country to country (graph 7). In general, the least amount of resources is appointed to the third axis and Leader approach, which means that agriculture and its importance prevail in the programmes. In countries with lower GDP and poor agricultural structure (all new EU members except Slovenia, Cyprus and Malta), a much larger proportion is devoted to measures that improve competitiveness in food production. Countries with developed agriculture (e.g., the Netherlands, Denmark, Ireland), or countries with mostly mountainous agriculture, devote more than 50% of their overall sources to the second axis, especially for agro-environmental and LFA measures.

Graph 7: Distribution of rural development funds by group of measures (axis) among EU members, 2007–2013 (Source: EEC, 2008)



## IPARD support

Candidate countries for EU accession have the possibility to use special pre-accession support - IPARD. This support simulates the rural development policy. With EU financial contributions, measures of sustainable development and adjustment to EU membership requirements are supported, as well as the institutional building for rural development policy. The policy system is practically identical to the common EU rules; the main difference is in narrower choice of potential measures.

Potentially, the following choice of measures are possible:

### ***Priority axis 1 – Improvement of market efficiency and implementation of EU standards***

- Investments in restructuring and modernising farms, in order to implement EU standards
- Supporting the establishment of producers' groups
- Investments in the processing and marketing of agricultural and fishery products, with the aim of enabling the introduction of EU standards

### ***Priority axis 2 – Preparation activities for implementing agro-environmental measures and leader projects***

- Preparations for implementing activities aimed at improving the environment and rural areas

- Preparation of public-private partnerships at the local level, to implement local development strategies

***Priority axis 3 – Development of a rural economy***

- Improvement and development of rural infrastructure
- Development and diversification of economic activities in rural areas
- Training and education of producers

Implementation of measures requires a solid programme, preparation of beneficiaries and selection of measures that would be efficient in terms of effects, expenditure and preparation of the sector and rural areas. In the agreement, the European Commission underlines that it provides support to larger projects where compliance with the EU standards is very important. The investment support for the processing industry of animal products could fulfil those criteria. Plant processing adheres less to the fulfilment of standards, and so it is probably not very rational to suggest this measure for IPARD funds. Support to investments in primary production would have to be directed to the capital investments of agricultural holdings, which is at a very low level at the moment. Rural infrastructure—especially local roads to distant rural households and summer pastures or smaller groups of farms, even the water supply system, require significant investments that could be supported by EU funds.

In the Strategy from 2006, pre-accession aid on the basis of SAPARD was evaluated by scoring these criteria: share of agriculture in GDP, number of active agricultural population and utilised area of agricultural land. Using these criteria, pre-accession support for Montenegro could vary, from 4 to 8 million Euros per year. Because of limited sources, as well as the relatively demanding system for programming and executing IPARD support, Montenegro should not have too many chosen measures. It would be desirable to choose three or four measures, at most.

EU accession offers the possibility to be part of a much larger rural development programme and financial support. In the Strategy, it is estimated that EU funds could amount to about 30 million Euros. If we assume that Montenegro accesses the EU according to current legislation, then it is important also to determine how to allocate these resources, together with domestic resources, according to the measures of the rural development programme. Co-financing from the national budget needs to be provided for that amount. This means that the national budget has to be prepared, administration strengthened and fund absorption capacity of potential beneficiaries in future programmes increased. For that reason it is very important to adjust and implement measures for rural development in accordance with EU principles. This would contribute to solving of structural problems, to increase in competitiveness of the sector and better position of rural areas. Besides, it is of great importance that the European rural development policy be applied to Montenegrin conditions with great wisdom and knowledge. The practice from other EU countries shows that it is possible for this policy to be implemented with success and positive effects—or, otherwise it would mean merely spending donors' resources without achieving any real effects.

## **4. Agricultural policy measures**

### **4.1 Principles of measure determination**

The choice of measures is based on national priorities in agriculture and rural areas of Montenegro as defined by the Strategy. The need for gradual adjustment of agricultural policy to the CAP is recognised, as well as benefiting from experiences related to measures that were implemented so far.

The measures were developed recognising:

- the need for harmonisation of measures with the principles of the WT agreement on agriculture (i.e., whether the measures are in an amber box and distort the market or are in a green box and have no limits)
- the need to define criteria for each measure and define clear application procedures,
- the introduction of the principle of the mandatory fulfilment of certain requirements, wherever possible, bearing in mind the fact that cross-compliance is mandatory for EU members,
- the principle of having administrative capacity in place and the assumption that a measure can be efficiently implemented in practice (e.g., understanding of purpose and aims of support, public response, logistics, etc.)
- the principle of gradual approach while introducing new (phase-in) measures and abandoning (phase-out) some existing measures, bearing in mind that making sudden turns and changes in agricultural policy is not a good practice,
- avoiding, especially in start-up phases, a too-complicated direct payment schemes.

Taking into consideration the situation of agriculture and its potential, as well as the specific needs of rural areas, the measures are directed by priority, to increase the competitiveness in agriculture and food processing industries. Moreover, they are based on the need to strengthen the economic and social positions of rural areas by increasing the incomes of agricultural producers and increasing the employment opportunities for rural population outside of agriculture. Special attention is paid to the sustainable management of natural resources, environmental protection and the preservation of biodiversity.

The agricultural policy programme consists of five basic groups (pillars) of measures:

1. Market-price policy measures,
2. Rural development policy measures,
3. Support to general services in agriculture,
4. Social transfers to rural populations,

## 5. Technical and administrative support to Programme implementation

The choice of measures within the groups, as well as significance of specific groups as regards the financial means reflects an objective-oriented balance among chosen priorities.

### 4.2. Grouping of measures

Almost 27% of the total Programme budget in the period 2009–2013 is allocated to **market-price policy measures** that have positive developmental effects on production and the market. Those measures follow all four basic strategic objectives—especially the stable food supply and raising competitiveness, by improving the incomes of producers through direct payments and the creation of stable market conditions.

Direct payments target the products of key importance for development of Montenegro's agriculture. These measures support incomes in agriculture and are directed to solving problems associated with low productivity in agriculture and the processing of agricultural products, factors that result of the prevailing extensive production, not well developed market and insufficient and inadequate use of natural sources.

Most of the NP budget, around 42%, is directed into **rural development policy measures**. Those measures support the strengthening of competitiveness among the sectors (first axis) and the sustainable use of natural resources (second axis); they also have an effect on the diversification of economic activities and improvements to quality of life in rural areas (third axis) and support local initiatives for solving development issues (fourth axis). In this way, they follow all the four basic goals of the Strategy. They answer the questions concerned with low productivity; issues of abandoning production and marginalising rural areas, because of the insufficient and inadequate use of natural resources, ultimately with negative effects on biodiversity; as well the depopulation of rural areas, because of limited possibilities for employment outside agriculture in rural areas, and an underdeveloped infrastructure.

The measures for strengthening competitiveness in agriculture are based on the need to accelerate the restructuring and modernisation of agricultural production and processing in favour of larger market orientation and increasing product quality. This group of measures consists of support to all kinds of investments on agricultural holdings, investments in land and market infrastructure, and the primary processing of basic agricultural products with the aim of increasing efficiency by using production factors and harmonising with EU standards. The competitiveness of agriculture is strengthened by the support to better organise the producers, and improve quality, marketing, promotion and consumers' access to information, all with the aim of improving market possibilities and hence the economic efficiency. The measures in the first axis account for almost 60% of all resources for the rural development policy.

The measures for the sustainable management of natural sources are directed to, first of all, stopping and reversing the trend of abandoning the

use of agricultural land for production; this trend has had the negative result of decreasing of biodiversity, loss of natural and cultural heritage and, in some areas, increasing the risk from fires. Moreover, these measures support expansion of environmentally friendly production technologies. The most important measure is the support to fewer LFAs for agricultural production, which is to start in 2013. A precondition for its implementation is development elaboration of the classification of LFAs in accordance with EU criteria. Agro-environmental objectives, in a narrow sense, are achieved by the measures that support the traditional way of managing mountain pastures, maintaining autochthonous and local breeds and plant varieties in production and organic production. Around 18% of the total budget for the rural development policy is allocated to measures in the second axis.

The third axis of the rural development policy, which comprises around 22% of the total budget, consists of the measures that support the diversification of economic activities in rural areas, with the aim of increasing the opportunities for additional income sources that, together with support to development of rural areas and their infrastructure, have an effect on improving the standard of living of rural populations and quality of life in villages. These measures should work to hinder the depopulation and marginalisation of rural areas.

The implementation of rural development measures and the third-axis measures in particular, is complemented by support to prompting the population to find solutions for faster development, through the preparation and implementation of local development strategies according to the Leader approach.

The list of measures for the rural development policy, their grouping and the allocation of funds by groups (axes) are compatible with the principles that are valid for rural development programmes in the EU. Higher share of funds for the first axis of rural development reflects the developmental needs of Montenegro's agriculture to encourage increase in its competitiveness over the next five years.

**The support to general services in agriculture** represents the third part of the agricultural policy; 18% of the total budget is allotted to this area for the period 2009–2013. These measures relate to programmes and activities that, because of public interest, cannot rely solely on private initiative. These measures support programmes on education, research and development, as well as analytical activities, a programme on veterinary and phyto-sanitary measures, and activities and programmes related to the control of product quality. Those programmes and activities chiefly contribute to a general increase of education level and professional qualifications among producers through direct advising; the organisation of seminars, workshops and courses; and the introduction of new technologies and knowledge into practice. Investments in raising and strengthening human potential contribute to an increase in productivity and increase in agricultural competitiveness; in this way, they are complemented with measures of the first axis of the rural development policy.

**Social transfers to rural population** in the form of old age allowances follow the aim of securing an adequate standard of living in villages; Since they relate to family agricultural households, they also follow the aim of sustainable management of natural resources. By providing social support to old farmers' holdings lacking other sources of income, it contributes to poverty reduction in rural areas and raising the quality of life in villages, which is one of the priorities of the third axis of the rural development policy. These old age allowances represent around 10% of the total budget of the NP for the period 2009–2013.

**Technical and administrative support to Programme implementation** is dedicated to projects and activities of international co-operation and the fulfilment of international obligations, strengthening the administrative infrastructure, organising and increasing the level of information provided to producers, NGOs and the public vis-à-vis agricultural and rural development. Some 2.5% of total NP budget NP is allocated to this kind of support.

### **4.3. The list of measures**

The programme consists of 36 agricultural policy measures classified into five basic groups. Some measures consist of several sub-measures (components) and some are integral. A detailed description of the measures (Chapter II) incorporates the rationale for measure implementation, the objectives and the description of the measure, with basic information on the form, amount and conditions of the support, as well as the timeframe, beneficiaries, projected financial resources, implementation framework and the indicators used to monitor results. Where measures could, as a result of their characteristics, be candidates for the IPARD programme, such a possibility is explicitly indicated. This suggestion does not prejudge the final choice of measures nor the amount or conditions for support from the IPARD.

The programme of measures is laid out so that, for certain purposes, the support is available only within the framework of one measure. That means that potential users can apply for more than one measure if they fulfil general and specific requirements.

Table 3: The list of measures, according to policies and axes

Code	Name	Measure description
<b>1</b>	<b>Market-price policy measures</b>	
<b>1.1</b>	<b>Direct payments</b>	
1.1.1	Direct support to livestock production	The premium per head of cows and heifers, sheep and goats (above the minimum number); slaughter premium for adult cattle (minimum weight)
1.1.2	Support to dairy production for market	Premium per litre of delivered milk in dairy (minimum quantity)
1.1.3	Support to strengthening of milk collection network	Co-financing of collection costs, on the basis of amount of delivered milk, payment per litre
1.1.4	Strengthening of slaughterhouses network	Co-financing of slaughterhouses for the expenses of purchasing and record keeping – payment per head of cattle slaughtered (minimal weight)
1.1.5	Direct support to crop production	Payment per hectare of arable crops and seed production (minimal area, fulfilment of requirements for the seeds production)
1.1.6	Support to tobacco production	2009–2010 payment per kg 2011–2013 payment per hectare
1.2	<b>Bee-keeping development programme</b>	Financing of the programme (annual work programme and results verification)
1.3	Market stabilisation measures	
1.3.1	Market interventions	Intervention buying, food aid
1.3.2	Risk management in agriculture	Financing a part of insurance costs; financial help in case of natural and other disasters
<b>2</b>	<b>Rural development policy measures</b>	
<b>2.1</b>	<b>Measures for improving competitiveness of agro-food sector</b>	
2.1.1	Investments in agricultural equipment and mechanisation	Co-financing of investments; IPARD
2.1.2	Investments in livestock farms	Co-financing of investments
2.1.3	Setting up of perennial crops plantations and building of greenhouses	Co-financing of investments in vineyards, orchards, olive plantations and production under glass
2.1.4	Land operations	Co-financing of investments and projects
2.1.5	Investments in processing of animal products	Co-financing of investments for micro, small and medium enterprises; IPARD
2.1.6	Investments in storage, packing and processing of plant products	Co-financing of investments micro, small and medium enterprises
2.1.7	Investments in processing on family holdings	Co-financing of investments on family farms
2.1.8	Producers' organisations	Support for setting up and functioning: percent of market turnover (time-limited)
2.1.9	Improving the quality of products	Support for introduction of systems of quality control and quality schemes Support for participation of farmers in registered quality schemes: standardised payment per holding (time-limited)
2.1.10	Promotion and information activities	Support to projects
<b>2..2</b>	<b>Measures for sustainable</b>	

	<b>management of natural resources</b>	
2.2.1	LFAs	Payments per hectare or in the transition period per livestock unit (criteria for territorial classification)
2.2.2	Preservation of genetic resources in agriculture	Payments per livestock unit or per hectare for the conservation of autochthonous breeds and plant varieties in production (on the basis of the action plan for preservation and sustainable use of genetic resources in agriculture)
2.2.3	Organic production	Payments per hectare for plant production and per livestock unit in animal husbandry (conditions according to the rules defined by legislation)
2.2.4	Sustainable use of mountain pastures	Payments per livestock unit grazed on mountain pastures (minimal period)
<b>2.3</b>	<b>Measures for improving quality of life and diversification of economic activities in rural areas</b>	
2.3.1	Diversification of economic activities in rural areas	Support to investments that create the possibility for new employment in non-agricultural sectors (territorially limited)
2.3.2	Village renewal and infrastructure improvement	Co-financing of projects in rural areas: local roads, water management, facilities of common importance; IPARD
<b>2.4</b>	<b>Leader projects</b>	Support for the formation of local action groups and their activities; IPARD
<b>3</b>	<b>Support to general services in agriculture</b>	
3.1	Education, research and analytical work	Financing the programmes and co-financing of investments
3.2	Livestock breeding improvement programme	Financing the programme (support to purchasing of semen for artificial insemination of cows and quality male breeding animals, exhibitions)
3.3	Programme of professional services for livestock production	Financing the programme (annual work programme and verification of the results)
3.4	Programme of professional services for plant production	Financing the programme (annual work programme and verification of the results)
3.5	Extension services	Financing the programme (annual work programme and verification of the results)
3.6	Programme of measures of quality control	Financing the programme
3.7	Phyto-sanitary measures	Financing the programme (annual work programme and verification of the results)
3.8	Veterinary measures	Financing the programme (annual work programme and verification of the results)
<b>4</b>	<b>Social transfers to rural population</b>	Old age allowance per family household (age and social criteria)
<b>5</b>	<b>Technical and administrative support to Programme implementation</b>	Financing of the activities; IPARD

## **II Description of measures**

### **1 Market policy**

#### **1.1. Direct payments**

##### **1.1.1. Direct support to livestock production**

###### **Reasons for implementation**

Due to the specific natural conditions reflected in the prevailing low-productive natural meadows and pastures in the structure of agricultural land, livestock farming in Montenegro is quite extensive. In cattle breeding, dual-purpose production (i.e., milk and meat) prevails, along with pronounced seasonal character of calving. Fattening of young cattle for beef production is not very well developed and is of a small volume.

Sheep and goats have been traditionally reared for milk and meat and their feeding is almost entirely based on utilising natural meadows and pastures of lower quality.

Extensive systems of cattle rearing and low productivity reduce farmers' competitive capabilities; for this reason, the potential of livestock farming potential remains underutilised, which has negative consequences on the whole development of Montenegro agriculture and rural areas. The utilisation of natural resources of meadows and pastures is only possible through livestock production systems that are tightly linked with staying of the active workforce in predominantly rural areas of Montenegro. Increasing animal husbandry competitiveness through direct payments can accelerate the development of the livestock farming sector, in line with EU standards and requirements, and enable this sector's gradual integration with the EU common market.

###### **Aims**

- increase livestock farming competitiveness
- create conditions for the balanced development of cattle, sheep and goat breeding
- better utilisation of available resources, especially natural meadows
- strengthen vertical integration in meat production and improve safety systems by encouraging cattle slaughter in slaughterhouses that fulfil statutory veterinarian and sanitary conditions
- contribute to rural development through improvements in income vis-à-vis agricultural holdings, and thus increase quality of life in rural areas

## **Measure description**

Direct support to livestock farming consists of:

- premiums per head for breeding cows and heifers
- slaughter premiums per head for beef cattle and other categories of adult cattle
- premiums per head for sheep and goats

The right to support for breeding heifers and cows is reserved for all farms that rear more than three head of cattle. Payments apply only to animals above the minimum number, up to a maximum of 50 head. This criterion is fulfilled if a farm keeps this number of head for a minimum of six months. The basic premium per head for breeding heifers and cows is 80 Euros.

The right to slaughter premiums for beef cattle and other categories of adult cattle is available to farms that sell such categories of cattle to registered slaughterhouses, up to maximum of 90 head per year. Slaughter premiums relate to adult cattle of minimum weight of 400 kg per head. The right to premium applies only for animals reared in Montenegro. For cattle imported for fattening, this criterion is fulfilled if the animal has been fattened on the farm for at least six months. The basic slaughter premium for fattened beef cattle is 120 Euros per head, and for other categories, 40 Euros per head.

The right to support for sheep and goats is available to all farms that rear more than 20 sheep and/or more than 10 goats per flock. Subsidies are available only for a number of animals above the minimum, to a maximum of 300 head per farm. The basic per-head premium for breeding sheep and goats is 10 Euros.

The level of premium per head—i.e., its increase from the basic premiums for 2009—is set by a regulation on the implementation of agricultural policy measures for each year. The criteria regarding the number of animals per farm qualifying for the right to premiums can be adjusted by increasing the range of qualifying farms on the basis of an indicator analysis after the first three years of measure implementation (i.e., 2009–2012).

In case the total number of applications for specific payment is above the annual amount allotted in the budget, payments per head will be proportionally reduced.

The basic eligibility condition for premiums is that the animals are registered and identified under the national system of animal identification and registration. For sheep and goats, that condition will be in effect when the identification and registration system for small cattle is set up in 2010.

## **Timeframe**

2009–2013

## **Beneficiaries**

All farms that fulfil the stated criteria.

## Financial sources

The payments are funded by the national budget.

## Implementation framework

The basis for calculating and paying out premiums for cows, heifers, sheep and goats are the records on producers and the number of livestock per specie. Until the entire system for recording and controlling the data is in place, support will be provided on the basis of reports from the Livestock Selection Service.

Right to premiums met in year «n» will be paid out to farmers in year «n+1».

## Indicators

Number of farms, per premium type
Number of livestock for direct payments, per livestock type
Total amount of paid premiums, per livestock type
Farms eligible for premiums within the total number of farms breeding a certain type of livestock
Number of livestock eligible for premiums within the total number of livestock, per type
Share of fattened cattle in the total number of cattle

### 1.1.2 Support to dairy production for market

#### Reasons for implementation

Out of the total milk production in Montenegro, less than 20% is processed in registered dairy plants; most of it remains at agricultural households that process the raw milk to make dairy products (cheese and kajmak) or use milk for their own consumption. These products turn up on the organised market in very limited quantities. On the other side, the demand for commercial milk products is increasing, especially in tourism.

Low milk production level per cow and per farm on the one side, and an increasing requirements with regards to milk quality on the other, reduce the interest of milk producers in selling to dairy plants. Increasing the competitiveness of the milk sector through direct support to producers can considerably accelerate the development of commercial milk production and its adjustment to EU standards.

## **Aims**

- increase the competitiveness of commercial milk production
- encourage the development of commercial milk production for supply to dairy plants
- increase the share of milk collected by the dairies in the total milk production
- improve the quality of milk
- enlarge farms for milk production

## **Description of measure**

Supplying dairy plants with milk is encouraged and this refers to the producers that regularly supply registered dairies with milk and take part in the implementation of the national scheme for milk quality improvement. The assistance is in the form of a premium per litre of delivered milk, provided that the quantity delivered is a minimum 300 litres per month, per producer. The premium amount is 0.035 Euros per litre.

## **Timeframe**

2009–2013

## **Beneficiaries**

All farmers who regularly deliver over 300 litres of milk per month to a registered dairy plant.

## **Financial sources**

Assistance is funded by the national budget.

## **Implementation framework**

The basis for calculating and paying out of the premiums are the records on milk producers with data on monthly quantities of supplied milk, kept by dairies.

Payments are sent directly to dairy plants in regular monthly intervals; their obligation is to forward these premiums to suppliers, together with regular payments for supplied milk.

## **Indicators**

Number of producers in the premium system
Total quantities of milk eligible for premiums
Total value of the premiums paid out

Amount of milk eligible for premiums, to total amount of milk bought up
Amount of purchased milk, to total milk production

### 1.1.3 Support to strengthening the milk-collection network

#### **Reasons for implementation**

One of the reasons such a small share of milk is regularly supplied to dairy plants, as a percentage of total milk production, is the fact that the network for milk-collecting has not been sufficiently developed. There are many municipalities where milk collecting has never been organised. The costs of organising and maintaining a milk collecting network are high, due to landscape configurations and fragmented producer structure. Certain dairies practise buying raw milk from Serbia for further processing, since by so doing, their collection costs are lower. However, in this way, many farmers lose access to markets. Maintaining and expansion of the collection network is one of the key factors for further development of commercial milk production in Montenegro.

#### **Aims**

- maintain, expand and strengthen infrastructure for milk-collecting
- raise competitiveness of milk production and processing
- increase milk collection and processing in dairy plants
- widen the range of dairy products produced in the country.

#### **Measure description**

The co-financing costs of buying up milk helps dairy plants maintain and expand collection networks. This measure relates to all registered dairies that regularly buy milk from Montenegrin farmers. A qualifying condition for co-financing the costs of milk collected is the amount of milk bought up—which is proved by the list of milk farm producers submitted.

In the starting period (2009), costs are covered in a linear manner for every litre of bought-up milk, in the amount of 0.025 Euros per litre. After the first year of implementation, change would be made to a system of gradation of support by the real collection costs based on cost analyses of individual dairy plants.

#### **Timeframe**

2009–2013

## **Beneficiaries**

All registered dairy plants that buy milk from Montenegrin farmers.

## **Financial sources**

Support is funded by the national budget.

## **Implementation framework**

In 2009, the calculation and payment of support will depend upon the actual monthly quantities of milk collected. From 2010 onwards, the measure will be implemented in accordance with criteria drawn up in the new scheme of payments by real costs of milk-collecting. Payments to dairy plants are executed on a monthly basis.

## **Indicators**

Number of milk buyers
Quantities of milk bought up
Number of lines bought up
Length of buying network in kilometres (from 2010)
Total quantity of milk bought up per kilometre of collecting network (from 2010)
Share of milk bought up in the total milk production
Total value of support paid out

### **1.1.4 Support to collecting and slaughter of cattle**

#### **Reasons for implementation**

According to the available data, the number of cattle of all categories slaughtered in registered slaughterhouses is small. This is caused partly by a tradition of rearing and slaughtering cattle directly on agricultural holdings. The other reason is the considerable cost that the slaughter industry incurs, including costs of transport from remote areas, administrative costs, veterinary control, the safe disposal of offal and waste, etc.

This support is introduced in order to partly cover the costs and thus encourage slaughter in registered slaughterhouses.

#### **Aims**

- raise competitiveness of commercial beef production
- raise slaughter of adult cattle in registered slaughterhouses

- establish quality control system and traceability in meat production
- strengthen infrastructure for expansion of the cattle collecting network
- strengthen vertical integration in meat production

### **Measure description**

Support for slaughterhouses is a compensation of a part of collection costs and fixed costs of quality control, traceability and other administrative and technical costs. The measure is implemented in the form of payments per adult cattle head that weighs more than 240 kg. The amount of support per slaughtered head is 20 Euros.

Starting in 2010, the amount of support will be defined by annual decree on implementation of agricultural policy measures based on objective criteria set for establishing the costs that the support applies to.

### **Timeframe**

2009–2013

### **Beneficiaries**

All registered slaughterhouses that collect and slaughter adult cattle from Montenegrin farmers.

### **Financial sources**

Support is funded by the national budget.

### **Implementation framework**

The basis for calculating and paying are lists on animals collected and slaughtered, compiled by registered slaughterhouses.

Payments are made regularly, on quarterly basis.

### **Indicators**

Number of supported registered slaughtering establishments
Total number of heads slaughtered
Share of heads slaughtered in slaughtering establishment in relation to the total number of slaughtered heads
Total value of assistance paid out

### 1.1.5. Direct support to plant production

#### **Reasons for implementation**

Due to specific natural conditions, Montenegro has very limited arable land available, which is also underutilised. Average crop yields are low. Increases in productivity are limited with fragmented farms and small area of arable land per farm. All that reduces farmers' competitiveness and their interest in this type of production. Crop production development is one of the conditions for rational utilisation of a very limited natural resource, as well as for providing a minimum level of production of crops traditionally raised in this area. A targeted production support can strengthen crop production competitiveness, improve farmers' economic position and have a positive developmental impact on production.

#### **Aims**

- increase competitiveness of crop production
- achieve optimal utilisation of available resources, through regular cultivation of land suitable for crops and forage production, observing the principles of good agricultural practice
- better supply of cereals from domestic production
- improve forage production on available arable land
- secure quality seed from domestic production

#### **Measure description**

The support is available for:

- arable crop production
- crop seed production

The support is implemented in the form of direct payments per hectare of cultivated land surface for basic crops: cereals, potatoes, plants for animal feed (plants for silage production, annual and perennial fodder crops, grass-legume mixture and lucerne), buckwheat and other crops (apart from tobacco). Direct payments also go towards seed production of the aforementioned crops.

The minimum surface for production of individual crops is 0.5 hectares, except for seed production. Different types of crops cannot be added together for the fulfilment of this minimum. One farm can apply for subsidies for each individual qualifying crop.

The basis for determining the surface of individual crops are records on producers and areas.

The eligibility condition for support for seed production meeting of criteria and conditions for seed production (system of expert supervision and certification), which is confirmed by a report from an authorised professional service.

The basic amount of subsidy per hectare of crops produced for commercial purposes or feed production is 130 Euros.

The basic payment per hectare of seed production is 600 Euros.

The amount of subsidies per hectare—i.e., its projection of increase in amount per hectare of production for the market and decrease for seed production when compared to basic payments in 2009, is governed by regulation on implementation of agricultural policy for respective years. The criteria for land surface per farm that the payment relates to may be adjusted towards increasing the scope of farms covered, based on analysis of indicators after first three years of measure implementation (2009–2012).

If the total number of applications for specific direct support exceeds the amount allotted the budget, the payments per hectare unit will be proportionally reduced.

### **Timeframe**

2009–2013

### **Beneficiaries**

- Crop producers meeting the criteria set
- Crop seed producers meeting the requirements for seed production

### **Financial sources**

Support is funded by the national budget.

### **Implementation framework**

The basis for calculation and payment are records on producers and land surfaces under crops. Until an integrated records and control system is set up, the support will be provided on the basis of reports from the Extension Service in plant production.

### **Indicators**

Number of supported farms
Number of hectares included in the financial support (per crop culture)
Total number of subsidies
Share of crops for premiums, to the total of arable land surfaces
Share of utilised arable land, to the total of arable land
Total production of certified seed (per seed type)

### 1.1.6. Support to tobacco production

#### **Reasons for implementation**

Available land resources near Skadar Lake are less convenient for the production of many crops, but they are suitable for tobacco production. Those available land resources are not used enough, bearing in mind that the interest of producers for this kind of production has reduced during the last decade.

Increasing competitiveness through direct support to producers enables production levels to be maintained and thus the production potential to be better utilised.

#### **Aims**

- raise competitiveness of tobacco production
- use soil less convenient for production of other crops
- improve quality of produced tobacco

#### **Measure description**

The support to increase in the competitiveness of tobacco production in 2009 and 2010 is provided in the form of a payment per kg of grown and dried tobacco, depending on the class quality, from 0.20 to 0.55 Euros per kg.

From 2010, the support will change to a payment per hectare, instead of per kg, by taking into account average yield and other objective criteria. The amount of payments per hectare may not be higher than 1,000 Euros.

#### **Timeframe**

2009–2013

#### **Beneficiaries**

Producers who produce and deliver tobacco to registered processors.

#### **Financial sources**

Support is funded by the national budget.

#### **Implementation framework**

The basis for calculating and paying are lists of producers and quantities of delivered tobacco per class, and as of 2011, the data on surfaces – all supplied by the registered purchaser.

The qualifying rights for tobacco production in year «n» are paid out in the first half of year «n+1».

### **Indicators**

Number of supported producers of tobacco
Overall production of tobacco encompassed by the support (until 2010)
Relative share of quality classes in the total amount of delivered tobacco (until 2010)
The total of arable land surfaces encompassed by the support (until 2011)
Total amount of incentive

## **1.2. Bee-keeping improvement programme**

### **Reasons for implementation**

Bee-keeping in Montenegro has a long and rich tradition. The richness of flora and honey plants offers very favourable natural conditions for development of this industry. The importance of bee-keeping is not reflected solely in honey production and other apiary products, but also in the role of bees for plant pollination, which has a direct effect on increase in yield of various fruit, vegetables, meadow and other cultures.

This sector is improved through the education of bee-keepers, support to measures for improving competitiveness, and through support to health protection of bees. Bearing in mind the existing conditions of bee-keeping development and the need for making the sector competitive on the market—where the competition is getting stronger- the programme of support to bee-keeping development needs to be continued.

### **Aims**

- improve competitiveness in production of bee products
- improve genetic potential of bee communities by introducing high-quality bee queens into production
- preserve the quality and improvement of health safety of bee products
- raise the professional level of producers

### **Measure description**

Implementation of the Programme for improving bee-keeping is supported in the field of:

- production of selected bee queens
- quality of products and health of bee communities
- improvement of competitiveness through automation of some phases of the work, and improvements regarding hygiene conditions in production and storage of bee products
- professional qualifications of bee-keepers

Support to the improvement of selected bee queen production is related to the support in the functioning of selection centres that strictly follow prescribed criteria with regards to selecting high-quality bee queens and executing the testing and evaluation of productivity.

Support of the improvement of quality of bee products and the health of bee communities is directed to the protection of bee communities against the Varroa Destructor and improvements to the health safety of bee products.

Support to improving competitiveness in production relates to co-financing the supply of equipment for honey separation, storage and packing; equipment for improving hygiene conditions; and preserving the quality of originally collected products, especially honey.

Support to professional skills of bee-keepers is directed to different kinds of education and training: organisation of seminars and workshops, bee-keepers events, supply of publications, printing of magazines, etc.

### **Timeframe**

2009–2013

### **Beneficiaries**

Bee-keeping Association of Montenegro, local bee-keepers' organisations, professional services, individual bee-keepers.

### **Financial sources**

It is possible to fund the measure through the national budget, municipal budget and donors' sources.

### **Implementation framework**

The measure is implemented on the basis of the annual Programme for improving bee-keeping. Results are verified on the basis of a detailed annual report submitted to the Ministry.

### **Indicators**

Overall number of bee-keepers involved in the support, according to certain measures
Number of bee communities for which the support is paid, according to measures
Total amount of support according to measures

## **1.3 Market stabilisation measures**

### **1.3.1. Market interventions programme**

#### **Reasons for implementation**

Market stabilisation and resolving a seasonal imbalance in supply of agricultural products is one of the key preconditions for stability of producers' incomes. In circumstances of an underdeveloped market infrastructure (storage capacities, collection network, processing), producers are not able to solve on their own the problems relating to the pronounced seasonal character of production, which negatively affects their survival and development.

On the other hand, seasonal surpluses of agricultural products can be marketed in the form of support in food to certain vulnerable population groups. This food aid follows the strategic aims of food supply at affordable prices for the population and at the same time supports the development of agriculture through market stabilisation.

#### **Aims**

- stabilisation of income of producers of seasonal products, through the removal of seasonal disproportion between supply and demand
- encouraging consumption of specific domestic products that show up as seasonal surpluses
- support to supply of certain agricultural products at affordable prices for certain vulnerable population categories

#### **Measure description**

Support is provided to collecting and marketing of pronounced seasonal surplus of fresh fruit and vegetables. The measure can be implemented in the form of food aid, in accordance with the annual programme and in co-operation with NGOs (Red Cross, pensioners' associations, labour unions). This measure is transitory and is applied only until storage and other trade infrastructure facilities are built—they will enable a more balanced supply of these products throughout the year. The measure is implemented on the basis of the Ministry's decision, in cases of serious distortions - imbalance between supply and demand.

#### **Timeframe**

2009-2012, closing in 2013 (except food aid).

### **Beneficiaries**

Producer groups, producer organisations and collectives or enterprises, as well as associations of agricultural producers, vulnerable population groups - consumers.

### **Financial sources**

Assistance is funded by the national budget.

### **Implementation framework**

Assistance is provided on the basis of a special programme of the Ministry of Agriculture, which will define all the important elements for measure implementation (types and quantities of products, type and amount of support, procedure implementation, criteria, etc.).

### **Indicators**

Product quantities qualifying for assistance, per type
Total amount of assistance, per type
Number of support users (groups and individuals)

#### 1.3.2. Risk management in agriculture

##### **Reasons for implementation**

Damage to agricultural crops, livestock and other resources are an inevitable part of agricultural production, especially the impact of bad weather conditions on crops and damage sustained by livestock attacked by large wild animals. Although some of these risks can be insured under the regular insurance system, producers rarely take advantage of this option since premium costs are high. Large damages can seriously undermine the survival of farms - as farmers are not able to cover them - and hence the long-term sustainable development of agriculture.

##### **Aims**

- encouraging farmers to insure their crops and livestock, which would enable stability of income and risk reduction in agricultural production
- reducing long-lasting negative consequences caused by weather conditions and other unexpected events

## **Measure description**

Risk management support in agriculture consists of:

- co-financing the costs of insurance against crop and livestock damage
- reimbursement for damage caused by wild animals
- financial support to agricultural producers in case of damage from weather elements and other major damage

Support to insurance against crop and livestock damage can be up to 50% of the total insurance amount.

Reimbursement of damage caused by wild animals to livestock depends on the type and amount of damage.

Reimbursement for damage from natural disasters that are not covered by insurance because insurance companies cannot accept such insurance is provided on the basis of regulations governing the system for damages in agriculture. The amount of reimbursement can be a maximum of 20% of the damage caused.

In exceptional situations, for individual damages of a larger extent that have long-term and harmful consequences for individual holdings, damage is reimbursed at the level of the actual damage done, as evaluated by the authorities in accordance with the Ministry's rules and regulations.

In cases of damage that a farmer could have been insured against in the regular insurance system, but failed to do so, the farmer can be reimbursed to a maximum of 10% of the damage caused.

## **Timeframe**

2009–2013

## **Beneficiaries**

- agricultural holdings that have insured crops or livestock
- agricultural holdings where livestock was attacked and damaged by wild animals
- agricultural holdings with damage caused by large natural and other disasters

## **Financial sources**

This support is funded by the national budget.

## **Implementation framework**

Insurance support is carried out on the basis of insurance company records. The payments are sent to insurance companies.

Damage caused by wild animal attacks, natural disasters and other is reimbursed on the basis of a rulebook on damages laid down by the Ministry, which includes detailed rules and designates competent authorities for evaluation of damage.

In implementation of the measure, the Ministry works closely with the insurance companies and local governments.

### **Indicators**

Number of holdings insured
Land and livestock insured
Share of insured holdings, land and livestock, of the total number
Total amount available for insurance support
Number of holdings with damages caused by wild animals covered
Total reimbursements for damages caused by wild animals
Number of holdings with damages caused by natural disasters covered, per type of disaster
Total amount of reimbursements for damages caused by natural disasters
Number of holdings with damages caused by other disasters covered, per type of disaster
Total amount of reimbursement for damages from other disasters

## **2. Rural development policy measures**

### **2.1. Measures for improving competitiveness of agro-food sector**

#### **2.1.1. Investment in agricultural equipment and mechanisation**

##### **Reasons for implementation**

One of the main causes of the low competitiveness of Montenegrin agriculture is the low productivity of physical assets, caused by insufficient supplies of mechanical equipment. Existing mechanical equipment, apart from being of a smaller quantity recently gained through applications for specific projects, tends to be very obsolete and old. Due to difficult economic and social circumstances, agricultural holdings are not able to supply themselves with enough means for modernisation of production. Therefore, production tends to be less efficient and human resources are not fully utilised. With better equipment and up-to-date mechanisation, it is possible to better fulfil the requirements for maintaining natural resources, protecting the well-being of animals and ensuring food safety.

##### **Aims**

- improving agricultural competitiveness by modernising agricultural holdings
- better utilisation of capital and human resources
- introduction of new technology and innovation
- improving hygienic conditions on farms and raising product quality with positive effects on the environment and the well-being of animals

##### **Measure description**

Assistance is offered in the form of co-financing the costs of supplying equipment and farm mechanisation, in order to improve production technology in different agricultural sectors, except in bee-keeping. The supply of specific items of mechanisation and equipment, as well as the specific lines or specific sector requirements, are supported.

The investments that can bring direct and considerable improvements to circumstances in agricultural holdings have precedence, with respect to improvements in commercial and other aspects of production. This condition is verified by using basic records about the holding, which form an obligatory document to be submitted as part of the application for assistance.

The maximum participation of public funds is 30% of the investment value. The assistance (of up to 40%) can be provided for the holdings in the LFAs or for young farmers; if both of these conditions are fulfilled, the

support amounts to a maximum of 50% of the investment value. The contributory amount, more detailed assistance rules and criteria for determining which holdings can enjoy more favourable conditions are all determined by an annual decree on the implementation of agricultural policy and/or by tender conditions.

### **Timeframe**

2009–2013

### **Beneficiaries**

Agricultural holdings that fulfil criteria from specific tenders.

### **Financial sources**

It is possible to carry out this measure from the national budget, municipality budgets and with funds from donors.

Taking into account the real demands of the whole of the agriculture sphere, this measure can qualify for IPARD support from the EU.

### **Implementation framework**

The measure is carried out on a tender basis. The tender content and the way the assistance is carried out are gradually aligned with EU practice and requirements.

Projects are selected on the basis of objective criteria that are an integral part of individual tenders.

Assistance is provided on the basis of proof (e.g., receipts from payments) regarding the executed procurement of equipment and mechanisation, as well as a field report of authorised inspection.

### **Indicators**

Number of agricultural holdings that have received support
Total value of investments, per investment type
Total support, per investment type

## 2.1.2. Investments in livestock farms

### **Reasons for implementation**

Livestock production in Montenegro is not efficient enough, due to both the lack of physical capital and low work productivity. A modernised livestock production system is based on a combination of good genetic potential of livestock, the efficient and economical production of animal

feed, as well as suitable buildings and equipment for livestock breeding. Even so, the extensive production systems require considerable capital investments. A very small number of buildings fulfil the minimum EU standard conditions with respect to hygiene, environmental protection (especially ruling on nitrates) and animal health and welfare. Prompter development of the relatively “backward” livestock agriculture of Montenegro is not possible without a stronger investment support of reconstruction vis-à-vis new stables and accompanying facilities on livestock farms.

### **Aims**

- improving competitiveness of livestock farms by way of a complete modernisation of production facilities
- better utilisation of capital and human resources
- introduction of new technology and innovation
- fulfilment of EU standards relating to the protection of the environment, maintaining high levels of hygiene and protection and animal welfare

### **Measure description**

Assistance is primarily given for investments in livestock farm building facilities: the building of facilities, supply of necessary equipment and supply of livestock. The projects should enable considerable improvements in production technology and fulfil EU standards (the latter of which is a condition for every subsidy) in livestock farms. It is possible to support the projects that integrate the necessary physical capital, or parts thereof. The adaptation of existing farms and the building of new farms are supported, with an emphasis on standardised projects if they are more rational for realising the aims of this measure.

The projects should bring direct and considerable improvement to agricultural holdings with respect to improved economic conditions, as well as other aspects of production. This condition is verified by using basic records about the holding, including the submission of an investment plan that forms an obligatory, integral part of the application for assistance.

The assistance is offered in the form of co-financing the costs of the building materials, equipment, mechanisation and livestock, as well as by covering the costs of building work on adapting existing and building new facilities.

The maximum participation of public funds is 30% of the investment value. The assistance (of up to 40%) can be provided for the holdings in the LFAs for agriculture or for young farmers; if both of these conditions are fulfilled, the support amounts to a maximum of 50% of the investment value. The co-financing amount, more detailed assistance rules and criteria for determining which holdings can enjoy more favourable

conditions are all determined by annual decree on the implementation of agricultural policy and by tender conditions.

### **Timeframe**

2009–2013

### **Beneficiaries**

The agricultural holdings that fulfil criteria from the specific tenders, except those who already received the support in mechanisation and equipment during the same year, within the framework of measure 2.1.1.

### **Financial sources**

It is possible to finance this measure from the national budget, municipality budgets and with funds from donors.

### **Implementation framework**

The measure is carried out on a tender basis. The tender content and the way the assistance is carried out are gradually aligned with EU practice and requirements.

Projects are selected on the basis of objective criteria that are an integral part of individual tenders.

Support is obtained on the basis of proof of executed investment and a tender report of authorised inspection.

### **Indicators**

Number of agricultural holdings that have received support per investment type
Total value of investments per type
Total support per investment type
Number of agricultural holdings that have received support, per investment type
Total value of investments, per investment type
Total support, per investment type

## 2.1.3. Restructuring of permanent crop plantations and horticulture

### **Reasons for implementation**

The renewal of existing and raising of new perennial plants, as well as building greenhouses, represents a cornerstone for the modernised production of fruit, grapes, olives, vegetables and other forms of horticulture production. Montenegro has suitable conditions for this type of production, but due to households' inability to independently finance investments in this agricultural sector, these resources are insufficiently utilised. Production technology and choice of sorts are behind the contemporary practice with negative consequences for competitiveness. The investments support to this agricultural sector enables the activation of developmental potential.

### **Aims**

- improving competitiveness of producers of fruit, grapes, olives and vegetables by renewing existing and raising new perennial plants, and building protective spaces
- better utilisation of natural resources
- introduction of new plant varieties, technology and innovation
- maintaining and improving the landscape
- protection of natural resources

### **Measure description**

Support is given for investments in raising new and renewing old orchards, vineyards and olive groves, as well as for investments in the production of seedlings (analysis and preparation of soil, seedlings, planting and raising permanent plants) and building greenhouses (soil preparation, equipment provision, building of protective spaces).

The projects with an advantage are those that can bring direct and considerable improvement to agricultural holdings with respect to improving economic conditions, as well as other aspects of production. This condition is verified by using basic records about the holding and the submitted investment plan that forms an obligatory, integral part of the application for assistance.

The maximum participation of money from public sources amounts to 30% of the investment value. For holdings in areas with poor conditions for agriculture or for young farmers, the support can amount to a maximum of 40% of the investment value; if both conditions are fulfilled, the maximum is 50%.

In cases where permanent crops are planted in neglected land or land damaged by fire—land that may other important functions—the support can amount to 70%.

For co-financing, detailed conditions of the support and criteria for determining holdings that have better conditions are determined by the annual decree on implementation of agricultural policy and/or tenders.

### **Timeframe**

2009–2013

### **Beneficiaries**

Agricultural holdings and producers' organisations that fulfil the criteria.

### **Financial sources**

It is possible to carry out this measure from the national budget, municipality budgets and with funds from donors.

### **Implementation framework**

The measure is carried out on a tender basis. The tender content and the way the assistance is carried out are gradually aligned with EU practice and requirements.

Projects are selected on the basis of objective criteria that are an integral part of individual tenders.

Support is obtained on the basis of proof of executed investments and a field report of authorised inspection.

### **Indicators**

Number of approved projects per investment type
Land surfaces under permanent crops in the programme, per investment
Land surfaces of protective spaces
Total value of investments, per investment type
Total support, per investment type

#### 2.1.4. Land operations

### **Reasons for implementation**

The quality and fertility of soil are among the main factors dictating efficient agriculture. Draughts are frequent, as well as too much water in the soil. Montenegro, apart from widespread small plots, has a large share of soil that is infertile, due to its soil composition, presence of rock and other limits (broken relief, sloping land surfaces etc.). Agricultural holdings on their own are not able to finance the costs of regulating needs for water and other investments inland. Both large and small projects that improve land quality can have a positive impact on agriculture and its economic effectiveness, while having strict respect for protecting the environment.

### **Aims**

- improving competitiveness of agriculture by way of soil improvement
- better utilisation of land resources

- introduction of new technologies and innovations
- maintenance, improvement and protection of the living environment and natural resources

### **Measure description**

Support is provided for:

- large projects for water irrigation and removal that relate to certain areas; they are planned, as a rule, in the local community
- small projects for land operations carried out, as a rule, by individual holdings

Large projects primarily relate to sorting out water issues (water irrigation and removal), to which other operations with the same aim can be added. The basis for financial support is project documentation that contains technical and economical parameters, as well as the parameters needed to assess the environmental impact of land operations.

Small projects relate to improvements in water systems on specific agricultural holdings, calcification, meliorations, fertility improvements and other ways of enhancing the soil's production capability. The projects need to make a considerable improvement to the productive capability of the soil. This condition is verified by using basic records about the holding and the submitted action plan that forms an obligatory, integral part of the application for assistance.

Maximum participation of public sources amounts to 30% of the investment amount, i.e., of the realised programme or activity.

The co-financing amount, as well as the more detailed conditions for assistance for all projects, is determined by annual decree on the implementation of measures of agricultural policy and/or by tender conditions.

### **Timeframe**

2009–2013

### **Beneficiaries**

Large projects: local communities, associations and groups of citizens and producers

Smaller projects: agricultural holdings that fulfil specified criteria, except those that received support during the same year for the same purposes within the framework of measure 2.1.3 (investment in raising permanent crops).

### **Financial sources**

It is possible to carry out this measure from the national budget, municipality budgets and with funds from donors. To implement large projects, it is necessary to have a public-private partnership between state institutions, local communities and private partners.

### **Implementation framework**

The measure is carried out on a tender basis. The tender content and the way the assistance is implemented are gradually being aligned with EU practice and requirements.

Projects are selected on the basis of objective criteria that are an integral part of specific tenders.

The support is obtained on the basis of proof of executed investment, realised project or activity.

### **Indicators**

Number of approved projects, per investment type
Agricultural land included in the programme, per investment type
Total value of investments, per investment type
Total support, per investment type

#### **2.1.5. Investments in the processing of animal products**

##### **Reasons for implementation**

The development of the animal products processing industry in Montenegro has been evident since 2000. Money is being invested in new facilities and the technology and production therein have been modernised. There are a larger number of smaller processing establishments currently working, seven meat processing production facilities and 18 production facilities in the dairy sector (e.g., milk and cheese production facilities).

Productivity and hygienic conditions are being improved, but without additional and bigger interventions, this industry cannot keep up with the competition when the market completely opens up; this could also indirectly jeopardise primary agricultural production. In order to fulfil the demanding EU requirements in the areas of the living environment and food safety, new, additional and large investments are needed. Deficits in the development of new products, promotion and marketing are evident. Adding value by processing is relatively small and does not provide a sustainable position in the domestic market. The potential for export has not been sufficiently realised.

The development of the animal products processing industry is one of the crucial conditions for developing livestock farming, which is the most important agricultural sector in Montenegro. Investments in physical capital are needed, as they would enable higher work productivity as well

as investments in the transfer and development of knowledge vis-à-vis management and marketing.

### **Aims**

- improving competitiveness of animal products processing by way of the entire modernisation of production and marketing conditions, with the aim of creating a new added value
- increasing added value in animal products processing by increasing efficiency in processing and marketing
- introduction of new technologies and innovation, and the opening of new market possibilities
- fulfilment of EU standards and targeted improvements regarding quality, environmental protection and food safety
- strengthening vertical links with primary production

### **Measure description**

The subsidy for increasing added value in the animal products processing industry encompasses investments in the processing and marketing of existing products, as well as in the development of new products, processes and technologies. All projects must demonstrate that they fulfil EU requirements in the area of food safety and environmental protection (which is a condition for every support). Support is available for projects that have whole or partial solutions for processing and marketing. Co-financing applies to the supply of materials, equipment and mechanisation, as well as the building work for adapting existing or building new facilities, patents and licences, creating technical documentation, undertaking marketing analysis and the costs of new product development.

Economic justification of a project is proved by submitting a business plan, which is a necessary part of a request for assistance. The business plan must contain a technical specification of a project, a specification relating to hygienic conditions and conditions for environmental protection, the organisation and utilisation of home production resources in livestock farming, as well as marketing possibilities in the domestic and foreign markets. Projects that directly encourage the development of primary livestock farming in regional and national contexts have an advantage.

The maximum participation of public funds is 30% of the investment value. The contributory amount and more detailed assistance criteria are determined in tender documents.

### **Timeframe**

2009–2013

### **Beneficiaries**

Small and medium-sized enterprises that fulfil the criteria determined by annual decree on the implementation of agricultural policy.

### **Financial sources**

It is possible to carry out this measure from the national budget, municipality budgets and with funds from donors.

Taking into account the circumstances and requirements in this area of the production industry, this measure qualifies for EU IPARD support.

### **Implementation framework**

The measure is carried out on a tender basis. The tender content and the way the assistance is carried out are gradually aligned with EU practice and requirements.

The selection of projects is done on the basis of objective criteria that are an integral part of individual tenders.

The support is obtained on the basis of proof of executed investment and a tender report of authorised inspection.

### **Indicators**

Number of enterprises that received support, per sector and per investment type
Total value of investments, per sector and per investment type
Total support, per sector and per investment type

#### 2.1.6. Investments in storage, packing and processing of plant products

##### **Reasons for implementation**

One of the very important conditions for developing plant production—especially in the vegetable and fruit sector—is a well-developed market infrastructure that enables the storage and facilitation of fresh produce for the market, thus reducing the seasonal character of those products. The possibility of marketing fresh produce for a longer period of time, as well as processing those products, can significantly increase the added value of plant production, while having a positive effect on the competitiveness of these sectors.

The market infrastructure in Montenegro is underdeveloped. The number and capacity of cooling facilities are very limited, and a specific problem is the lack of processing capacities in this field. The added value in plant

production is thus relatively low and it does not enable long-term sustainable positioning on the domestic market. Export capacities are only partially used.

In order to fulfil the high standards of the modern market with respect to quality, quantity and food safety, greater investments are needed, and they cannot be realised without significant support from public sources. Investments in physical capital—which would enable greater work productivity—as well as in the transfer and development of knowledge in managing and marketing, are greatly needed.

### **Aims**

- improving competitiveness of processing plant products through a complete modernisation of production and marketing conditions
- increasing additional value in plant product production through increased efficiency in processing and marketing
- introducing new technologies and innovation and opening new market possibilities
- meeting EU standards and targeting improvements to quality and food safety
- strengthening vertical connections with primary production

### **Measure description**

Support is given for investments that show an increase in added value, in terms of logistics for purchasing, storing, processing, packing and marketing of the products, as well as for investments in the development of new products, processes and technologies. Projects with integral or partial solutions are supported. The following are co-financed: procurement of materials, equipment, mechanisation; building works for adapting existing and building new facilities; patents, licenses and creating technical documentation; and marketing analyses and the development of new products.

All projects must prove that they completely fulfil EU standards (which is a requirement for every form of support). Potential users of this support should show a clear business plan, in which the economic justification for the projects is shown; it should also include technical specifications for the project, specifications in terms of fulfilling hygienic and environmental requirements, the organisation and utilisation of domestic plant production resources, and the marketing possibilities for domestic and foreign markets. Projects that directly influence the development of domestic primary plant production have an advantage.

The maximum participation of public sources amounts to 30% of a project's value. The co-financing share and the detailed subsidy conditions are both determined by annual decree on the implementation of agricultural policy and/or by tenders.

### **Timeframe**

2009–2013

### **Beneficiaries**

Micro, small and medium-sized enterprises that fulfil criteria determined by annual decree on the implementation of measures of agricultural policy.

### **Financial sources**

It is possible to implement this measure from the national budget, municipality budgets and with funds from donors.

### **Implementation framework**

The measure is carried out on a tender basis. The tender content and the way the support is implemented are being gradually aligned with EU practice and requirements.

Projects are selected on the basis of objective criteria that are an integral part of specific tenders.

Support is obtained on the basis of proof of executed investment and a field report of authorised inspection.

### **Indicators**

Number of subsidy users, per investment type
Total value of investments, per investment type
Total amount of support, per investment type

#### 2.1.7. Investments in processing on family holdings

##### **Reasons for implementation**

Agricultural households in Montenegrin rural areas have the tradition of processing different animal and plant products. The products—such as cheese, meat products, different kinds of drinks and fruit and vegetable products—all represent significant parts of the rural economy and they contribute to improvements in the economic position of family holdings. There is the potential to enrich the supply of local products and enhance both the employment of the rural workforce and the maintenance of rural infrastructure. These products offer the possibility of adding value to agricultural production, especially when marketed in tandem with tourism.

Access to markets and satisfying the needs of a modern consumer require adaptation in terms of amount and quality—especially with regards to the sanitary standards of products—and harmonisation with EU standards in

the area of environmental protection and food safety. Investments in physical capital, which would enable greater work productivity, the development of technologies and the transfer of knowledge in production.

### **Aims**

- improvement in competitiveness of agricultural households
- increase in the added value of agricultural products, by increasing efficiency in processing and marketing
- establishing new technologies and innovations and opening up new market possibilities
- improving product quality through the fulfilment of EU standards, in the areas of food safety and environmental protection
- preserving the production of traditional products
- enrichment of tourist offerings, by introducing high-quality specific and traditional products

### **Measure description**

The subsidy is given for investments in processing animal and plant products, including collected products (medicinal herbs, mushrooms, forest fruit, etc.). Agricultural households, which are already engaged in processing as an additional occupation, have a right to this subsidy, as well as groups of producers that are united for processing certain agricultural products (raw materials) from family holdings.

Investments in the processing and marketing of existing products, as well as the development of new products, processes and technologies, are supported. All projects must prove that they completely fulfil the EU standards (which is a requirement for every subsidy) that apply to the processing within agricultural holdings. The following are co-financed: procurement of material, equipment and mechanisation; building works for adapting existing and building new facilities.

Investments that do not exceed a certain maximum capacity as determined by legislation and have a minimum return of 1,000 Euros of the added value annually, are supported. This condition is verified on the basis of a business plan, which is a mandatory and constituent part of a subsidy application. The business plan should consist of basic information about the holding: producers' organisation, technical specifications of the project, specifications with respect to fulfilling conditions for sanitary and environmental protection, the organisation and utilisation of one's own productive resources and the procurement of agricultural products.

The maximum participation of public resources amounts to 30% of the investment value. For holdings in areas with poor conditions for agriculture or for young farmers, the support can amount to a maximum of 40% of the investment value; if both conditions are fulfilled, that maximum is 50%. As part of the co-financing, detailed conditions of the

support and criteria for determining holdings for which good conditions are valid are all determined by annual decree on the implementation of agricultural policy and/or by tenders.

### **Timeframe**

2009–2013

### **Beneficiaries**

Agricultural holdings (i.e., households) with additional activities in the processing of agricultural products, and producers' organisations fulfilling determined criteria.

### **Financial sources**

It is possible to carry out this measure from the national budget, municipality budgets and with funds from donors.

### **Implementation framework**

The measure is carried out on a tender basis. The tender content and the way the support is implemented are being gradually aligned with EU practice and requirements.

Projects are selected on the basis of objective criteria that are an integral part of specific tenders.

Support is obtained on the basis of proof of executed investment or a tender report of authorised inspection.

### **Indicators**

Number of the beneficiaries, per investment type
Total value of investments, per investment type
Total support, per investment type
Total value of annual production being subsidised

#### 2.1.8. Producers' organisations

### **Reasons for implementation**

Montenegrin agriculture is characterised by small and fragmented plots and a large number of small producers who sell smaller amounts of product on an organised market, with the rest being directly sold or consumed within their respective households.

Production potential could be significantly improved by facilitating organised and unified sales and/or processing, which would strengthen the market structure. All this would bring about, as a final result, an increase in agricultural competitiveness. Producers' organisations can additionally stimulate other producers to produce for the market.

### **Aims**

- support for farmers' initiatives, to create associations and co-operation in production and market activities
- strengthening market infrastructure for agriculture
- reducing production expenses and increasing the added value of agricultural products

### **Measure description**

Support is given for establishing and maintaining producers' organisations. Organised groups of producers that fulfil legal requirements and are registered by the Ministry of Agriculture have rights to support. The support is given for the first five years, from the date an organisation is established; it is given in the form of annual grants for formation expenses and for administrative expenses in the work of a producers' organisation. The fixed expenses include the adaptation of production-to-market conditions; the marketing of products, which involves the sale, preparation and organisation of said products; as well as the provision of common rules and information about production, quality and demand. The amount of the grant is determined as a percentage of market flow of agricultural products realised by an individual producers' organisation, which amounts to 5% in each of the first and second year, 4% in the third, 3% in the fourth and 2% in the fifth year.

Part of the co-financing and detailed conditions of the support is determined by the annual decree on the implementation of agricultural policy.

### **Timeframe**

2009–2013

### **Beneficiaries**

Producers' organisations registered with the Ministry for Agriculture, Forestry and Water Management.

### **Financial sources**

It is possible to carry out this measure from the national budget, municipality budgets and with funds from donors.

### **Implementation framework**

The measure is carried out on the basis of requirements submitted by potential beneficiaries. The way the support is implemented is being gradually aligned with EU practice and requirements.

Subsidies are calculated and paid on the basis of records vis-à-vis regarding the achieved turnover of products and services, submitted by the registered producers' groups.

Rights established on the basis of the turnover in the year «n» are paid in the first half of the year «n+1».

### **Indicators**

Number of subsidised producers' organisations
Turnover amounts of subsidised producers' organisations
Total amount of realised subsidies

## **2.1.9. Improving the quality of agro-food production and products**

### **Reasons for implementation**

Product quality is an important element of market success and competitiveness in agriculture. Private organisations develop their own market brand, to achieve recognition and greater success on the market.

It is possible to achieve greater efficiency through vertical integration of agricultural production and processing, within the unique schemes of quality. In this way, it is possible to guarantee a higher level of product tracking, which becomes more and more important from the viewpoint of consumers.

In the Montenegrin agriculture and processing industry, important steps have been taken to establish modern quality assurance systems, but further steps are needed to strengthen competitiveness. It is possible to achieve higher quality by guaranteeing additional elements, from different kinds of protection for various geographic origins and affixing geographic labels to organic products. Those systems are under special official protection and supervision. High-quality products should be accompanied by adequate marketing; information about high-quality product can additionally attract consumers.

Montenegro has a significant production potential for high-quality products, but for the time being it is not sufficiently utilised. Stimulating an increase in product quality, establishing schemes for achieving higher standards and greater marketing and promotion—especially by connecting primary production with processing—can significantly increase opportunities for the marketing of agricultural and food products on the domestic market, especially through tourism-based initiatives.

## **Aims**

- improving competitiveness in agriculture and processing
- improving product quality
- stimulating agricultural holdings to participate in quality-related schemes

## **Measure description**

Support is given for:

- introducing quality schemes and systems for quality monitoring
- involving agricultural producers in registered quality schemes

Subsidies for introducing systems for quality monitoring and quality schemes refers to the expenses related to introducing and certifying the HACCP programme—which is integrated with quality management—and also to the expenses related to introducing quality schemes to the co-operation between primary production and processing; the latter is linked to product development, technology and marketing (preparation works, design, testing and other activities in the starting phase). The advantage is given to traditional, specific and recognisable products, as well as to organic products. Support is given in the form of co-financing, on the basis of a suggested activity programme and amounts to a maximum of 40% of the total value of introduction and certification.

Support for agricultural producers' involvement in the registered quality schemes refers to the expenses related to establishing quality schemes at the holdings level, which in turn is related to introducing standards and tracking, certification and participation in the scheme; it is offered for the first five years, from the date of joining.

The subsidy is in the form of a standardised payment per agricultural holding; in 2009, it will amount to a maximum of 1,200 Euros for organic agriculture and 600 Euros for involvement in other quality schemes. Starting in 2010, support will be determined on the basis of objective criteria, depending on the type of quality scheme involved.

The co-financing share of the programme, the standard amount of support per agricultural holding for participation in a quality scheme, as well as detailed conditions of the support are determined by annual decree, upon the implementation of agricultural policy.

## **Timeframe**

2009–2013

### **Beneficiaries**

- economy subjects whose activities are production and processing of agricultural products, and who introduce different systems and quality schemes
- agricultural holdings that are involved in registered quality schemes

### **Financial sources**

It is possible to carry out this measure from the national budget, municipality budgets and with funds from donors.

### **Implementation framework**

The measure is carried out on the basis of annual requirements submitted by potential users. The means of executing this support is gradually aligned with EU practice and requirements.

Subsidies are calculated and paid on the basis of reports of completed activities, and archives of the certification bodies.

### **Indicators**

Number of supported programmes for quality schemes introduction, per
Number of supported agricultural holdings involved in the quality schemes,
Total amount of the support, per type

## 2.1.10. Promotion and information activities

### **Reasons for implementation**

One of the characteristics of Montenegrin agriculture is its offering of various products to the market, but on a small scale. Often, consumers do not have enough information about the products, especially tourists who visit Montenegro and consumers from outside Montenegro. On the other hand, small producers and the processing industry are not able to promote their own products independently.

The lack of economy volume can be overcome through supported generic promotion, as well as by promoting certain market niches for specific products. Thus, it is necessary to carry out an enhanced, targeted support and intensify the work in promoting and marketing Montenegrin products.

### **Aims**

- strengthening competitiveness through promotion of Montenegrin agricultural products, both domestically and abroad

- establishing and strengthening links between tourism and agriculture
- increasing consumer awareness of product quality

### **Measure description**

The measure is implemented by subsidising different kinds of promotional campaigns: organisation and participation in local and international fairs, exhibitions and other events; advertising through different communication channels; the “Made in Montenegro” campaign; and informative and educational activities for consumers.

The advantage is given to promotional and informative activities for registered quality schemes that highlight products’ specific features with respect to their quality, production methodologies and their contribution to the reduction in harmful influences to the environment. The subsidy is offered in the form of co-financing on the basis of the submitted programme and amounts to a maximum of 50% of the total programme costs.

### **Timeframe**

2009–2013

### **Beneficiaries**

Subjects dealing with production and processing of agricultural products, local communities, non-governmental organisations.

### **Financial sources**

It is possible to carry out this measure from the national budget, municipality budgets and with funds from donors.

### **Implementation framework**

The measure is carried out on the basis of annual requirements submitted by potential users. The means of executing the support is gradually aligned with EU practice and requirements.

### **Indicators**

Number of support users
Number of subsidised promotional and informative activities, per type
Number of awards from international fairs, in total and per product
Total amount of the support

## **2.2. Measures for sustainable management of natural resources**

### **2.2.1. Less favoured areas (LFAs)**

#### **Reasons for implementation**

Most of Montenegro's territory has very unfavourable conditions for agricultural production, especially in the mountainous and karst areas. Altitude, relief and climate, together with low soil productivity and other natural limitations, increase expenses and reduce the incomes of agricultural holdings in those areas. Due to the inferior economic position and decreased competitiveness caused by natural limitations in these areas, the trend of the decreased utilisation of agricultural land is more pronounced and the danger of depopulation greater. Neglecting agricultural production has a negative impact, on both the environment and the appearance of the landscape.

In spite of that, to date, there have been attempts to support these areas with different measures, they have not been systematic, owing to a lack of key data regarding the soil and its characteristics. In order to define the specific measures of support to LFAs, it is necessary first to classify territories according to natural limitations. That is a very complex task and it will be a priority in the process of implementing the Strategy for agricultural development. In any case, this task is also important for EU integrations. The introduction of specific payments before carrying out this classification is not rational.

In order to implement the subsidies in the form of a per-hectare payment, it is necessary to have data, in a digital form, on the utilisation of agricultural land. To carry out preparations for implementing this measure—one that is completely harmonised with EU requirements—it is necessary to obtain donor support prior to entering the EU.

#### **Aims**

- sustainable utilisation of available resources on agricultural land in the LFAs, for agricultural production
- preventing depopulation through the preservation of agricultural holdings in these areas
- environmental protection and improvement
- increased production of specific Montenegrin products

### **Measure description**

This subsidy relates to the classification of territorially defined areas, according to the natural conditions for agricultural production. The criteria for classifying different LFAs include: altitude, which significantly impacts the length of vegetation period; terrain descent, which limits the usage of mechanisation; poor access to terrain; a combination of these factors; and other natural limitations (e.g., soil fertility, climate, possibilities for land exploitation).

The amount of subsidy is defined on the basis of objective criteria; it covers additional expenses and/or lost revenues of agricultural holdings, with a consideration of the production limitations in a certain area. As a rule, support is given in the form of a payment per hectare of used agricultural land, on the basis of official land records. During the transition period—i.e., until the database is in place—the support can take the form of payment per livestock head. Calculations of all kinds and categories of ruminants and horses that are bred in the holding for at least six months are taken into consideration.

The beginning of the measure implementation, the calculation and amount of payment per unit, as well as the detailed conditions of support are determined by annual regulations on measure implementation, as laid down in the agricultural policy.

### **Timeframe**

The timeframe is from 2013, onwards.

### **Beneficiaries**

Agricultural holdings engaged in agricultural production in LSAs that are committed to continuing production for a minimum of five years.

### **Financial sources**

It is possible to carry out this measure from the national budget and with funds from donors.

### **Implementation framework**

The measure is implemented on the basis of annual applications from potential users. The content of the application and the way the measure is implemented is gradually aligned with EU practice and requirements.

## Indicators

Number of supported agricultural holdings
Number of livestock head of cattle covered by support
Total amount of support

### 2.2.2. Preservation of genetic resources in agriculture

#### Reasons for implementation

As a relatively small land surface, Montenegro is a rich and various living nation, i.e., it is biodiverse. It is extremely rich in terms of its genetic inventory of plants and animals in agriculture, as reflected by its great number of varieties and breeds and the autochthonous population of plants and animals used in food production. This fact puts an obligation on the government to pay well-deserved attention to biodiversity in agriculture.

Important steps have been taken in this direction: The National Programme for the Preservation of Genetic Resources in Agriculture (2009–2013) was adopted in 2007, and then the Action Plan for its implementation. In these documents, Montenegro is said to be obliged to harmonise its preservation and sustainable utilisation of genetic resources in plant production and livestock farming with international conventions and principles. The implementation of these documents requires adequate financial support from the national budget, which is, in the form of direct payments per hectare or head of cattle, directed towards the stimulation of agricultural holdings, so that they may maintain genetic resources.

#### Aims

- preservation and sustainable utilisation of endangered autochthonous and local breeds of livestock, as well as plant varieties that are endangered by genetic erosion
- increasing awareness of genetic resources as a national resource in Montenegro, and of its contribution to an ecologically rich nation
- contribution to the overall preservation of biodiversity
- preservation of landscape in a desired form

#### Measure description

The subsidy is given for livestock farming and plant production that are included in the action plan for the preservation and sustainable utilisation of genetic resources in agriculture. This subsidy incorporates:

- in livestock farming: rearing of the *buša* breed of cattle; the *zetska žuja*, *sora*, *pivska pramenka* and *ljaba* in sheep breeding;

the domestic Balkan goat; and the domestic hilly horse and donkey

- in plant production: growing autochthonous varieties of grape vine, fruit varieties, field crops and vegetables and fodder crops.

The support is in the form of payments per head of cattle or per hectare of plant-growing. In 2009, that support will amount to a maximum of 60 Euros per head and 130 Euros per hectare.

Starting in 2010, support will be determined on the basis of objective criteria; expenses or lower income of holdings will be refunded on the basis of having bred certain breeds of cattle and/or grown certain varieties of plants, in accordance with undertaken responsibilities.

Detailed conditions of the support are determined by an annual decree, upon implementation of agricultural policy.

### **Timeframe**

2009–2013

### **Beneficiaries**

Agricultural holdings that voluntarily accept to realise accepted responsibilities for at least five years.

### **Financial sources**

It is possible to carry out this measure from the national budget and with funds from donors.

### **Implementation framework**

The measure is implemented on the basis of annual applications from potential users. The content of the application and the manner of implementing the subsidy are gradually aligned with EU practice and requirements.

### **Indicators**

Number of supported agricultural holdings
Number of heads of cattle that are protected, per breed
Overall land surface used for growing of protected plant varieties and sorts,
Overall amount of support

### 2.2.3. Organic production

#### **Reasons for implementation**

Production systems in Montenegrin agriculture are chiefly extensive and can relatively and simply use a programme of limited chemical (pesticide and fertiliser) usage, in line with organic production. This means that there is the great potential for an important part of agriculture to be adjusted to production technologies that enable the sustainable use of agricultural land and long-term protection of natural resources and environment. Boosting these technologies account for environmental issues can lead to an enlarged scope of production within the context of quality schemes, and thus meet increasing domestic and foreign demands for ecologically acceptable products.

#### **Aims**

- sustainable management of natural resources
- reducing negative impact of agriculture on the environment
- preservation of biodiversity
- increasing the quality of agricultural products
- affirm Montenegro's status as an ecological nation

#### **Description of the measure**

Support is given for organic production in any agricultural segment. Producers need to respect the rules defined by legislation for any specific production system. Support is in the form of payment per head of livestock animals or per hectare in 2009; it amounts to a maximum of 120 Euros per hectare for crops, 220 Euros per hectare for vegetables and perennial plants, and 40 Euros per head of livestock animals.

Starting in 2010, support will be determined on the basis of objective criteria and be used for refunding additional expenses and/or lost incomes of holdings due to limitations related to the undertaken obligations.

Detailed conditions are determined by the decree, upon the implementation of agricultural policy on an annual basis.

#### **Timeframe**

2009–2013

#### **Beneficiaries**

Agricultural holdings that have voluntarily accepted these responsibilities for at least five years.

### **Financial sources**

It is possible to carry out this measure from the national budget and with funds from donors.

### **Implementation framework**

The measure is implemented on the basis of annual applications from potential users. The content of the application and the means of implementing subsidies are being gradually aligned with EU practice and requirements.

### **Indicators**

Number of agricultural holdings incorporated in this support
Overall land surfaces used in organic production
Number of heads of livestock animals in organic production
Overall amount of the support

#### 2.2.4. Sustainable use of mountain pastures

##### **Reasons for implementation**

Montenegro is very rich in mountainous pastures that are traditionally used in extensive livestock farming (cattle, sheep and goats), for milk and meat production. These mountain pastures, including the transhumance, represent a special richness that contributes to the preservation of local biodiversity (specific flora and faunae and adapted local breeds) and has a special economic importance. That system enables the production of traditional products (different types of cheeses, *kajmak* and other kinds of dairy products, lamb and other types of meat, etc.) that have important roles in the Montenegrin national cuisine. According to the available data, there are around 500 summer pastures (*katunes*) in Montenegro, of which a great number is used even today, but with far smaller numbers of cattle.

Recently, the number of rural holdings rearing livestock in this way has been decreasing; this system of mountain-pasture utilisation is shrinking and prompting a number of negative consequences. Preserving mountain pastures and transhumance are also very important from the vantage of preserving Montenegro's natural and cultural heritage.

Direct support per head of livestock animals, which is included in transhumance stimulates agricultural holdings to maintain and further develop this means of production.

##### **Aims**

- preservation and rational utilisation of natural resources
- sustainable management of natural resources

- protection of environment
- preservation of biodiversity
- preservation of natural and cultural heritage
- preservation of traditional products

### **Description of the measure**

The subsidy is given to the agricultural holdings practising transhumance for at least two months in a year.

The subsidy is in the form of a payment per livestock unit. All types and categories of ruminants and horses are taken into account when calculating the amount of subsidy. The minimum number eligible for support is five livestock units.

The amount of support per livestock unit is 20 Euros, determined on the basis of objective criteria; it covers additional costs and/or a loss of income of an agricultural holding due to the extensive system of production.

The calculation involving livestock unit, the amount of payment per unit, as well as the more detailed subsidy criteria is determined by the annual regulation on implementation of measures of the agricultural policy.

### **Timeframe**

2009–2013

### **Target group**

Agricultural holdings fulfilling the criteria and voluntarily accepting the accepted responsibilities for a minimum of five years.

### **Financial sources**

It is possible to carry out this measure from the national and donor funds.

### **Implementation framework**

The measure is implemented on the basis of annual applications from potential users. The content of the application and of the means of executing support is gradually aligned with EU practice and requirements.

### **Indicators**

Number of agricultural holdings eligible for support
Amount of surface of mountain pastures used for the
Number of transhumant head of livestock animals
Total amount of support

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

### **2.3.1. Diversification of economic activities in rural areas**

#### **Reasons for implementation**

Very few members of the Montenegrin agricultural population generate any income from non-agricultural sources. In many areas, agricultural development has limited possibilities; on the other hand, there is a large number of unemployed or partially employed people who are seeking out alternative employment. Thus, the development of other economic (i.e., non-agricultural) activities among agricultural holdings and in forestry, as well as the development of different types of activities and services that are not narrowly connected with agriculture, could bear significant importance. Generally speaking, there is a great potential in tourism that represents a very important branch of the Montenegrin economy; in rural areas, it is extremely underutilised.

By supporting additional possibilities for employment, in some areas it could be possible to halt the trend of depopulation and migration from rural villages. The diversification of activities in holdings is necessary for enhancing employment opportunities and sustainably developing rural areas; in addition, it can be used to contribute to better align the economic and social realms with respect to regional development.

#### **Aims**

- improve life conditions and quality of life in rural areas
- increase earnings among agricultural holdings
- increase employment in rural areas
- halt depopulation of rural areas
- exploitation of potential in tourism

#### **Description of the measure**

Support is given to holders and members of agricultural holdings and other holdings in rural areas that promote non-agricultural activities. All activities that could potentially create new employment opportunities in non-agricultural areas are supported, while modernising pre-existing non-agricultural activities in the area:

- services (for example, direct sales of domestic products at the holdings, offering accommodation and other types of rural tourism, social services)
- domestic handicrafts (for example, production of local products made of wool, wood, ceramic, leather)

- trade in local agricultural and other products
- other commercial activities of importance to economic development in rural areas

Support takes the shape of co-financing projects that have either turnkey or partial solutions. Adapting existing and building new facilities is supported, as well as buying new equipment, paying expenses for project preparations, and supporting promotional and marketing efforts. Request for support should embody a plan with activities and anticipated results, with the technical and economic specifications of the project. The support amounts to a maximum of 30% of the total value of the project.

The co-financing of projects and all detailed conditions of that support are defined by an annual decree, upon the implementation of measures of agricultural policy and/or in public procurements.

### **Timeframe**

2010–2013

### **Target group**

- holders or members of family agricultural holdings
- entrepreneurs, co-operatives and other economy subjects that promote the industry in rural areas, according to classifications provided by the Ministry

### **Financial sources**

It is possible to carry out this measure from the national budget, municipality budgets and with funds from donors.

### **Implementation framework**

The measure is executed on the basis of public procurement. The content of public procurements and the way executing it is being gradually aligned with EU practice and requirements.

A selection of the projects is made on the basis of objective criteria that are constituent parts of a public procurement.

### **Indicators**

Number of users of the support, according to type of investment
Total value of investments, according to type of investment
Total support, according to type of investments
Number of new employment positions

### 2.3.2. Village renewal and infrastructure improvement

#### **Reasons for implementation**

Poor rural infrastructure (local roads, water management and, in some regions, electricity) is characteristic of many rural areas in Montenegro, especially in distant, mountainous areas. This condition negatively impacts the economic and social status of rural areas and contributes to the depopulation of rural villages.

Halting this flow and accomplishing the sustainable development of rural areas is one of the most important challenges inherent in the overall development of Montenegro. The rehabilitation and development of villages are not possible without the full support of public resources.

#### **Aims**

- improving life conditions and quality of life in rural areas
- establishing conditions for developing agriculture and for diversifying economic activities on both agricultural holdings and rural areas in general

#### **Measure description**

Support is given for:

- building local roads (to some specific or group of holdings, access to summer mountain pastures)
- building facilities for water management in rural areas
- reconstruction of facilities that are of communal importance (schools, ambulance stations, vet stations, supply facilities, electricity network, post offices, green and animal markets, etc.)
- solving local issues regarding environmental protection
- organising tourism and other manifestations that can contribute to village development

Support takes the shape of co-financing projects. Requests for support should include project descriptions, together with expected results, expense specifications and technical details. The support amounts to no more than 50% of the total project value.

The co-financing of the programme, as well as detailed support conditions, are determined by an annual decree, upon implementation of agricultural policy and/or in public procurements.

#### **Timeframe**

2009–2013

### **Beneficiaries**

Villages, parts and groups of villages, local communities and economy subjects in rural areas.

### **Financial sources**

The measure is possible to realise from the national budget, municipality budget and donors' resources.

As rural infrastructure represents one of the basic preconditions for preserving villages and adequate life conditions within them, this measure is eligible for financing from EU IPARD.

### **Implementation framework**

The measure is executed on the basis of annual applications from potential users, or on the basis of public procurements. The content of public procurements and its means of implementation are being gradually aligned with EU practice and requirements.

The selection of projects is done on the basis of objective criteria.

### **Indicators**

Number of approved requests for the support
Number of villages in which the projects were executed
Number of facilities built and adapted for support (km of roads, number of water pipes, etc.)
Total amount of investment, according to type
Total amount of the support, according to type

## **2.4. Leader projects**

### **Reasons for implementation**

One of the reasons for Montenegro's lag behind other countries in terms of developing rural areas is its lack of initiative on the part of its citizens in seeking out solutions. Organising rural populations in the sense of developing ideas and creating a local economic strategy can significantly contribute to positive change. Such an organisation, as well as the sustainable development of Montenegrin rural areas, can be supported through the implementation of integrated and innovative strategies of rural actors, through European Leader approach.

The Leader approach consists of the following elements:

- local development strategies, within the framework of recognisable and smaller territorial units
- local public-private partnership in the shape of local action groups (LAGs)
- a bottom-up approach with the possibility that LAGs decide to implement local development strategies
- multiple approaches and the realisation of strategies that are based on interaction between activities and projects within the local economy
- implementation of projects that have innovative approaches
- connecting LAGs in co-operative projects
- creating a network of LAGs

LAGs prepare and implement local development strategies. Montenegro does not have any experience with that approach, but some donor projects from the USA have had some elements of the Leader approach. The growth of initiatives of local communities (municipalities) in forming their own development strategies has been noteworthy. Municipalities are therefore the most suitable structure for executing the Leader approach in Montenegro.

### **Aims**

- improvement of life conditions and quality of life in rural areas
- increasing the capacities for development among local rural populations
- improving the competitiveness of rural areas

### **Measure description**

The measure is created to initiate LAGs and their activities, in connection with preparing and implementing local development strategies.

The following are co-financed:

- studies of the conditions of certain rural areas, embraced by LAGs
- preparation of local development strategies
- information-gathering in the area of local development strategies
- training and preparation for implementing local development strategies
- promotional activities
- training for leaders who are involved in the project

Local development strategies take measures from the list of measures for rural development, as offered by this programme. A request for support should be accompanied by a plan of activities and a specification of expenses. The support will not exceed 50% of the total value of the project.

The co-financed portions of the programme, as well as detailed conditions of the support, are determined by an annual decree, upon the implementation of agricultural policy and/or in public procurements.

### **Timeframe**

2011–2013

### **Beneficiaries**

Municipalities that form LAGs, as well as other kinds of organised local population groups.

### **Financial sources**

It is possible to carry out this measure from the national budget, municipality budgets and with funds from donors.

### **Implementation framework**

The measure is executed on the basis of applications from potential users and/or in public procurement. The content of the public procurements and the means of its implementation will be gradually aligned with EU practice and requirements.

The selection of projects is done on the basis of objective criteria.

### **Indicators**

Number of users of support
Number of LAGs

Total number of citizens involved in LAGs
Total amount of support

### **3. Support to general services in agriculture**

#### **3.1. Education, research and analytical work**

##### **Reasons for implementation**

Executing the modern concept of sustainable development in agriculture and in rural areas more and more requires a strong knowledge base. To that end educational components need to be strengthened, research needs to be directed towards solving development challenges and issues, and many analyses need to be made, all to serve as a basis for defining and implementing agricultural policy and evaluating its effects. Reforms and adaptations to CAP more and more impose the need to develop both human resources and research-and-development functions.

Montenegro shows deficits in the scientific and development sectors—the bolstering of which should significantly support the development of agriculture and the initiation of a policy that is compatible with CAP, especially in the area of rural development. A specific deficit is found in the area of economic analyses and the establishment of effective monitoring for conveying agriculture policy. This is why educational support should be ongoing and strengthened, for personnel in agriculture, targeted research and development projects alike. Performing economic analyses in agriculture should have special importance and have scientific and development support in conveying the Strategy.

##### **Aims**

- development of agriculture, based on knowledge
- strengthening institutional support for development of sustainable agriculture
- faster implementation of reforms and accession to the EU
- strengthening of human capacities for faster implementation of new technologies and innovation in agriculture

##### **Measure description**

The support is directed to:

- improving training conditions in existing agricultural schools and in increasing scholarships for required personnel, both domestically and abroad, on the basis of priorities and the status of institutions, as defined by the Ministry of Agriculture

- supporting scientific, research and development projects that have a direct bearing on agriculture, for the purpose of conveying Strategies
- preparing economic analyses for the needs of agricultural policy-making (i.e., planning measures and evaluating the effects of their implementation)

To improving training conditions, support will be given on the basis of public procurement and applications by the schools that best demonstrate their alignment with the thrust of the Programme's projects. Investment for buildings, equipment and mechanisation, all of which are needed to execute practical training related to agriculture and rural development, will all be supported.

Support for scientific and research work will be given to projects within the framework of the topics prescribed by the Ministry and which support Strategy implementation. The applications for research should consist of clearly formulated and submitted documentation by which it is proved that the proposed research would have beneficial effects on development or speed up the process of EU accession. Projects can be headed by teams of local or foreign experts, and the Ministry can participate in projects by co-financing them in concert with other governmental institutions or private sector.

Making economic analyses of agriculture-related initiatives, evaluating projects, measuring agricultural policy, creating annual reports and preparing drafts of laws and sub laws are all done at the request of the Ministry of Agriculture, through public advertisements. In the framework of this measure, all other *ad hoc* measures and activities (temporary commissions, expertise, etc.) of the Ministry can be financed or co-financed.

Detailed conditions of the support are determined by an annual decree, upon implementation of measures of agricultural policy.

### **Timeframe**

2009–2013

### **Beneficiaries**

Educational and research institutions and organisations, expert teams or individuals, students of vocations that are in great demand.

### **Financial sources**

It is possible to fund the measure through the national budget, municipality budget and donors' sources.

### **Implementation framework**

The measure is executed on the basis of annual applications from potential users and/or in public procurement. Implementation of the support is gradually aligned with EU practice and requirements.

Selection of the projects is done on the basis of objective criteria.

### **Indicators**

Number of submitted and approved projects for support, according to certain purposes
Total number of students that receive scholarships
Total amount of support, according to certain purposes

## **3.2. Livestock breeding improvement**

### **Reasons for implementation**

The livestock sector is a dominant branch of agriculture in Montenegro and most rural households are engaged in it. Depending on the type of livestock, holdings' competencies in promoting genetic potential and improving breed structure differ. Stronger and stronger competition requires high levels of production per unit—i.e., per breeding animal—and this cannot be realised without systematic work in executing breeding programmes for certain species and breeds of livestock.

In the process of improving animal husbandry, Montenegro has introduced many international principles, especially the rules of the International Committee for Animal Recording (ICAR). ICAR requires, besides the establishment of professional services for animal husbandry, obtaining quality semen for the artificial insemination of cows or, where artificial insemination is not practised, the use of quality breeding bulls. Bearing in mind the characteristics of Montenegrin animal husbandry (population, level of development of some sectors, previous work in improvements, etc.), it is not possible to bolster it without support from public sources.

### **Aims**

- improving competitiveness in livestock production by improving the genetic potential of breeding animals
- strengthening institutional support for the development of sustainable agriculture
- introduction and implementation of international standards in breeding programmes for certain species and breeds
- strengthening human resources for faster implementation of new technologies and innovation in agriculture

### **Measure description**

Procurement of semen for artificial insemination of cows is supported, along with fulfilling conditions regarding its quality. In distant rural areas, where it is impossible to organise artificial insemination, the use of high-quality bulls for natural mating is supported, along with the condition that bulls are selected and licensed in accordance with legal procedures.

The procurement of semen for artificial insemination is supported in whole, and licensed breeding sires up to 150 Euros per head. In case the number of chosen and licensed breeding sires is larger than planned, the amount reduces proportionally per head of cattle.

The subject of support can extend to other kinds of breeding males (stallions, rams, bucks, boars). Conditions for this kind of support are determined by the annual programme and an annual decree, upon implementation of measures of agricultural policy.

Also, by this measure, exhibitions of breeding animals are supported, as previously defined.

### **Timeframe**

2009–2013

### **Beneficiaries**

Agricultural holdings involved in the breeding-selection programme.

### **Financial sources**

It is possible to fund the measure through the national budget, municipality budget and donors' sources.

### **Implementation framework**

The measure is executed on the basis of the annual programme work of the Livestock Selection Service.

### **Indicators**

Number of agricultural holdings in the animal breeding programme
Number of selected breeding sires, according to species and breeds
Number of regional exhibitions of breeding livestock
Total amount of the support

### **3.3. Public services for livestock production**

#### **Reasons for implementation**

The livestock sector is a dominant branch of agriculture in Montenegro and most agricultural holdings in villages practise it. Depending on the species of livestock, the level of improvement of genetic potential and breed structure will differ. Competitiveness is sharper every day and requires high levels of production per unit—i.e. per breeding animal—and this cannot be achieved without systematic work in executing breeding programmes for certain species and breeds of livestock.

Montenegro started in 2000 its programme to improve cattle breeding; the Livestock Selection Service was established as a part of the Biotechnical Institute. In spite of all the achievements attained, in cattle breeding in recent years, the average production of milk and meat is still at low levels. However, in terms of per-cow milk production on the best farms that are included in regular milk recording, these farms do not lag behind farms from countries with developed cattle breeding; however, these Montenegrin farms still constitute a small part of the total population.

The important responsibility of providing professional services in animal husbandry is imposed by adopting the Programme on preserving and sustainably utilising genetic sources in animal husbandry. The implementation thereof is in accordance with the action plan and requires adequate professional support.

Thus, it is necessary to continue and intensify work vis-à-vis improving cattle, by placing a greater number of head under official control, then by improving the genetic potential of sheep, goats and other species of livestock. As well, it is necessary to execute strictly the Programme on preserving genetic resources in animal husbandry.

#### **Aims**

- improvement of competitiveness in livestock production, by improving the genetic potential of breeding livestock
- strengthening of institutional support for developing sustainable agriculture
- introduction and implementation of international standards in programmes for improving livestock
- developing personnel, to more quickly implement new technologies and innovation in agriculture

#### **Measure description**

Within the framework of the Biotechnical Faculty, the work of the Livestock Selection Service is supported, to bring about breeding and selection programmes in animal husbandry at the Centre for Animal

Husbandry, as well as a programme for protecting endangered breeds (i.e., creating a bank of genes). Conditions for support including the provision of an annual work programme with a detailed description of measures, the anticipated results and its financial aspects. An annual report serves to verify results.

### **Timeframe**

2009–2013

### **Beneficiaries**

The Livestock Selection Service and the Centre for Animal Husbandry, within the Biotechnical Faculty.

### **Financial sources**

It is possible to fund the measure through the national budget and donors' sources.

### **Implementation framework**

The measure is executed on the basis of an annual work programme of the Livestock Selection Service and the Centre for Animal Husbandry.

### **Indicators**

Number of agricultural holdings in the selection programme
Number of agricultural holdings in the programme for preserving genetic sources
Total amount of support

## **3.4. Public services for plant production**

### **Reasons for implementation**

Plant production in Montenegro, although less developed in value-terms than livestock production, is very diverse and gives rise to a wide variety of different products. As well, this segment of agriculture is characterised by numerous distinctions and structural imperfections: a small volume of production per holding, uneven and non-standard quality and the use of low-quality seeds and plant material. On the other hand, in some sectors—such as in seed potato production of seed potato—there have been apparent and positive results, proving that great improvements in seed and plant material production are possible.

Furthermore, the full implementation of laws vis-à-vis seeds of agricultural plants and plant material needs to be greatly harmonised with EU regulations, and thus presses upon implementation of many measures. All this underscores the need to continue and intensify the implementation of support measures in the work regarding seed selection and plant material.

### **Aims**

- improving competitiveness in plant production by means of introducing certified seed and plant material to the production cycle
- strengthening institutional support for the development of sustainable agriculture
- introducing and implementing international standards in seed and nursery production

### **Measure description**

Work with certified institutions and organisations that are involved in selecting and producing seeds and plant material is supported, as well is the functioning of gene banks, in accordance with law regulations.

In the framework of the programme for seed selection for agricultural plants and plant material, the subject of support touches the following topics: maintaining protected varieties of samples of plant materials and registered varieties; checking the genetic features and usage values of new, domestic and foreign varieties; selecting and recommending varieties for deionisation; and the control and certification of seeds and plant material for agricultural plants.

In the framework of the programme for the gene banks, support refers to: the collecting and archiving of autochthonous genetic material, including old domestic or domesticated varieties of agricultural plants; the valuation of collected genetic material, according to international descriptors; and the storage, duplication and exchange of samples of collected genetic material.

The provision for support is an annual work programme with detailed volume of measures, the dynamics of expected results, financial aspects and expected effects. A detailed annual report serves to verify results.

### **Timeframe**

2009–2013

### **Beneficiaries**

Authorised institutions for selecting and producing of seed and plant material, authorised institutions for maintain gene banks of agricultural plants.

### **Financial frame**

It is possible to fund the measure through the national budget, municipality budget and donors' sources.

### **Implementation framework**

The measure is executed on the basis of an annual work programme for selecting and producing certified seed and plant material, and it also involves the programme for supporting gene banks.

### **Indicators**

Number of producers of seed and plant material
Quantity of certified seed and plant material
Number of plant types involved in the gene banks
Total value of the support

## **3.5. Extension services**

### **Reasons for implementation**

Montenegro established the concept of extension services so that extension service jobs were executed by the Extension Service in plant production; in animal husbandry, it is done by the Livestock Selection Service. These services have irreplaceable roles in improving agriculture and introducing technological innovations. The modern concept of development requires that the Extension Service offer different kinds of services to agricultural producers; giving advice regarding production processes is only one. One of the most serious challenges for Extension Services in the forthcoming period is enabling and training farmers to submit applications for direct payments and for fulfilling numerous EU standards that are related to preserving the environment, ensuring food safety, and in facilitating the protection and welfare of animals (cross-compliance). Moreover, there is a very important place in the Services' activities for helping and supporting farmers and production organisations in preparing candidacy projects for IPARD support.

The support of Extension Services by public resources can significantly contribute to an increase in its strength, and prompter development.

### **Aims**

- improvement of competitiveness of agriculture by means of modernising and introducing technological innovation
- strengthening of institutional support to development of agriculture
- support in conducting reforms and achieving EU accession

- improvement to the professional level of producers
- strengthening of personnel potential, for faster implementation of new technology and innovation in agriculture

### **Measure description**

The framework of this support is financially supported by the Extension Services' activities in plant production and the Livestock Selection Service. A necessary precondition for support is the annual work programme, with a detailed description of measures, the dynamics of their implementation, the financial framework and expected effects. The results are verified on the basis of a detailed annual report that is submitted to the Ministry. The services should offer a wide variety of services to agricultural producers and qualify for support in accordance with EU regulations.

Financing these activities of Extension Service is approved on the basis of an annual work programme. However, for certain jobs, especially in the field of measure implementation for rural development, some other services or expert teams can be engaged through public procurement.

### **Timeframe**

2009–2013

### **Beneficiaries**

Extension Services in plant production and the Livestock Selection Service, as well as other professional services and teams.

### **Financial sources**

It is possible to fund the measure through the national budget, municipality budget and donors' sources.

### **Implementation framework**

The measure is executed on the basis of annual activity programmes of Extension Services in plant production and the Livestock Selection Service, and on the basis of public procurement with clearly defined rules that enable the selection of projects, all on the basis of objective criteria.

### **Indicators**

Number of agricultural holdings that co-operate with the Services
Number of realised programmes of other services and expert teams
Total amount of the support according to programmes

### **3.6. Quality control**

#### **Reasons for implementation**

Montenegrin agriculture, although of small volume, offers a very wide variety of products on the market. Consumers' demands are growing, and the implementation of laws touching that area must be under some kind of supervision and quality control. Additional requirements are set by harmonising with EU standards. To date, Montenegro has been supporting the process of strengthening institutions in terms of quality control, primarily by forming and equipping new and existing laboratories and through different kinds of training and professional qualifications. Bearing in mind the fact that the process of harmonising domestic legislation with EU provisions is very demanding, support needs to be rallied quickly to establish functioning laboratories for quality control, in accordance with law regulations.

#### **Aims**

- securing a stable offering of safe food, acceptable in terms of quality and price
- strengthening institutional support for development of sustainable agriculture
- faster implementation of reforms and EU accession
- strengthening human resources potentials for faster implementation of new technologies and innovation in agriculture
- strengthening competitiveness among food producers

#### **Measure description**

The measure is related to support for regular control and quality improvements to agricultural products, primarily through quality control laboratories: milk, wine, olive oil, seed and plant material, foodstuffs, and other agricultural products that are offered to the market. In part, support is directed to the work of evaluation committees, in accordance with law obligations concerning wine, olive oil, honey, etc. Laboratory equipment that is involved in regular control of agricultural products is also supported financially, as is ongoing training of qualified, employed staff in those laboratories.

The detailed conditions of support are determined by an annual decree, upon implementation of measures of agricultural policy.

#### **Timeframe**

2009–2013

### **Beneficiaries**

Authorised persons: institutions or organisations for control implementation.

### **Financial sources**

It is possible, bearing in mind the convergent policy, to fund the measure through the national budget and donors' sources.

### **Implementation framework**

Measures are executed on the basis of annual applications from potential users and/or on the basis of tenders. The implementation of support is gradually aligned with EU practice and requirements.

### **Indicators**

Number of supported projects and activities, per type
Total amount of support, per type

## **3.7. Phyto-sanitary measures**

### **Reasons for implementation**

Plant health protection is an important part of overall food safety. In that field, as well as in the field of veterinary, the main challenge is in adapting laws and institutional frameworks to EU requirements. In the field of plant health protection, new laws have been passed that prescribe the implementation of a sequence of measures. Beside these laws, laws on agricultural seeds for plants, plant material and plant nutrition were also passed, and their full implementation require support in executing certain programmes.

Clear public functions arise from these laws and they impose a continuation of support to the implementation of measure pertaining to the Programme for plant health protection, which was passed by the Ministry.

### **Aims**

- establishing a functional system for safe food production vis-à-vis plant origins
- determining status of harmful organisms, hindering of the import and spread of harmful organisms and their furthering their eradication,
- production of healthy, proper and high-quality seeds, as well as the preservation of plant health

- strengthening of institutional support for faster implementation of EU standards in plant production

### **Measure description**

The implementation of a programme for plant health protection, which incorporates a detailed review of measures and the required amount of financial resources for their implementation, is supported by the measure. The programme consists of the following measures: hindering of pest invasion, health supervision of seed production, report-forecast service and pest suppression, monitoring of pests, defining the status of quarantined pests, a monitoring programme of residue sources for plant protection and a monitoring programme for source usage of plant nutrition. As well, the programme looks to compensate farmers for reduced or lost crops, if predicted by the regulations.

### **Timeframe**

2009–2013

### **Beneficiaries**

Authorised services that execute measures regarding plant health protection, agricultural holdings.

### **Financial sources**

It is possible to fund the measure through the national budget and donors' sources.

### **Implementation framework**

The measure is executed on the basis of the programme for plant health protection. The results are verified on the basis of a detailed annual report that is submitted to the Ministry.

### **Indicators**

Number of realised programmes, per type
Cultivar surface for which compensation is paid
Total amount of support, per programme

### **3.8. Veterinary measures**

#### **Reasons for implementation**

Montenegro invests a lot in food safety and in harmonising its laws and institutional frameworks with international standards. Bearing in mind that animal husbandry production represents a significant branch of agriculture, the importance of the veterinary service for the efficient functioning of the system in preserving the health of animals and in safely producing animal products is becoming more and more important. Thus, it is necessary to continue support for the implementation of measures of the Operative programme for animal health protection, as well as other activities that represent legal obligations in the field of veterinary and food safety.

#### **Aims**

- establishment and function of the system for safe production of food of animal origin
- securing health protection of animals and monitoring epizootiological situations
- strengthening institutional support for faster implementation of EU standards in animal product processing

#### **Measure description**

Full implementation of the Operative programme for animal health protection is supported in a way whereby implementation consists of a detailed review of measures, together with the required amount of financial means for its implementation. Diagnostic research and immunoprophylactic, zosanitary and biosafety measures for obtaining animal health protection, the monitoring of epizootiological situations, the monitoring of residuals, the monitoring of zoonosis and a plan for using tools and conditions for executing measures as prescribed by law are all defined by this programme.

#### **Timeframe**

The timeframe is 2009–2013, inclusive.

#### **Beneficiaries**

Veterinary ambulance stations and veterinary stations, specialist veterinary laboratories, agricultural holdings.

#### **Financial sources**

It is possible to fund the measure through the national budget and donors' sources.

### **Implementation framework**

The measure is executed on the basis of the Operative programme for animal health protection. The results are verified on the basis of an annual report that is submitted to the Ministry.

### **Indicators**

Number of realised programmes, per type
Number of animals for which compensation is paid
Total amount of the support, per programme

## **4. Social transfers to the rural population**

### **4.1. Pension rent**

#### **Reasons for implementation**

There are many rural households in Montenegro whose adult members used to be engaged in agriculture as their main occupation, but because of specific issues in social policy, they could not achieve their right to a regular pension. Moreover, those households are still engaged in agriculture and thus keep alive many distant villages that are exposed to the pressures resulting from a reduced number of inhabitants or even complete depopulation.

The Ministry supports the bearers of agricultural holdings by means of a special type of social policy: pension benefits. These benefits are paid to men over 65 years of age and to women over 60, who are engaged in agriculture and have no other kind of income. Besides this opportunity for some groups of the rural population to receive some sort of social assistance, it is also a way to reduce poverty in rural areas.

In the field of social policy in agriculture, the harmonisation of measures with EU standards is not an issue. Because of its positive effects in the past, this measure must be continued.

#### **Aims**

- increasing quality of life in villages and create adequate conditions for living
- tackle poverty in rural areas

### **Measure description**

This pension rent is dedicated to one member of the holdings (i.e., the bearer of the family agricultural holdings) when he/she lives in the village, is engaged in agriculture and has no other social incomes. The right to pension benefits is bestowed on men older than 65 and women older than 60.

Beneficial conditions (i.e., a higher amount of benefit) can be given to users that live in areas with limited (i.e., less beneficial) conditions for pursuing agriculture.

The amount of payments per holding, as well as the detailed conditions of support, are determined by an annual regulation, upon the implementation of measures of agricultural policy.

### **Timeframe**

2009–2013

### **Beneficiaries**

Holders of agricultural holdings: men older than 65 and women older than 60.

### **Financial sources**

The support is financed by the national budget.

### **Implementation framework**

The measure is executed on the basis of requirements that are submitted by potential users to organisations of municipality governance who verify submitted documentation and check incomes according to other conditions (pensions, other social refunds). After approving, documentation is submitted to the Ministry, which pays compensation on the basis of positive solutions.

### **Indicators**

Number of users
Total amount of the support

## **5. Technical and administrative support to programme implementation**

### **Reasons for implementation**

The dynamic process of reform that is happening in Montenegrin agriculture—including the fulfilment of numerous already-undertaken international obligations, the implementation of NPI, the implementation of agricultural policy in accordance with the Strategy and measures that are defined by this programme—require significant financial support. Founding institutions and introducing novelties into everyday practice, which are musts for the implementation of many measures of agricultural policy, impose the need for additional qualified personnel, by acquiring knowledge and benefitting from the practices and experiences of EU members. There are numerous tasks in the field of harmonisation of legislation with the *Acquis communautaire* of the EU, especially in the quality implementation of new regulations. Numerous international projects impose additional financial obligations on the Ministry. International processes for integrating and executing reforms require co-operation with the widest circle of users: associations of farmers and other kinds of organisations, social partners, LAGs and others. In addition, quality, upfront media presentations are very important to the success of reform activities; it contributes to raising democratic standards, especially in rural areas. Thus, sources for these purposes need to be culled from the annual agro-budget.

### **Aims**

- strengthening of institutional support for the development of sustainable agriculture
- faster and more efficient implementation of reforms and EU accession
- introduction and implementation of international standards, strengthening of international co-operation and affirmation of Montenegro and its potential
- strengthening of personnel for faster implementation of new technologies and innovation in agriculture
- raising awareness of importance of agriculture and its development in accordance with the EU model
- regular and quality public information on measures for agricultural policy and the level of success in integrating with EU standards

### **Measure description**

This measure, with multiple implementations, is directed to support:

- implementation of obligations in EU integration: the Stabilization and Association Agreement (SAA), NPI and other undertaken obligations by working with permanent (Group for EU integration, Agriculture and Fishery) or temporary working bodies and commissions, as well as for additional expenses for harmonising legislation with the EU *Acquis*
- membership of Montenegro in international organisations that are of importance to agricultural development
- realisation of international projects that are recognised in the agriculture sector
- different reforms among producer organisations, into associations or other kinds of organisation
- activities of advisory bodies that are anticipated by new laws (law on agriculture, food safety, genetically modified organisms, etc.)
- strengthening of administrative and institutional capacities through additional training of personnel, support to creative personnel and the modernisation of existing and procurement of new equipment
- public relations in executing agricultural policy and presenting processes related to EU accession

### **Timeframe**

2009–2013

### **Beneficiaries**

Services and bodies of the Ministry, professional advisory bodies of the Ministry, *ad hoc* working groups and commissions, experts and groups of experts, the non-governmental sector in agriculture.

### **Financial sources**

It is possible to fund the measure through the national budget, municipality budget and donors' sources.

### **Implementation framework**

The measures are executed on the basis of public calls, calls on shortened proceedings, and decisions and solutions of the Ministry.

**Indicators**

Number of submitted and approved projects and activities for support, per purpose
---

Total amount of support, per purpose
--------------------------------------

## **III Financial plan**

### **1 Indicative budget**

The financial plan of the NP follows in general the financial plan from the Strategy. Additionally, the plan respects the budgetary analysis from the first years of Strategy implementation, analyses of changes in CAP, situations in WTO negotiations and new opportunities among EU and other donor funds.

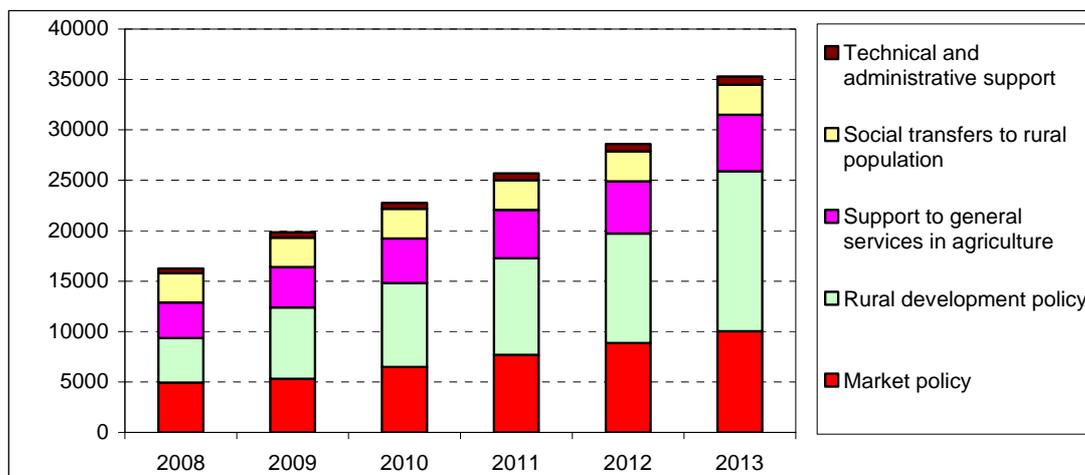
A detailed estimation of the budget, per measures and certain years, is completed with the help of a simulation model created for the purpose of budgetary planning, which is based on quantitative estimations of the evolution of the number of claims throughout a programme period and the orientation amounts per unit for a certain year. All calculations are presented in 2008 prices.

The plan was completed in detail, according to measures that should certainly be understood as indicative, i.e. orientation numbers that during the implementation of the programme will need to be adjusted to current situations, in the sense of responses of applicants and implementation possibilities. From the aspect of consistency of agricultural policy, it is more important to maintain a planned breakdown by group of measures during implementation.

An indicative financial plan should be taken as the base for planning current budgetary expenditures, and above all as the base for an analysis of programme realisation. Detailed monitoring of the agro-budget realisation and an analysis of samples for digressions from the planned funds for that programme are important elements in implementing a sustainable and consistent agricultural policy.

The financial plan, together with the programme of veterinary measures and the phyto-sanitary programme, clearly reflects the essence of the programme document. The intention of the Programme—i.e., to strengthen rural development policy—is reflected, and also brings the support level into alignment with the level of EU support.

Graph 8: National budgetary expenditures for agriculture (including veterinary), by group of measures for 2008 and the financial plan for 2009–2013 (000s of Euros)



In comparison to the budgetary expenditures for agriculture (including veterinary) for 2008, national sources for the implementation of NP at the end of the programme period show a 2.2-fold increase, whereas the sources for rural development policy increased 3.5-fold, the sources for market and pricing policy increased two-fold and the sources for general services and services (including veterinary) increased 60%. Support for technical and administrative support of implementation increased 70%. A 3% increase is planned for social transfers.

Different increases in national sources, as well as different levels of participation from other (donor) sources per policy, are reflected in structural changes to the budget.

Table 4: Breakdown of budgetary expenditures for agriculture (including veterinary), by group of measure for 2008 and the financial plan for 2009–2013 (%)

	2008	2009	2010	2011	2012	2013	09–13
<b>National budget</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Market policy measures	30.5	26.8	28.5	29.9	30.9	28.4	29.0
Rural development policy measures	27.0	35.7	36.6	37.4	38.0	45.0	39.1
Support to general services in agriculture	21.8	20.2	19.3	18.7	18.1	15.8	18.1
Social transfers to rural population	17.9	14.7	12.9	11.5	10.4	8.5	11.2
Technical and administrative support to Programme implementation	2.9	2.6	2.6	2.6	2.5	2.3	2.5
<b>National budget and other sources total</b>		100.0	100.0	100.0	100.0	100.0	100.0
Market policy measures		26.2	27.9	28.2	27.6	24.6	26.7
Rural development policy measures		34.7	35.8	38.8	42.8	50.7	42.0
Support to general services in agriculture		22.2	21.1	19.5	17.7	14.9	18.4
Social transfers to rural population		14.4	12.6	10.9	9.3	7.4	10.3
Technical and administrative support to Programme implementation		2.5	2.5	2.6	2.6	2.5	2.5

In the programming period 2009–2013, the greater part of the national and other sources is planned for rural development policy. At the end of the period, more than a half of all sources are earmarked for this policy. Part of the sources for market policy will stay at a similar level during the overall programming period, and the parts of other programmes, although increases are planned to absolute amounts, will gradually decrease.

Inside the rural development policy, the fastest increase is planned for the second axis (measures for sustainable management of natural resources), and the greatest part of the sources is planned for the first axis (the measures for strengthening the competitiveness of agriculture). For the Leader projects, for now, relatively small sources are planned, as a preparation for those kinds of projects in the planning period to come.

*Table 5: Breakdown of the budget for the rural development policy, by axis for 2008 and the financial plan for 2009–2013 (%)*

Group of measures	2009	2010	2011	2012	2013	09–13
<b>National budget and other sources total</b>	100.0	100.0	100.0	100.0	100.0	100.0
Measures for improving competitiveness of agro-food sector	66.4	64.9	63.7	62.8	50.9	59.5
Measures for sustainable management of natural resources	9.5	12.2	12.9	12.5	28.1	17.5
Measures for improving quality of life and diversification of economic activities in rural areas	24.2	22.9	23.0	23.9	20.1	22.4
Leader projects	0.0	0.0	0.4	0.8	0.9	0.6

## 2 Financial plan per measures

*Table 6: Financial plan (including veterinary) in total (000s of Euros)*

Code	Measure type	BUDGET OF THE MINISTRY					TOTAL 2009–2013		
		2009	2010	2011	2012	2013	Ministry	Other sources	Total
1	Market policy measures	5.307	6.489	7.672	8.854	10.036	38.358	0	38.358
1.1	Direct payments	4.472	5.499	6.525	7.552	8.578	32.625	0	32.625
1.2	Bee-keeping improvement	215	226	237	247	258	1.183	0	1.183
1.3	Market stabilisation measures	620	765	910	1.055	1.200	4.550	0	4.550
2	Rural development policy measures	7.081	8.334	9.594	10.862	15.863	51.733	8.640	60.373
2.1	Measures for improving competitiveness of agro-food sector	4.666	5.406	6.145	6.885	7.625	30.727	5.220	35.947
2.2	Measures for sustainable management of natural resources	665	1.016	1.366	1.717	5.800	10.563	0	10.563
2.3	Measures for improving quality of life and diversification of economic activities in rural areas	1.750	1.913	2.075	2.238	2.400	10.375	3.150	13.525
2.4	Leader projects	0	0	8	23	38	68	270	338

3	Support to general services in agriculture	4.008	4.402	4.796	5.190	5.584	23.981	2.500	26.481
4	Social transfers to rural population	2.920	2.940	2.960	2.980	3.000	14.800	0	14.800
5	Technical and administrative support to Programme implementation	514	585	657	728	800	3.285	360	3.645
	<b>NP TOTAL</b>	<b>19.830</b>	<b>22.751</b>	<b>25.679</b>	<b>28.614</b>	<b>35.283</b>	<b>132.156</b>	<b>11.500</b>	<b>143.656</b>

Table 7: Financial plan for the market policy measures (000s of Euros)

Code	Measure type	BUDGET OF THE MINISTRY					
		2009	2010	2011	2012	2013	Total 09-13
1.1	<b>Direct payments</b>						
1.1.1	Supporting livestock production	2.472	3313	4153	4994	5.834	20.766
1.1.2	Supporting dairy production for market	560	639	718	796	875	3.588
1.1.3	Strengthening of milk collection network	550	488	425	363	300	2.125
1.1.4	Strengthening of slaughterhouses network	92	105	118	131	144	590
1.1.5	Supporting arable crop production	598	755	911	1068	1.225	4.557
1.1.6	Supporting tobacco production	200	200	200	200	200	1.000
	<b>Direct payments total</b>	<b>4.472</b>	<b>5.499</b>	<b>6.525</b>	<b>7.552</b>	<b>8.578</b>	<b>32.625</b>
1.2	<b>Bee-keeping improvement</b>	215	226	237	247	258	1.183
1.3	<b>Market stabilisation measures</b>						
1.3.1	Market interventions	320	290	260	230	200	1.300
1.3.2	Risk management in agriculture	300	475	650	825	1.000	3.250
	<b>Market stabilisation measures total</b>	<b>620</b>	<b>765</b>	<b>910</b>	<b>1055</b>	<b>1.200</b>	<b>4.550</b>
	<b>Market policy measures total</b>	<b>5.307</b>	<b>6.489</b>	<b>7.672</b>	<b>8.854</b>	<b>10.036</b>	<b>38.358</b>

Table 8: Financial plan for rural development policy measures (000s of Euros)

code	Measure type	BUDGET OF THE MINISTRY					IN TOTAL 2009-2013		
		2009	2010	2011	2012	2013	Ministry	Other sources	Total
2.1	<b>Axis 1: Measures for improving competitiveness of agro-food sector</b>								
2.1.1	Investments in agricultural equipment and mechanisation	550	688	825	963	1.100	4.125	2.700	6.825
2.1.2	Investments in livestock farms	720	783	846	909	972	4.230	0	4.230
2.1.3	Restructuring of permanent crop plantations and horticulture	994	1117	1240	1362	1.485	6.198	0	6.198
2.1.4	Land operations	340	361	383	404	425	1.913	0	1.913
2.1.5	Investments in processing of animal products	795	954	1113	1272	1.431	5.565	2.520	8.085
2.1.6	Investments in storage, packing and processing of plant products	700	805	910	1015	1.120	4.550	0	4.550
2.1.7	Investments in processing on family holdings	50	138	225	313	400	1.125	0	1.125
2.1.8	Producers' organisations	165	182	198	215	231	990	0	990

2.1.9	Improving the quality of agro-food production and products	248	272	297	322	347	1.485	0	1.485
2.1.10	Promotion and information activities	104	107	109	112	114	546	0	546
	<b>Axis 1: total</b>	4.666	5.406	6.145	6.885	7.625	30.727	5.220	35.947
2..2	<b>Axis 2: Measures for sustainable management of natural resources</b>								
2.2.1	LFAs	0	0	0	0	3.733	3.733	0	3.733
2.2.2	Preservation of genetic resources in agriculture	100	195	290	385	480	1.450	0	1.450
2.2.3	Organic production	165	281	396	512	627	1.980	0	1.980
2.2.4	Sustainable use of mountain pastures	400	540	680	820	960	3.400	0	3.400
	<b>Axis 2: total</b>	665	1.016	1.366	1.717	5.800	10.563	0	10.563
2.3	<b>Axis 3: Measures for improving quality of life and diversification of economic activities in rural areas</b>								
2.3.1	Diversification of economic activities in rural areas	50	163	275	388	500	1.375	0	1.375
2.3.2	Village renewal and infrastructure improvement	1.700	1750	1800	1850	1.900	9.000	3.150	12.150
	<b>Axis 3: total</b>	1.750	1.913	2.075	2.238	2.400	10.375	3.150	13.525
2.4	<b>Leader projects</b>	0	0	8	23	38	68	270	338
	<b>Rural development policy measures total</b>	7.081	8.334	9.594	10.862	15.863	51.733	8.640	60.373

Table 9: Financial plan for the support for general services (including veterinary) (000s of Euros)

Code	Measure type	BUDGET OF THE MINISTRY					TOTAL 2009–2013		
		2009	2010	2011	2012	2013	Ministry	Other sources	Total
3.1	Education, research and analytical work	400	430	460	490	520	2.300		
3.2	Programme for improvement of animal husbandry	372	372	372	372	372	1.859		
3.3	Public services for livestock production	281	313	344	376	408	1.722		
3.4	Public services for plant production	223	248	273	298	323	1.363		
3.5	Extension services	372	414	456	498	540	2.281		
3.6	Quality control	82	91	100	110	119	502		
3.7	Phyto-sanitary measures	287	320	352	384	417	1.760		
3.8	Veterinary measures	1.991	2215	2439	2663	2.887	12.195		
	<b>Support to general services agriculture total</b>	4.008	4.402	4.796	5.190	5.584	23.981	2.500	26.481

*Table 10: Financial plan for social transfers to rural population (000s of Euros)*

		BUDGET OF THE MINISTRY					
		2009	2010	2011	2012	2013	Total 09-13
4	<b>Social transfers to rural population</b>	2.920	2940	2960	2980	3.000	14.800

*Table 11: Financial plan for technical and administrative support to implementation of the Programme (000s of Euros)*

		BUDGET OF THE MINISTRY					IN TOTAL 2009-2013		
		2009	2010	2011	2012	2013	Ministry	Other sources	Total
5	<b>Technical and administrative support to Programme implementation</b>	514	585	657	728	800	3.285	360	3.645

## **IV Programme implementation**

For the implementation of the Programme, the Ministry of Agriculture, Forestry and Water Management is responsible. The Ministry will, until the end of the programming period, fulfil all the conditions in administrative, material and essential senses, in order to bring to fruition the Programme as much as possible according to the criteria of the EU. The final aim is the effective integration and performance of a CAP-like policy prior to accession, and CAP with all rights and responsibilities after accession.

The bases for the implementation are the following:

- re-organisation of the Ministry
- building of the Paying Agency
- upgrading of necessary information and administrative systems
- introduction of monitoring and evaluation of Programme implementation

In the text that follows, the basic principles are laid out, as well as some previous solutions that point to the level of necessary changes and ways of implementation. A suggestion for a solution does not prejudge future projects that are under the jurisdiction of the Ministry.

### **Re-organisation and personnel strengthening in the Ministry**

The NP and the implementation of IPARD pre-accession support inevitably requires a reorganisation of the Ministry and a strengthening of its human resources capacities and competencies. Also, co-operation with the institutions that implement certain segments of agricultural policy should be improved. Detailed plans of the reorganisation are still in progress and are the subject of other projects; they are not elaborated upon here.

The Ministry of Agriculture, Forestry and Water Management will have additional and multiple public roles in agriculture: It will suggest systematic solutions; formulate agricultural policy and implement measures for its implementation; suggest to the government the financial scope of incentives for agricultural and rural development (agro-budget) and numerous legal documents; and suggest regulations and laws that are necessary for the harmonised functioning of the agricultural sector within rural areas. During the programming period and until EU accession, the Ministry will undertake all competences relating to the implementation of CAP after the accession.

The implementation of the Strategy and its operational NP, NPI and numerous laws that have been enforced recently, international obligations undertaken within the framework of SAA with the EU, already-undertaken obligations in the process of attaining WTO membership, the many obligations of memberships in international organisations (FAO, International Organization for Animal Health, International Wine Organization, etc.), as well as numerous international projects, all multiply the responsibilities of the Ministry.

The current organisational structure of the Ministry, which consists of three sectors (Sector for agriculture, Sector for forestry and hunting and Sector for water management), the Department for economic activities, the Service for general services and a number of reports, cannot efficiently respond to all of these present-day and future obligations. Thus, the reorganisation and strengthening of personnel within the Ministry will be accomplished in accordance with the plan given in the NPI.

Issues vis-à-vis re-organisation are especially targeted in the Sector for agriculture. That sector will be transformed and its number of employees will increase.

Certain steps in reorganisation have already been completed, first by forming the Veterinary Directorate, then by founding new units in the Sector for agriculture, and recently by forming the Phyto-sanitary Directorate.

The reorganisation of the Ministry will change organisational units in accordance with the basic functions of the Ministry, along with the formation of departments: for market policy, rural development, and informational support and control. A unit responsible for the creation of economic analyses in agriculture will be formed, as well as one for implementing and monitoring agricultural policy.

For the implementation of the NP, the Ministry will be enlarged in terms of total number of personnel. Modernisation of work will be performed through the regular training of employees, the introduction of foreign-language knowledge and IT literacy as minimum terms for acceptance of new employees, the introduction of modern techniques for management and the introduction of a system for monitoring work performance.

The Ministry will strengthen and develop partnerships with subjects on a local level, social partners, representatives of NGOs and civil society and, in preparation for the implementation of IPARD funding, also with EU authorities.

### **Formation of the Paying Agency**

According to the new Law on Agriculture and Rural Development, a new Paying Agency is recommended as a body of the Ministry. Foundation and accreditation of the Agency are conditions for use of IPARD support, as well as the implementation of the CAP policy after accession. Concurrently, its capacities for implementing national measures will increase, especially in terms of direct payments from the national budget. For Montenegro, as a small nation with limited administrative capacities, it is especially important to implement all measures through one body, whether they involve national or donors' funding, to ensure the wise and rational use of limited human resources.

The Agency will perform the following activities and tasks: implementation of financial support in terms of agricultural policy, implementation of international support to agriculture and rural development, establishment and implementation of an integral administrative and control system and perform internal audits.

The functions and responsibilities of the agency in the implementation of the rural development policy are: issuing public tendering for the application of support, defining the conditions for the feasibility of projects, verifying applications, executing contracted responsibilities between the Agency and final users, controlling the implementation in practice, monitoring activities in the process of project realisation, etc.

A detailed plan of the Paying Agency building, with all necessary elements for its establishment and functioning, is to be given by the special project task "the Support to programming system establishment and IPARD support implementation", which is prepared as a component of the project "Improvement and programming of rural development in Montenegro", financed by the EEC. According to that plan, in 2009 at least 15 new staff members will be employed; in 2011, that number will increase to 34.

### **Information support to NP implementation**

One important requirement for the implementation of agricultural policy—especially of direct payments to farmers—is the existence of good informational support. Montenegro will gradually build the necessary informational supports during its programming period, and it will be mostly aligned with EU requirements. For the support of the implementation of direct payments of the first and second pillar of the CAP in the EU, the Integrated Administrative and Control System (IACS) serves to improve the system for payments to the farmers and make it easier for them; it will also verify the regularity of those payments.

Montenegro will create the IACS, which involves:

- computer databases
- graphic and numeric system for identification of agricultural parcels
- system for identification and registration of applications for support
- integrated control system
- identification of animals and system for checking in
- relevant registration of agricultural holdings, land and animals

To establish IACS, it is necessary to fulfil certain pre-conditions that are time-limited. The agricultural census planned in 2009 will be a first step in forming necessary registers and databases that will be gradually established, along with the implementation of individual programme measures. Existing databases and registers will be used and developed, leading to better implementation and control of agricultural policy measures.

### **System for monitoring and evaluating the effects of implementation**

To efficiently execute agricultural policy in accordance with EU principles and especially rural development policy (as its most demanding component), a harmonised system for implementation, control and

monitoring will be gradually established. Experience in executing pre-accession IPARD support will be important here.

For the management and control of IPARD implementation, three subjects are necessary: a managing authority, an authorised paying agency and a certification body. Bearing in mind the practices of other countries, for Montenegrin conditions, it is acceptable that the first two bodies are under the auspices of the Ministry of Agriculture, and the third under the Ministry of Finance.

During the implementation of the rural development policy, programming documents (Strategy, NP and later, IPARD) will be presented to the public in a comprehensive manner; all other necessary information will be available to potential users. The Ministry will inform potential users of rules and procedures for their rights to support, which will be the subject of the regulation of agricultural policy on an annual level (i.e., the agrobudget).

When the monitoring of the IPARD is in question, the Monitoring Committee (MC) will be formed and chaired by the Head of the Managing Authority. The role of the MC will be to monitor the implementation of criteria for programme selection, periodically follow progress in attaining the programme's aims—and, if needed, suggests changes or corrections of the IPARD to the Managing Authority—and consider and approve the annual report on progress.

The paying agency, after its establishment in 2009–2010, will perform the control of regularity of the practical implementation of support; until then, the work will be performed by the Services in the Ministry.

For all users of agricultural policy support, a transparent system of penalties will be established for irregular cases, in accordance with the Law on Agriculture and Rural Development.

For programme implementation, the Ministry will create a common framework for monitoring and evaluating the effects of the agricultural policy.

From 2009, an annual report on NP implementation will be prepared and published. The annual report will consist of: a presentation of the present-day situation of agricultural and rural development, annual measure implementation, the qualitative and financial realisation of the NP, and progress vis-à-vis achieving the NP objectives, on the basis of monitored outputs and results. Indicators are listed in chapter II, for each measure.

Programme evaluation requires the fulfilment of a few tasks, with the aim of continuously monitoring the Programme's implementation. The results of this evaluation are used to improve the implementation and to review suggestions for essential change to some parts of the Programme. The review of activities while executing a current evaluation should involve the annual progress report.

For the IPARD plan, an evaluation according to EU regulations will be performed. Elements of the evaluation will also be used for NP monitoring.

## Programme implementation in the transition period

The Strategy is complex; the demands and scope of requirements that administration will face—especially in the pre-accession period, when it is necessary to establish new institutional forms of the agricultural support and its implementation—will be strenuous. The realisation of the activities, law regulations and programmes planned by the Strategy and NPI, as well as the implementation of the Programme's measures, are all very important. During the transition period, while the planned implementation infrastructure is being formed, basic responsibilities for NP implementation will be undertaken by the Ministry; the main operational document for implementation will be the decree on the implementation of agricultural policy. The decree, in the first period, should enact all important elements of the implementation, such as the conditions and shape of the applications, ways of payment, etc. Otherwise, for some measures, there are additional activities to be done prior to their implementation. A list of specific activities for Programme implementation is given in the Table 11.

*Table 11: List of projects and activities directly related to NP implementation*

<b>Project name/ activities</b>	<b>Deadline</b>	<b>Measure to which it is related</b>	<b>Responsible institution</b>
Decree on implementation of agricultural policy	Every year	all	MAFWM
Analysis of milk collecting costs and criteria for calculation of payments	2009	1.1.3	MAFWM
Criteria for calculation of payments for slaughterhouses support	2009	1.1.4.	MAFWM
Transfer of the support per unit of the product (kg of dried tobacco) to the support per ha for tobacco	2010	1.1.6	MAFWM
Rules on compensation of losses for different kinds of damages in agriculture	2008	1.3.2	MAFWM
Definition of micro, small and medium enterprises	2008	2.1.5; 2.1.6	MAFWM
Criteria for calculation of payments for participation in quality schemes	2009	2.1.9	MAFWM
Classification of LFAs and criteria for calculation of payments	2010	2.2.1	MAFWM
Criteria for calculation of payments for conservation of genetic resources in agriculture	2009	2.2.2	MAFWM
Action plan for organic agriculture and criteria for calculation of payments	2009	2.2.3	MAFWM
Criteria for calculation of payments for use of mountain pastures	2008	2.2.4	MAFWM
Classification of rural areas	2009	2.3.1	MAFWM
Rules for good agricultural practice	2010	all	MAFWM, Biotechnical Faculty

Review and agro-environmental programme	2012	2	MAFWM
Annual work programme of the Animal breeding service	2008 onwards	3.2; 3.3; 3.5	Biotechnical Institute - Service for Livestock Selection
Annual work programme of Extension service in plant production	2008 onwards	3.4; 3.5	Biotechnical Institute – Extension Services
Annual programme for the development of bee-keeping	2008 onwards	1.2	MAFWM
Operational programme for veterinary measures	2008 onwards	3.8	Veterinary Service
Programme of Phyto-sanitary measures	2008 onwards	3.7	Phyto-sanitary Service
Common frame for monitoring and evaluation of the effects of agricultural policy	2009 onwards	All	MAFWM
Annual report on NP implementation	2010 onwards	All	MAFWMN
Mid-term evaluation of the effects of agricultural policy	2011	All	MAFWM