

Montenegro

Rural Clustering and Transformation Project (RCTP)

Supervision Report

Main report and appendices

Mission Dates: 09 to 19 October 2018

Document Date: 06/11/2018

Project No. 2000001076

Report No. 4896-ME

Near East, North Africa and Europe Division
Programme Management Department

Abbreviations and Acronyms

ASAP	Adaptation for Smallholder Agriculture Programme
AWPB	Annual Work Plans and Budgets
BSF	Business Skill Facilitator(s)
CPM	Country Programme Manager (IFAD)
EC	European Commission
EIA	Environmental Impact Assessment
EIRR	Economic Internal Rate of Return
EU	European Union
GoM	Government of Montenegro
Ha	Hectare
HH	Household(s)
IDF	Investment Development Fund (Montenegro)
IFAD	International Fund for Agricultural Development
IPA	Instrument for Pre-accession Assistance
IPARD	Instrument for Pre-accession Assistance for Rural Development
KM	Knowledge Management
M&E	Monitoring and Evaluation
MoARD	Ministry of Agriculture and Rural Development
MG	Matching grants
MHMR	Ministry for Human and Minority Rights
MIC	Middle Income Country
MIDAS	Montenegro Institutional Development and Agriculture Strengthening
MoE	Ministry of Economy
MoF	Ministry of Finance
MONSTAT	Statistics Office of Montenegro
MSM	Multi-stakeholders meeting
NGOs	Non-Governmental Organizations
PCU	Project Coordination Unit
PIM	Project Implementation Manual
PP	Procurement Plan
PSC	Programme Steering Committee
RCTP	Rural Clustering and Transformation Project
RIMS	Results and Impact Management System
SME	Small and Medium Enterprises
UNIDO	United Nations Industrial Development Organization
US\$	United States Dollar
VAT	Value-added Tax
VC	Value chain
VCF	Value chain fund
WB	World Bank

A. Project Overview

Region:	Near East, North Africa and Europe Division	Project at Risk Status:	Not at risk
Country:	Montenegro	Environmental and Social Category:	B
Project Name:	Rural Clustering and Transformation Project (RCTP)	Climate Risk Classification:	2
Project Id:	2000001076	Executing Institution:	Ministry of Agriculture and Rural Development
Project Type:	Rural Development	Implementing Institutions:	not available yet
CPM:	Philippe Remy		
Project Director:	not available yet		
Project Area:	not available yet		

Approval Date	06/04/2017	Last audit receipt	not available yet
Signing Date	12/05/2017	Date of Last SIS Mission	18/10/2018
Entry into Force Date	12/05/2017	Number of SIS Missions	2
Available for Disbursement Date	18/09/2017	Number of extensions	0
First Disbursement Date	20/09/2017	Effectiveness lag	1 month
MTR Date	not available yet		
Original Completion Date	30/06/2023		
Current Completion Date	30/06/2023		
Financial Closure	not available yet		

Project total financing

IFAD Financing breakdown	ASAP Trust Fund	\$2,000,000
	IFAD: AFD loan	\$4,124,383
Domestic Financing breakdown	Beneficiaries	\$1,717,131
	Private sector local	\$660,199
	National Government	\$5,977,975
Co-financing breakdown,		
Project total financing		\$14,479,688

Current Mission

Mission Dates: 09 to 19 October 2018

Days in the field: 5

Mission composition: From IFAD: Philippe Rémy, Country Programme Manager, Near East, North Africa and Europe Division, IFAD; Mr Thierry Lassalle, technical lead and value-chain specialist, Mr Renaud Colmant, Environment and Climate Specialist, Mrs Sara Lili, Finance expert; Mr. Mohamed Abdellatif, Procurement Specialist, Mrs Alisia Sansoni, M&E specialist Consultant
From RCTP: Mr Igor Jovanović, Project Coordinator, Ms Rita Barjaktarović, Assistant Project Coordinator, Mr Milan Leković, M&E officer, Ms Ana Čabarkapa, administrative officer, Ms Maja Vukašević, Procurement officer.

Field sites visited: Berane, Bjelo Polje, Mojkovac, Nikšić, Petnjica, Šavnik, Žabljak

B. Overall Assessment

Key SIS Indicator #1	Ø	Rating	Key SIS Indicator #2	Ø	Rating
Likelihood of Achieving the Development Objective		4	Assessment of the Overall Implementation Performance		4

Effectiveness and Developmental Focus	4	Project Management	4
Effectiveness	4	Quality of Project Management	5
Targeting and Outreach	4	Knowledge Management	4
Gender equality & women's participation	3	Value for Money	4
Agricultural Productivity	4	Coherence between AWPB and Implementation	5
Nutrition	4	Performance of M&E System	4
Adaptation to Climate Change	4	Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)	4

Sustainability and Scaling-up	4	Financial Management and Execution	4
Institutions and Policy Engagement	4	Acceptable Disbursement Rate	6
Partnership-building	4	Quality of Financial Management	4
Human and Social Capital and Empowerment	4	Quality and Timeliness of Audit	3
Quality of Beneficiary Participation	4	Counterparts Funds	4
Responsiveness of Service Providers	4	Compliance with Loan Covenants	4
Environment and Natural Resource Management	4	Procurement	4
Exit Strategy	4		
Potential for Scaling-up	4		

Relevance	5
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C. Mission Objectives and Key Conclusions

Background and Main Objective of the Mission

The Rural Clustering and Transformation Project (RCTP, IFAD loan 2000001842 and ASAP Grant 20000001841) is the first IFAD financed project in Montenegro. The project's overall goal is to contribute to the transformation of smallholders' livelihoods in Northern Montenegro, enabling them to become more competitive and resilient to climate change. The RCTP development objective is to increase the participation of poor smallholders in inclusive, profitable and environmentally sustainable value chain (VCs), and to enhance the benefits they derive from these.

The project total cost is of US\$ 14.48 million (details are available in Section A above). The project was approved by the IFAD Executive Board of April 2017, its Financing Agreement entered into force on 12 May 2017 and the completion date is scheduled for 30 June 2023. The RCTP official launch took place on 7 July 2017, followed by a 3 day technical training for the Project Coordination Team (PCU) and its implementing partners on IFAD business model. On 20 September 2017, the project received from the IFAD loan an initial amount of US\$ 159 448 corresponding to start-up costs (i.e. withdrawal for costs incurred before the satisfaction of the conditions for disbursement).

In February 2018, the project also benefited from an implementation support mission to (i) assess RCTP overall implementation progress since July 2017, closely working with the team from Podgorica (since activity on the ground had not started yet), (ii) identify implementation bottlenecks or constraints for a smooth start of activities, and (iii) provide the PCU, its partners and the Ministry of Agriculture and Rural Development (MoARD, Lead Implementing Entity) with guidance and implementation recommendations.

The main focus of the mission was to undertake the first supervision of RCTP. The mission had the following objectives (i) to review the implementation degree of the recommendations agreed in February; (ii) to measure the overall project performance at financial and technical levels; (iii) to identify and discuss potential and emerging constraints for a quicker and more effective implementation of the project; and (iv) to agree on a new set of recommendations to improve implementation.

The mission met on 10 October with HE Mr Milutin Simović, Minister for Agriculture and Rural Development and Deputy Prime Minister, Mr Dragan Darmanović, General Director of the Directorate for State Treasury, Mr Blagota Radulović, General Director of IPARD Planification, Mr Saša Popović and Mr Borko Vulokić, UNDP project managers. A part of the mission then worked the whole week in Podgorica with the PCU and the other went to the field to assess the first implemented activities. The mission met with the Mayors of the seven municipalities^[1] targeted by RCTP and the main representatives of the eight clusters already accompanied by the project.

This report reflects the main findings and recommendations of the mission. It was endorsed at a wrap-up meeting in Podgorica on 16th October 2018, chaired by Mr. Darko Konjibic, General Director for Directorate of Rural Development.

[1] Berane, Bjelo Polje, Mojkovac, Nikšić, Petnjica, Šavnik, Žabljak

Key Mission Agreements and Conclusions

Even if the project started effectively in March 2018, as described below in section D, the RCTP team managed to launch most of the activities planned for 2018. In order to consolidate these first activities, the mission has formulated the main following recommendations. Their implementation will obviously require the implementation of the whole set of recommendations presented in this report.

1. Cluster facilitation: thanks to the project facilitation activities in collaboration with municipalities technical staff and the support from the Mayors, 8 planned clusters have emerged with committed value chain stakeholders, from producers to processors and buyers. They are still in a post-emergence phase with a degree of maturity that may slightly differ from a cluster to the other due to specific context and involved stakeholders. The mission emphasises that the support to the rural clusters is a core Project activity that is to be directed towards (i) the on-going strengthening of the value chain actors, especially producers groups involving small scale farmers, women and youth and (ii) the enhancing of market oriented activities to provide the different economic actors of the value chains with better access to market opportunities.
2. Staffing of the project: in order to implement the above recommendation, the mission considers that it is necessary to strengthen the team and to give the project coordinator the responsibility to support market development of all RCTP clusters; to compensate this new responsibility, the mission recommends to hire a new value-chain specialist to support the clusters in the western municipalities.
3. Simplification and increased efficiency of Public calls: Public calls have been launched in line with the national procedure including specific Project specificities. However, during the same period, other public call processes were launched benefitting the Montenegrin agricultural sector (IPARD, Agro-Project, ...) with intensive media campaigns. This tends to be confusing for applicant farmers, especially for targeted small scale farmers since (i) the RCT Project processes uses a different budget share to be contributed by applicants creating felt discrepancies that negatively impact the targeted more vulnerable farmers; (ii) the procedure for window 1 matching grants also brought confusion (50% for the 1st 1000 euros, 33% for the following 1500 euros and nothing above) and led to the rejection of many requests due to misunderstanding about the applicants' contribution. The

late launch in the agricultural season (July) also contributed to receive less applications. The mission was informed that other public calls were launched in February / March, once the agrobudget has been approved,. In this regard, the mission recommends to simplify the RCTP call procedures for its window 1 (50% support until 3,000 euros) and to launch the next RCTP Public call in February 2019 to respect the agricultural calendar.

Roads and water supplies: the mission noted that there is a high demand for Roads and Water supplies and the Minister suggested to consider how IFAD could increase its share in the financing structure of the infrastructure. The mission noted that Municipalities proposed to ensure that beneficiaries' contribution is committed to the Project in due time. The mission recommends to assess in 2019 in which extend it is possible to consider reallocation of funds to component 2 in order to increase the number of rehabilitated km of roads and water supplies, within the limits offered by the Loan Agreement signed between IFAD and the Government.

D. Overview and Project Progress

All recommendations that were formulated during February supervision were implemented, except the one on M&E, a version of the baseline survey is available but there are still some improvements to be made to have useful figures for an accurate evaluation of the impacts of the project. A specific meeting was organised to talk with the firm in charge of the baseline survey.

Regarding the implementation of 2018 AWPB, the mission commends the project for the impressive work done since March. Most of the activities have been implemented and the physical progress of the project has been assessed at 77%. The financial progress is much lower (16%) due to the fact that some activities (projects and infrastructure) have been initiated but still not been paid. However, the forecast disbursement for 2018 shows that 97% of the annual budget should be spent by the end of the year.

Component 1

Component 1 aims at facilitating Value-chain clustering for resilient transformation. This component has been physically executed at 95 % and financially at 29%.

In terms of facilitation, all the activities planned in the AWPB have been implemented:

- In total, 37 sensitization meetings had been organised in cooperation with advisory services, municipalities, extension services, agro-business centres and BSFs in the 7 municipalities targeted by RTCP.
- Following those meetings, the project recruited 4 experts for each of the 4 targeted value-chains : raspberries, seed potato, meat and cheese production. This led to 7 cluster mappings providing a description and a diagnosis of each sector (SWOT analysis, key actors, engaged institutions, market needs, potential and bottlenecks).
- The mapping was validated during 15 workshops involving the main actors of the value-chains.
- The third and final step was the organisation of Multi-Stakeholder Meetings (MSM) in the 7 municipalities to facilitate communication among the VC actors cluster by cluster, start reflecting on Cluster development plans and the way to solve the identified bottlenecks.
- The total number of persons involved in this 3 steps process is of 300 (85% of male and 15% of female).

A service provider was recruited to develop training material to strengthen BSF skills; 10 modules were developed consisting in two elements: practical application and How-to-do modalities. Those modules were applied on 26 BSF who were trained following the modules developed above. The facilitation process successfully led to the emergence of 8 rural clusters (out of 11 functional clusters to be established by the end of the project). The mission could meet all of them during field visits. Even if those emerging clusters are very different one from each other according to local contexts and value-chains, all of them need specific support to expand the number of their members to become more inclusive with regards to small-scale farmers who constitute the main target group of the project, to fine-tune their action plans and to implement them. In this context the mission recommends to the RCTP team to define precisely, cluster by cluster, what type of support is needed from RCTP team and their partners and how to deliver it.

A specific support has to focus on market linkages and the mission recommends that RCTP develops rural clusters stakeholders' skills on market development and linkages related activities in collaboration with local implementing partners. In that regard, the mission recommends that the coordinator of the project be fully in charge of this aspect for all clusters supported by RCTP (the current ones and the new ones to emerge). As a consequence from the above, the mission recommends that a new value-chain specialist is recruited to support rural clusters in Western municipalities as it is currently under the coordinator's responsibility.

Public call: a first grant announcement has been launched 16 June 2018 for window 1 (primary production) and window 2 (post-production and post-harvest processes). 68 requests have been received out of which 55 have been approved. The contracts have been signed with beneficiaries whose the majority have already paid their contribution and the Ministry will provide its share in the following weeks.

Out of the 55 approved requests, 31 relate to production – window I (12 in potato seed, 9 in cheese, 7 in meat, and 3 in raspberries) for an average amount of EUR 1,600 and 24 to post-production and post-harvest processes – window II (1 in potato seed, 4 in cheese, 13 in meat, and 6 in berries) for an average amount of EUR 3,600. .

This first experience of public call is very instructive. The first lesson is that the number of applications was relatively limited keeping in mind that the RCTP objective is to have supported 300 farmers at mid-term (2020) and 500 by the end of the project (2023). In order to increase applications in future calls, the mission recommends the following:

- to launch the calls for production early in the year, possibly in February, to benefit to the farmers who start planting in May.
- to simplify the process in order to reduce time between selection and access to fund: the public call process is complex with many steps before final decision. In average, the time between the launch and the funds delivery by the ministry reached 6 months. The support of a law officer will be crucial to shorten the process.
- to simplify RCTP public call for window 1, providing a 50% support with a EUR 3,000 ceiling: another issue is the discrepancies among the different support mechanisms: for example when RCTP provides a support of 45% when the Agro-budget lines provides 50%. This is confusing for some farmers who tend not to apply to RCTP public calls considered as less interesting. Furthermore, RCTP contribution is a bit complex with a calculation per step: 50% for the first EUR 1,000 and then 33% for the following EUR 1,500. This is uneasy for some small farmers to apply.

Component 2

This component has been technically executed at 50% and financially at 1% only, due to the fact that the contracts with the selected contractors, to refurbish roads and improve water supply systems, are expected to be signed by October 31, 2018.

The project recruited a civil engineer to prepare and organise sensitisation campaigns in each municipality, to do the technical and financial analysis of preliminary screened infrastructure proposals, to review and approve engineering designs provided by municipalities, to supervise procurement and to supervise civil works.

Specific rural water and road infrastructure bottlenecks were identified during multistakeholders meetings and through cluster development plans that was followed by a public call to collect applications. A service provider was selected to assist RCTP rural engineer to conduct feasibility studies for each of them, 38 studies were conducted resulting in the selection of 15 projects : 10 for roads (corresponding to 6,4 km) and 5 water supply facilities.

RCTP organised a public call to select civil works contractors. The process is on-going, the contractors have been selected on October 11, 2018 with the objective to refurbish roads and improve water systems before December 31, 2018.

The mission noted that the demand for roads and water supplies is huge in the different visited municipalities and recommends to assess whether reallocation of funds to infrastructure would be possible in the future within the limit of the Loan Agreement signed between IFAD and the Government of Montenegro.

Component 3: Project Management

The component has been physically executed at 86% and financially at 39% (forecast 81% by the end of the year). The two steering committee meetings have been organised, all the equipment have been procured promotional material has been produced and the manuals are finalised (operations, finance) or under finalisation (M&E).

Agreed Action	Responsibility	Agreed Date
Overview and Project Progress		
Recruit a new value-chain specialist for Niksic, Savnic and Jabljak municipalities	PCU and MOARD	12/2018
Simplify the process in order to reduce time between selection and fund delivery to beneficiaries	PCU	12/2018
Simplify RCTP public calls for window 1, providing a 50% support with a 3,000 ceiling	PCU	12/2018
Give the coordinator of the responsibility to support the cluster for market oriented activities	MOARD	01/2019
Define precisely, cluster by cluster, what type of support is needed from RCTP team and their partners and how to deliver it	PCU	02/2019
Launch the calls for production early in the year, possibly in February	MOARD	02/2019
Assess if some reallocation would be possible in the future to allocate more funds to component 2	PCU/MOARD/IFAD	09/2019

E. Project implementation

a. Development Effectiveness

Effectiveness and Developmental Focus

Effectiveness **Rating: 4**

Justification of rating

The mission is satisfied with the development effectiveness since all planned activities for the period have been covered at a 77% on October 15, 2018 that is expected to be 95% at the end of the year once the attributed tenders for the 6.8 km of roads and 5 water supplies will have been completed. Some delays have occurred since 2018 was the first implementation year with a reorganisation of the implementing team in February following an IFAD technical support mission. The Project implemented all recommendations agreed upon during this mission.

Log-Frame Analysis & Main Issues of Effectiveness

Since the project is on its second year of implementation, the Logframe indicators all report zero as annual result, however some indicators will show progress by the end of the year. Many activities have been completed but they are not reflected in the Logframe as they are not at Outcome or Output level. Targets have been provided only for two indicators in Component 2. It is advised to link the 2019 AWPB to the Logframe indicators, where relevant, to provide 2019 annual targets.

After making sure a real connection with the project activities and objective existed, 4 ASAP indicators suggested by ECG have been added to the Logframe. The theory of changes and the assumptions made are considered valid and still relevant for the project.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Development Effectiveness		
Link the 2019 AWPB with the Logframe indicators to provide relevant targets for 2019 activities	PCU	11/2018

Development Focus

Targeting and Outreach **Rating: 4**

Justification of rating

All seven municipalities (Berane, Bjelo Polje, Mojkovac, Nikšić, Petnjica, Šavnik, Žabljak) have been reached. An intensive facilitation process has been implemented as presented above on the basis of a first mapping and multistakeholders meetings. The emergence of rural clusters involved all value chain stakeholders willing to interact to enhance economic development in their respective area.

Main issues

Selected value chains have been well targeted for meat, potato seeds and raspberries. However, since the cheese value chain mostly involve well-off producers, it is not economically viable to develop cheese making for small scale livestock breeders (under 3 cows) who are targeted by RCTP matching grants. The mission recommends to broaden the value chain to dairy products (from production to processing) that involve small scale producers.

The mission emphasised the risk of elite capture when the clusters are led by better-off producers or by private suppliers, buyers or processors. It was also noted that there is a lack of women and young representatives in the rural clusters. The mission recommends to encourage the clusters to be more inclusive and to particularly involve small farmer representatives and women.

Agreed Action	Responsibility	Agreed Date
Development Effectiveness		
Broaden the cheese value chain to dairy products value chains that involve small scale producers	PC/APC to review PIM	11/2018
Encourage rural clusters to welcome small farmer and youth to be part of the cluster activities	VCSs	

Gender equality & women's participation

Rating: 3

Justification of rating

The Project has a low direct participation of women in its activities. During sensitisation and facilitation processes, only 15% of the participants were women; they represent only 5% of the rural cluster members and 25% of the grants recipients.

Main issues

Even if cultural issues and traditions give women an important and respected status in the private sphere of the household and since they are very active in the production and the processing sector, more efforts should be done to encourage them to participate in rural clusters along with their husbands/ brothers/ fathers and be in a position to identify opportunities for an economic development of their activities as well as holding decision making positions.

The mission recommends that a gender mainstreaming point is chosen in PCU and a simple strategy prepared to ensure that the project better mainstreams gender issues in its activities.

Agreed Action	Responsibility	Agreed Date
Development Effectiveness		
Assign an officer to gender mainstreaming in the project	PC / APC	12/2018
Prepare a simple gender and youth strategy reflected in the PIM	GENDER FOCAL POINT	06/2019

Agricultural Productivity

Rating: 4

Justification of rating

4 as default expecting the further development of the project

Nutrition

Rating: 4

Justification of rating

4 as default expecting the further development of the project

Adaptation to Climate Change

Rating: 4

Justification of rating

RCTP's quality of implementation with regard to climate change adaptation interventions cannot be measured at this stage as no hard activities have yet been implemented. The project started the formation of clusters including small farmers, privates (storage facilities, processors) around climate adaptive and environmentally sustainable value chains. Municipalities are well engaged in the process, rehabilitating climate resilient roads and supporting the construction of multipurpose water systems to efficiently create a network of stakeholders with a clear priority assigned to climate vulnerable areas and smallholder farmers.

b. Sustainability and Scaling up

Justification of rating

Amongst the targeted value chains, raspberry is the most specific one on which the Project may have a decisive contribution at policy level. In Bijelo Polje, cluster members are already involved in drafting a regional strategy for raspberry that will feed the national strategy.

Main issues

Municipalities are proactive to brand the Montenegrin raspberry that constitutes a unique source of incomes with big potentials.

Raspberry strategy has to ensure that the increase of the quantity and quality of production is implemented at the same pace as the development of processing and storage capacities. The strategy would assist to develop different outlets to reduce losses namely the remunerative export markets, the processing industry and the production of brandy with different expected qualities of the raw product.

Production issues:

In mountain areas, land is available for raspberry production that can be produced on rather small acreage (0.3 ha to be economically viable). A new promising variety (higher yield, thornless variety) has been imported from Scotland and multiplied by a nursery owner linked to the research centre. The Raspberry cluster aims at establishing 300 more producers with a 0.3 ha farm.

However, due to climate variability, the production may fluctuate quite drastically. A producer reported that climatic conditions in 2018 caused a 50% loss in quantity (0.5 t/a instead of 1t/a) with a meagre 7% profit instead of the expected 70% margin.

The quality aspect is also a key aspect regarding raspberries. Mountain areas are renown for the quality of their products although there are differences among producers (use of improved variety, use of pesticides...). Organic producers already started to be organised with a challenge on control of the use agricultural inputs in collaboration with agrodealers.

Marketing issues: Due to its perishability, raspberry marketing needs a high level of organisation between the value chain economic actors. The rural cluster motivates producers, specially youth to join, and becomes a forum where to simultaneously plan the development of outlets with upstream and downstream actors to avoid underproduction (detrimental to downstream investors that cannot fulfil their clients' demand and valorise their investment) or overproduction (detrimental to upstream producers that cannot find outlets for their products and fail to draw an income once production costs have been paid).

For example in recent years, the raspberry market price dropped from 1.2 EUR/kg to 0.75 EUR/kg due to an increase in production. The Government took a decision to compensate the economic loss by a guaranteed price whose difference with the market price was supported by a subvention. Unfortunately, it was reported that such policy encouraged uncontrolled importations of raspberries from Serbia to benefit from the guaranteed price.

It has also been reported that lack of synergy between stakeholders hampers them to fully benefit from investment funds set by the Ministry of Agriculture.

For example producers and particularly the youth producers reported that they often face storage problems since the product is highly perishable. However, storage investment have also to be done in close cooperation with processors and traders to ensure that storage facilitate transactions towards consumption areas at a remunerating price that covers all transaction costs (depreciation and operating costs).

Priorities for the raspberry strategy

1. i) to capture the domestic market instead of exporting the raw materials to Serbia (99% of the production);
2. ii) To connect the raspberry processing plants with supermarkets / hotels in the Southern municipalities touristic areas that currently import their processed and well packaged raspberry products from Serbia;

Access to strategic information mostly regarding estimated produced quantities and capacities of the downstream economic actors to absorb this quantity is crucial. The cluster could play a role in assessing the current quantities and their main destination.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling Up		
Identify needs to support a regional raspberry value chain strategy in Bijelo Polje cluster	PC / APC	12/2018

Partnership-building

Rating: 4

Justification of rating

Partnership with municipalities has been very effective and particularly with the technical involvement of the extension services lodged in the municipality (business development centres...). Through rural clusters, the mission commends the private sector involvement through already established businesses (raspberries cold storage company in Bijelo polje, Meat processing plant in rural Nikšić, Cheese making plant in peri-urban Nikšić, Potato seed bulk buyers in Žabljak, organic berries processing unit in Mojkovac) that provides economic outlets for upstream value chain stakeholders.

Main issues

Other initiatives are currently developed with a FAO support on mountain value-chains and linkages between agriculture-tourism. The mission recommends that synergies are developed with those initiatives.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling Up		
Contact the FAO supported initiative and identify eventual synergies when supporting producers organisations development	PC	03/2019

Human and Social Capital and Empowerment

Rating: 4

Justification of rating

The emergence of rural clusters has been well received in all different municipalities although it was a new inclusive approach. Value chains stakeholders, who happened to know each other but barely had the opportunity to discuss value chain and markets issues, are recognised as a local fora to enhance transformation. However, in most cases, the role of the cluster is still vague.

Main issues

The mission reminded that a cluster is to focus on communication activities aiming at up-grading, up-streaming and up-scaling stakeholders economic activities. Openness and access to the cluster as a source of information and opportunities is also key to ensure a broad empowerment of the stakeholders, specifically the ones who may be left aside by markets.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling Up		
Review national legal framework for registration of potential stakeholders organised groups	LAW OFFICER	05/2019

Quality of Beneficiary Participation

Rating: 4

Justification of rating

Beneficiaries' participation occurred at various levels. In rural clusters, members actively participated in the sensitisation campaigns on voluntary basis to reach out all potential beneficiaries for the open call (window I and II), encouraging them to apply. However, expected financial participation of the beneficiaries to access matching grants has not yet been well addressed leading to misunderstanding. Municipalities promised to cover beneficiaries' contribution for roads to be aligned with their usual practice (no road contribution has ever been required from well-off urban citizens, it is not possible to require rural citizens to do so). In kind contributions for roads are also excluded since road rehabilitation quality is under contractors' responsibility.

Agreed Action	Responsibility	Agreed Date
Sustainability and Scaling Up		
Produce and disseminate appropriate media to inform potential beneficiaries about changes in financial participation reflecting the amended PIM	PC / APC	02/2019

Responsiveness of Service Providers

Rating: 4

Justification of rating

During the period, services providers, mostly hired to perform surveys, studies and mapping delivered expected outputs in due time. Civil works contractors have just been selected and they provide all indication that they would implement their contract in due time.

Environment and Natural Resource Management

Rating: 4

Justification of rating

The rating measures the positive or negative changes that take place in the natural resources base as a result of project interventions. As there have been no hard activities implemented on the ground this aspect is not yet rated. Existing environmental norms are being followed in the design and implementation of project activities are not foreseen to have any adverse effect on the environment.

Main issues

Given the small scale and rehabilitative nature of the interventions, no significant negative environmental impacts are expected from the investment. The main foreseeable environmental concerns are the ones associated with the management and disposal of excavated materials and construction debris from roads rehabilitation and water ponds and systems. However, all approved proposals/designs that are to be implemented through the works component will be required to meet requirements of the environmental legislation of Montenegro. As stated in the Project Implementation Manual, submission of required documents for Environmental Assessment as per existing legislation will be under the responsibility of municipalities and will be financed from their budgets. Documents from the relevant Environmental Agency approvals considered as part of engineering designs, therefore they are be available for PCU examination.

Exit Strategy

Rating: 4

Justification of rating

4 by default expecting the further development of the project

Potential for Scaling-up

Rating: 4

Justification of rating

4 by default expecting the further development of the project

c. Project Management

Quality of Project Management

Rating: 5

Justification of rating

The management team (PC and Assistant PC) that was set following the IFAD support mission in February proved to be professionally effective with the support of seconded technical staff from the Ministry of Agriculture (administrative, fiduciary, accountings, monitoring and evaluation and law although for this last aspect, it was done with no secondment agreement). Through their proactive involvement in municipalities, the management team managed to secure a full participation of municipality technical staff in all sensitisation and animation activities in the field (saved costs will ultimately be reaffected to other activities). Relationships with the Ministry where the PCU is hosted are excellent with a high level of involvement of top executive in overseeing the project progress.

Main issues

PCU organisational set-up: as already mentioned, the mission acknowledged the amount of implemented activities by the PCU. The Project Coordinator continued to hold Value chain officer's responsibilities in the three Western municipalities (Nikšić, Šavnik, Žabljak) while assuming all the PC tasks and duties on the whole targeted area of intervention. Thanks to the efforts and progress in this first year, the coming year is going to be more intensive in terms of quantities of activities to be launched and monitored in each municipality (specifically regarding VCF grant recipient projects as well as construction of infrastructure). It is important that the Project coordinator can allocate a sufficient amount of time to all different parts of the area of intervention to back-up the front-line Value Chain officers.

The mission recommends to relieve the PC from his responsibilities as Value chain officer for the Nikšić area that would be handed over to a newly recruited Value Chain Officer.

Since the PC developed professional relationships with all municipalities during the first year of implementation, the mission recommends to build on this social asset for him to handle the newly designed tasks linked to Market development and linkages activities with rural clusters.

The assistant PC supported the PC to handle administrative tasks.. The mission recommends that she ensures also the gender mainstreaming of the activities.

Seconded Officers highly contributed to the achieved progress. The mission recommends to ensure that there is no discrepancy in the top-up allowance that they receive from the Project.

It appears that the Law officer played a crucial role in reviewing all legal documents and processes. The mission recommends that the Ministry seconds this officer to the Project for him to fully assist the Project Coordinator according to terms of reference enclosed in appendix 5.

PCU holds staff meeting on a monthly basis in Podgorica. Local coordination meeting at municipal level involving all implementing partners are organised quarterly. The mission recommends to write simple minutes to monitor implementation processes of the decisions made during these meetings.

Agreed Action	Responsibility	Agreed Date
Project Management		
Second a law officer on the basis of enclosed terms of reference	MoARD / PC to write the request	12/2018

Knowledge Management

Rating: 4

Justification of rating

The project has not yet developed a clear strategy for knowledge management to ensure the institutional memory. Operational tools to inform Project stakeholders at the scale of a municipality have not been made available to facilitate a rapid common understanding of progress made in a given municipality.

Agreed Action	Responsibility	Agreed Date
Project Management		
Design an effective KM strategy to capture the institutional memory of the Project	APC / M&E Officer	04/2019

Value for Money

Rating: 4

Justification of rating

4 by default expecting the further development of the project

Coherence between AWPB and Implementation

Rating: 5

Justification of rating

As developed above, at the date of 10 October, the 2018 AWPB was technically executed at 77% and financially at 16%. By the end of the year, it can be estimated that those percentages will be above 90%.

AWPB Inputs and Outputs Review and Implementation Progress

Under this condition, the mission commends the PCU for the implemented activities and recommends for 2019 AWPB to build a more ambitious AWPB in order to fund more projects under component 1 and more infrastructure under component 2.

Agreed Action	Responsibility	Agreed Date
Project Management		
Prepare a more ambitious AWPB in order to reach the objectives of the project by 2023	PCU	11/2018

Performance of M&E System

Rating: 4

Justification of rating

35. Since the project is in its second year of implementation, the M&E system reporting (in the form of an excel database) is limited to outputs and activities. Information on the activities conducted so far have been duly collected but only partially entered in the M&E database. After some improvement, the system will be a source of reliable information to monitor project implementation performance.

M&E System Review

The third chapter of the project implementation manual (PIM), concerning the guidelines for the development of the M&E system and the criteria and methodologies used for data collection, has been updated and finalized during the mission. M&E activities conducted are coherent to the PIM; data collecting form used in the M&E system are those included in the PIM annexes.

At the time of the mission, M&E data for each component were adequately collected but not entirely reported in the M&E database. Data for Component 1 such as clusters composition, applications received, women and youth representation, beneficiaries classification (window 1 or window 2), cluster location, commodity type and total investment required have been entered in the M&E database.

However, information on Component 2 such as number and type of applications received (installation of water supply systems or roads reconstruction), names of involved municipalities and estimated number of beneficiaries have not been added yet. Data are regularly collected but not systematically inserted in the M&E system by the M&E officer. The M&E database is satisfactory but needs to be improved to better capture the number of direct and indirect beneficiaries involved in the project activities and information relative to Component 2. The reporting table for monitoring water supplies schemes rehabilitation has not been created yet and the table to collect data on road rehabilitation has been improved with the mission support.

The M&E officer has been trained on M&E fundamentals (PRIME training programme). It is advised to ensure that primary data collectors (PCU and implementing partners staff, BSF, municipalities) are also trained in this logic as well as to continue providing support to grant a continuous data collection and update of the M&E database as soon as data have been collected.

Agreed Action	Responsibility	Agreed Date
Project Management		
Update PIM Part III - M&E and send to IFAD for no objection	M&E OFFICER	11/2018
Create and update data collecting tables on Component 2 (water supply scheme and road reconstruction)	M&E OFFICER	11/2018
Finalise and update a reporting table per municipality providing a snapshot of project activities	M&E OFFICER / VCSs	

Requirements of Social, Environmental and Climate Assessment Procedures (SECAP)

Rating: 4

Justification of rating

Project activities are at an early stage of implementation and hard activities have not been implemented but the SECAP recommendations have been taken into account in the approach so far and activities that have been designed in RCTP and explicitly translated into practical criteria in the Project Implementation Manual. However, it is too early to assess the extent to which the SECAP requirements are being applied.

SECAP Review

The approach adopted by the project are in line with the SECAP recommendations. The Components 1 and 2 aim at enhancing resilience through investments in productive rural infrastructure and agro-systems, and the creation of effective multi-stakeholders rural clusters. The PCU and the municipalities ensure that the selected enterprises and infrastructure schemes do not generate any adverse consequences for the environment or the natural resources. As far as infrastructure schemes are concerned, all approved proposals/designs for infrastructure schemes are required to adhere to the environmental legislation of Montenegro. During feasibility studies and detailed designs, environmental and social assessments will be carried out to prepare environmental and social management plans for each sub-project.

The PIM details how grant applications are prioritized based on credible projected impact on targeted smallholder farmers. The PIM considers as critical that activities financed through matching grants have minimal impact on environment and are compliant with national regulations on environment and social impact to mitigate risks whenever relevant. Regarding water infrastructure, the PIM implies that all applications are going through three steps to ensure appropriated targeting: a) prequalification, b) scanning and ranking, and c) final selection.

The participation of women and youth in the early stage of the project is low. Actually women are active players in family farming activities and play a major role in several domains (from production to processing)). The PIM should be more specific about the strategy to target more efficiently women and youth in the rural clusters, in line with SECAP requirements.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Project Management		
Revise PIM to include gender and youth strategy to align with SECAP requirements	PCU / gender focal point	06/2019

d. Financial Management & Execution

Disbursement by financier

Type	Name	Current Amount	Disbursed Amount	Actual Rate
Domestic Financing breakdown	Beneficiaries	\$1,717,131		
	Private sector local	\$660,199		
	National Government	\$5,977,975		

Acceptable Disbursement Rate

Rating: 6

Justification of rating

The project is in its 2nd year of implementation and its total disbursement rate is 29.64% and 26.6% of the total allocation (including the Initial Deposit) for the loan and the grant respectively as at 08/10/2018.

Main issues

Despite benefiting from an authorized allocation equivalent to the annual activities planned in AWPB, the level of disbursement at project's level is low. Under the loan the project has actually spent an amount of Euro\$ 0.23 million. No expenditure has been incurred under the ASAP grant. Such low level of disbursement is due to the delays in starting the implementation of activities under "VC Clustering for Resilient Rural Transformation" and "Cluster Supportive Rural Infrastructure" component. The situation should improve by the end of 2018 when the road and water supply construction, as well as the grants to farmers should start. With the inclusion of the budget projections at year end the project should be able to reach a disbursement of 39 % and 31% under the loan and grant respectively.

No WA has been submitted by the project since the level of expenditures has not yet reached the 30% of the DA. The project is yet to get familiar with preparation of WA. A simulation for WA preparation was conducted during the mission through the accounting system but since some bugs were identified in the software the simulation could not be completed. Currently the system is not able to provide the correct formats for WA required by IFAD. The mission recommends the project to ensure that the consultant rectifies the system to provide the WA formats required by IFAD.

The project forecast to spend an amount of Euro 0.78 million for the last quarter of 2018. This would allow the expenditure level to reach the minimum amount for WA submission. The project should submit a WA as soon as the level of expenditures reaches the 30% of the DA.

The level of the DA and the SOEs thresholds are adequate to the needs of the project.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Preparation of automated WA in TOMPRO Ensure that Tompro is rectified to allow preparation of WA from the system in accordance with IFAD formats	FO/ Consultant/ Administrative Assistant	10/2018
WA submission Submit a WA as soon as the level of expenditures reaches the 30% of the Designated Account	Director/ FO/ Finance Assistant	12/2018

Fiduciary Aspects

Quality of Financial Management

Rating: 4

Justification of rating

The financial team is yet to get familiar with IFAD disbursement procedures, the accounting software and financial reporting. The accounting system is satisfactory, however the staff needs to be capacitated to be able to work independently and extract all information needed from the software. The budget preparation and its monitoring need improvements. The quality of the SOEs needs to be improved to be able to have all relevant accounting documents in the accounting section.

Main issues

The finance team is composed by 1 FO, 1 administrative assistant and 1 procurement officer, all seconded from the MARD's staff.

The project has adopted the financial manual in March 2018. The internal controls and the identification of roles and responsibilities are efficient. However, the identification of the BL and categories in the accounting is merely done by the administrative assistant at the time of accounting, which exposes the accounting to risk of errors. The management is advised to put in place a system for identification and approval of the accounting codes, either with a stamping on the invoice or a voucher system.

The project has adopted Tompro for reporting purposes to IFAD. A training was conducted by the provider, but the staff is yet to get full control of the system and currently highly dependent on the consultant. The mission recommends the project to ensure that an on-the-job training is conducted by the consultant to capacitate the finance team on budget recording, preparation of WAs, financial statements and reports. The accounting system is up to date as of 08/10/18. However, during the SOE review some errors were noted in the accounting of the categories. The mission recommends the project to ensure a correct configuration of the software to capture automatically the correct category, and the finance team to verify the accounting codes entered in the system each time an expense is accounted.

The project maintains 2 Designed Accounts (DAs), one for the loan and one for the ASAP grant. Although the project has under control the bank balances, the accounting software has not been monthly reconciled with the bank statements and a reconciliation exercise was conducted during the mission. As at 08/10/2018 both DAs are fully reconciled with IFAD records. The mission recommends the project to reconcile the bank balances through a formal system on a monthly basis.

The 2018 AWPB was approved in March 2018 while the 2019 AWPB is currently being drafted. The mission recommends the project to submit the final budget to IFAD by November 2018. The budgets recorded in Tompro are different from the approved AWPB. The mission recommends the project to ensure that the budgets entered in Tompro are the officially approved budgets.

The budget exercise shows low performances: the execution rate against 2017 budget of Euro 0.23 million was 42%, and for 2018 of Euro 0.96 million the execution is 16% as at 08/10/18. Major shortcomings are shown in the achievement of component 1 and 2. The situation should improve at the end of 2018 when, according to the forecast, rate execution rate of the budget should reach 97%.

The mission reviewed the SOE for all the expenses incurred from July 2017 to September 2018. All relevant invoices were available, but the quality of the supporting documents is moderately unsatisfactory. Some expenses were accounted in the wrong category and their accounting must be rectified. The project is reminded to ensure that: (a) all invoices are supported by all relevant documents; (b) all invoices are stamped as "paid"; (c) each payment is provided with a stamp for the identification of the budget line and category to be accounted; (d) the accounting in Tompro reflects the correct AWPB BL and category. The mission recommends the project to improve the quality of the SOE.

The project has submitted a bi-annual report but has not yet fulfilled the requirement of the quarterly IFR. The mission recommends the project to submit IFR on a quarterly basis starting from October 2018.

An internal audit system is in place at MARD but the Department has a very limited capacity. The mission recommends the project to ensure that RCTP will be included in the internal audit conducted at MARD for the 2019 fiscal year.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Preparation and timely submission of Interim Financial Reports Submit IFR to IFAD on a quarterly basis starting from October 2018	Director/ FO/ Finance Assistant	10/2018
Timely preparation and submission of FY19 AWPB Finalize the 2019 budget and submit it to IFAD for approval by November 2018	Director/ FO	11/2018
Tompro set up and training Ensure a correct configuration of the software so that it is able to capture automatically the correct category Ensure that a on-the-job training is conducted by the consultant to capacitate the finance team on budget recording, preparation of WA, financial statements and reports	Tompro consultant/ FO/ Administrative Assistant	12/2018
Improve the quality of SOE. In particular the project must ensure that: (a) all invoices are supported by all relevant documents as specified in detail in the annex of the LTB; (b) all invoices are stamped as "paid"; (c) each payment is provided with a stamp for the identification of the budget line and category to be accounted; (d) the accounting in Tompro reflects the correct AWPB BL and category	FO/ Administrative Assistant	12/2018
Implement internal controls activities on payment and data entry in TOMPRO Put in place a system for identification and approval of the accounting codes, either with a stamping on the invoice or a voucher system. Verify the accounting codes entered in the system each time an expense is accounted. Reconcile the bank balances through a formal monthly system.	FO/ Administrative Assistant	12/2018
Include RCTP activities in the scope and work plan of the Internal Audit of MARD Ensure that RCTP is included in the internal audit conducted at MARD for the 2019 fiscal year.	MARD/ Director/ FO	12/2018
Preparation, maintenance and monitoring of the budget in TOMPRO Ensure that the budget entered in Tompro is the officially approved budget	FO/ Administrative Assistant	12/2018

Quality and Timeliness of Audit

Rating: 3

Justification of rating

Automatic rating caused by delay in the audit submission

Counterparts Funds

Rating: 4

Justification of rating

The level of the government contribution is currently at 1%. The Government contributes to the project through cash

contributions, tax and duty exemption and in-kind contribution for the staff salaries and provision of office space. The interaction and responses from the government are very good, and the main reason for the low level of the contribution is actually due to the delay in the implementation of component 1 and 2.

Main issues

The level of the Government contribution is equal to Euro 20,000 (of which Euro 19,000 in taxes and Euro 1,000 in cash), which represents 1% of the overall budgeted contribution foreseen. However, this is likely to be an underestimation, as the government is providing in-kind contribution through the staff salaries and office space, which have hitherto not been properly recorded. The mission recommends the project to account for and reflect the in-kind government contribution in the accounting and the financial reporting.

As at 08/10/2018, the contribution of both the municipality and SME is Euro nil.

The beneficiaries have not yet started contributing to the project since the calls for grant application are yet to be completed. The project has not opened a dedicated bank account for the beneficiary contribution since the fulfilment of such requirement may not be feasible in Montenegro due to the functioning of spending at ministry level. The only feasible option is that the beneficiaries pay directly the suppliers but in such scenario the mission reminds the project to ensure that no payment is executed by the project unless both the municipalities and the beneficiaries have provided their contribution, that relevant supporting documents evidencing such contributions are provided to the project and that no IFAD funds is utilized to cover any beneficiary or municipality contribution.

Agreed Action	Responsibility	Agreed Date
Financial Management & Execution		
Reflect the in-kind contribution of the Government Account for and reflect the in-kind government contribution in the accounting and the financial reporting	FO/Finance Assistant	12/2018
Ensure that beneficiaries contribution is effectively implemented Ensure that no payment is executed by the project unless both the municipalities and the beneficiaries have provided their contribution, that relevant supporting documents evidencing such contributions are provided to the project and that no IFAD funds is utilized to cover any beneficiary or municipality contribution	FO/ Finance Assistant/ Beneficiaries/ Municipalities	

Compliance with Loan Covenants

Rating: 4

Justification of rating

The projects has complied with the legal covenants of the financing agreement with the exceptions of: (i) Opening of a separate bank account for the beneficiary contribution (ref. para on beneficiary contribution above – the alternative option of paying directly the supplier was agreed during the mission); (ii) the submission of the 2017 financial statements, and the annual audit for the year 2017 (it was agreed with IFAD to conduct a joint 2017-2018 Audit); and (iii) the submission of quarterly interim financial reports.

Main issues

A detailed list of the key covenants is specified in Appendix 3.

Procurement

Procurement

Rating: 4

Justification of rating

The procurement process is timely initiated for most of the transactions enrolled in the Procurement Plan and is in compliance with previously agreed procurement method and IFAD prior review stipulated by LTB thresholds. However, there is still room for improvement in the timing of initiating the procurement processes for work transactions and in the need to ensure that Procurement processes are in compliance with IFAD Procurement Guidelines and Handbook in what relates to: i) the preparation of bidding documents should include adequate technical specifications/TOR and the evaluation criteria; ii) evaluation processes in accordance with IFAD guidelines; and iii) effective contract administration.

Procurement Review

Structure of the Procurement Unit. The PCU Procurement Unit is consisting of one Procurement Officer working on part-time basis. The Procurement Officer has got some experience in managing procurement activities. However, several gaps are identified at the level of the planning for procurement activities (selection methods of consulting services and evaluation/post qualification criteria of bids for the procurement of works).

Procurement Planning. The 2018 procurement plan was found to meet the basic requirements. However; the mission noted the following areas for improvement: (i) complement information re implementation schedule and contract type, ; (ii) fully respect the PP in terms of packaging; (iii) verify that transactions are enrolled in the right sheets; (iv) update PP with regard to actual implementation.

Bidding Documents. The PCU has utilized a customized version of the World Bank Documents for procurement of works and consulting services using the (NCB)/National REOI methods. The Mission discussed with the PCU that qualification, evaluation, and award criteria need to be listed more clearly. In many cases, the bidding documents were issued with inadequate TORs. This could lead to poor quality of the delivered consulting services. It was also noted that some requirements were unrealistic, such as completion time that bidders cannot meet. Even if competitive processes are implemented, RCTP did not apply the standard procedures for the selection of consultants and utilised the Post-Qualification process for works transactions.

Procurement Progress: The revised 2018 procurement plan has included 6 Goods and Works procurement transactions, 3 non-consultancy services transactions and 9 consultancy assignment with total cost estimate Euro 551,820.00. As of October 15, 2018, the procurement process for 15 packages worth Euro 613,248.24 was completed by the PCU constituting 111% of the planned amounts.

Contract Register: It was noted that the contract register does not exist within the project files. It was agreed that the PCU would fill out the register of contracts. By the end of the mission, the PCU submitted the register of contracts. However, the register includes only the contract signed during the current year. Furthermore, some important information is missing, such as financing category number, reference to the approved PP and the financier.

The procurement filing system: The mission was pleased to find out that the PCU established a procurement filing system for all procurement activities. However, the Procurement files are not complete and some documents are missing such as No Objection, the initiation memo, contract agreements and evaluation reports (in some cases), acceptance reports, and payment vouchers. It was observed that the PCU has electronically stored the procurement documents. The Mission commends such initiative and suggests that all the key procurement documents be electronically stored.

The mission recommends that the project maintains a procurement filing system, where all procurement related documents are maintained, updates on a continuous basis the procurement plan and the register of contracts and provides training to the Procurement Officer on IFAD Procurement Guidelines.

Procurement post review. As part of the mission activities, procurement post review has been conducted on sample basis for the contracts carried out over 2018.

The reviewer has noted that:

- The application of CQS method for the selection of consultants is excessively used while it could be more appropriate to apply QCBS. Moreover, the application of CQS method did not follow IFAD Procurement Handbook.
- In one transaction, RFP was issued to one consulting firm only without obtaining IFAD No Objection on the application of SSS method.

More details on procurement post review are included in Appendix 6.

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Financial Management & Execution		
Maintain a procurement filing system, where all procurement related documents are maintained.	PROCUREMENT OFFICER	11/2018
Update on a continuous basis the procurement plan and the register of contracts to reflect the above mentioned comments.	PROCUREMENT OFFICER	11/2018
Provide training to the Procurement Officer on IFAD Procurement Guidelines	PROCUREMENT OFFICER	12/2018
Adhere to IFAD guidelines with regard to procurement procedures for the selection of consultants, application of evaluation criteria and contract administration.	PC/PROCUREMENT OFFICER	

F. Agreed Actions

<i>Agreed Action</i>	<i>Responsibility</i>	<i>Agreed Date</i>
Overview and Project Progress		
Recruit a new value-chain specialist for Niksic, Savnic and Jabljak municipalities	PCU and MOARD	12/2018
Simplify the process in order to reduce time between selection and fund delivery to beneficiaries	PCU	12/2018
Simplify RCTP public calls for window 1, providing a 50% support with a 3,000 ceiling	PCU	12/2018
Give the coordinator of the responsibility to support the cluster for market oriented activities	MOARD	01/2019
Define precisely, cluster by cluster, what type of support is needed from RCTP team and their partners and how to deliver it	PCU	02/2019
Launch the calls for production early in the year, possibly in February	MOARD	02/2019
Assess if some reallocation would be possible in the future to allocate more funds to component 2	PCU/MOARD/IFAD	09/2019
Development Effectiveness		
Link the 2019 AWPB with the Logframe indicators to provide relevant targets for 2019 activities	PCU	11/2018
Broaden the cheese value chain to dairy products value chains that involve small scale producers	PC/APC to review PIM	11/2018
Assign an officer to gender mainstreaming in the project	PC / APC	12/2018
Prepare a simple gender and youth strategy reflected in the PIM	GENDER FOCAL POINT	06/2019

Encourage rural clusters to welcome small farmer and youth to be part of the cluster activities	VCSs	
Sustainability and Scaling Up		
Identify needs to support a regional raspberry value chain strategy in Bijelo Polje cluster	PC / APC	12/2018
Produce and disseminate appropriate media to inform potential beneficiaries about changes in financial participation reflecting the amended PIM	PC / APC	02/2019
Contact the FAO supported initiative and identify eventual synergies when supporting producers organisations development	PC	03/2019
Review national legal framework for registration of potential stakeholders organised groups	LAW OFFICER	05/2019
Project Management		
Prepare a more ambitious AWPB in order to reach the objectives of the project by 2023	PCU	11/2018
Update PIM Part III - M&E and send to IFAD for no objection	M&E OFFICER	11/2018
Create and update data collecting tables on Component 2 (water supply scheme and road reconstruction)	M&E OFFICER	11/2018
Second a law officer on the basis of enclosed terms of reference	MoARD / PC to write the request	12/2018
Design an effective KM strategy to capture the institutional memory of the Project	APC / M&E Officer	04/2019
Revise PIM to include gender and youth strategy to align with SECAP requirements	PCU / gender focal point	06/2019
Finalise and update a reporting table per municipality providing a snapshot of project activities	M&E OFFICER / VCSs	
Financial Management & Execution		
Preparation and timely submission of Interim Financial Reports Submit IFR to IFAD on a quarterly basis starting from October 2018	Director/ FO/ Finance Assistant	10/2018
Preparation of automated WA in TOMPRO Ensure that Tompro is rectified to allow preparation of WA from the system in accordance with IFAD formats	FO/ Consultant/ Administrative Assistant	10/2018
Maintain a procurement filing system, where all procurement related documents are maintained.	PROCUREMENT OFFICER	11/2018
Update on a continuous basis the procurement plan and the register of contracts to reflect the above mentioned comments.	PROCUREMENT OFFICER	11/2018

Timely preparation and submission of FY19 AWPB Finalize the 2019 budget and submit it to IFAD for approval by November 2018	Director/ FO	11/2018
Provide training to the Procurement Officer on IFAD Procurement Guidelines	PROCUREMENT OFFICER	12/2018
Tompro set up and training Ensure a correct configuration of the software so that it is able to capture automatically the correct category Ensure that a on-the-job training is conducted by the consultant to capacitate the finance team on budget recording, preparation of WA, financial statements and reports	Tompro consultant/ FO/ Administrative Assistant	12/2018
Improve the quality of SOE. In particular the project must ensure that: (a) all invoices are supported by all relevant documents as specified in detail in the annex of the LTB; (b) all invoices are stamped as "paid"; (c) each payment is provided with a stamp for the identification of the budget line and category to be accounted; (d) the accounting in Tompro reflects the correct AWPB BL and category	FO/ Administrative Assistant	12/2018
Implement internal controls activities on payment and data entry in TOMPRO Put in place a system for identification and approval of the accounting codes, either with a stamping on the invoice or a voucher system. Verify the accounting codes entered in the system each time an expense is accounted. Reconcile the bank balances through a formal monthly system.	FO/ Administrative Assistant	12/2018
Include RCTP activities in the scope and work plan of the Internal Audit of MARD Ensure that RCTP is included in the internal audit conducted at MARD for the 2019 fiscal year.	MARD/ Director/ FO	12/2018
Preparation, maintenance and monitoring of the budget in TOMPRO Ensure that the budget entered in Tompro is the officially approved budget	FO/ Administrative Assistant	12/2018
Reflect the in-kind contribution of the Government Account for and reflect the in-kind government contribution in the accounting and the financial reporting	FO/Finance Assistant	12/2018
WA submission Submit a WA as soon as the level of expenditures reaches the 30% of the Designated Account	Director/ FO/ Finance Assistant	12/2018
Adhere to IFAD guidelines with regard to procurement procedures for the selection of consultants, application of evaluation criteria and contract administration.	PC/PROCUREMENT OFFICER	

<p>Ensure that beneficiaries contribution is effectively implemented</p> <p>Ensure that no payment is executed by the project unless both the municipalities and the beneficiaries have provided their contribution, that relevant supporting documents evidencing such contributions are provided to the project and that no IFAD funds is utilized to cover any beneficiary or municipality contribution</p>	<p>FO/ Finance Assistant/ Beneficiaries/ Municipalities</p>	
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Rural Clustering and Transformation Project (RCTP)

Logical Framework

Results Hierarchy	Indicators							Means of verification			Assumptions
	Name	Baseline	Mid-Term	End Target	Annual Result (2018)	Cumulative Result (2018)	Cumulative Result % (2018)	Source	Frequency	Responsibility	
Outreach Outreach	1.b Estimated corresponding total number of households members							PCU reports	Annually	Project Coordinator and M&E Officer	Initial and continued political commitment and support to project implementation. Macro-economic conditions remain stable or improve.
	Household members			16 100	0	0	0				
	1.a Corresponding number of households reached							PCU reports	Annually	Project Coordinator and M&E Officer	
	Households			4 600	0	0	0				
	Non-women-headed households				0	0					
	Women-headed households				0	0					
	1 Persons receiving services promoted or supported by the project							PCU reports	Annually	Project Coordinator and M&E Officer	
	Males				0	0					
	Not Young				0	0					
	Total number of persons receiving services			4 600	0	0	0				
	Young				0	0					
	Females				0	0					
Goal To contribute to the transformation of smallholders' livelihoods in northern Montenegro, enabling them to become commercially competitive and more resilient to climate change.	Percentage decrease in rural poverty rate in supported municipalities compared to national rural poverty rate							Project impact survey and Municipality statistics	At completion	M&E Officer	Initial and continued political commitment and support to project implementation. Macro-economic conditions remain stable or improve.
	Rate			10	0	0	0				

Objective To increase the participation of poor smallholders in inclusive, profitable and environmentally sustainable value chains, and enhance the benefits they derive from them.	Number of participating households registering an increase in income of at least 30%						Project impact survey, BSF records and Farmers' diaries	At completion	M&E Officer	Initial and continued political commitment and support to project implementation. Macro-economic conditions remain stable or improve.	
	Households		500	2 400	0	0					0
Outcome 1. Improved commercial relations between smallholders, suppliers and buyers – supported by relevant public actors; and increased level of investments in the selected value chain.	Number of VC smallholders involved in the production of selected commodities						Farmers' diaries, BSF records and Project outcome surveys	Annually, starting Y2	VC Specialists and M&E Officer	Macro-economic conditions continue to be supportive for doing business. Smallholders' and VC actors' willingness to participate in selected value chains. VC suppliers' ability to respond to technical support requests by smallholders. Marketing potential for berries remains high.	
	Persons		1 500	3 000	0	0					0
	Percentage increase in the value of marketed commodities, by VC						Farmers' diaries, BSF records and Project outcome surveys	Annually, starting Y3	VC Specialists and M&E Officer		
	Rate		20	50	0	0					0
	Value of incremental investments in selected VCs (excluding project financing)						BSF records and Project sector study	At mid-term and completion	VC Specialists and M&E Officer		
	Euro million		0.5	2	0	0					0
	2.2.2 Supported rural enterprises reporting an increase in profit						BSF records	At mid-term and completion	VC Specialists and M&E Officer		
	Percentage				0	0					
	Number of enterprises				0	0					
	3.2.2 Households reporting adoption of environmentally sustainable and climate-resilient technologies and practices						Progress report and Outcome survey	Annually, after mid-term	M&E Officer		
	Households				0	0					
	Total number of household members				0	0					
Output 1.1 Multi-stakeholder clusters established and facilitated for four commodities; and business or trading plans agreed between smallholders and suppliers/buyers.	Number of functional clusters						VC Specialists records and Cluster meeting minutes	Annually	VC Specialists		
	Functional clusters	6	7	11	0	0					0

	Percentage of participating VC smallholders with an agreed business or trading plan						BSF records	Six-monthly	BSF		
	Rate		80	100	0	0					0
Output 1.2 Strategic investment grants provided to value chain actors and for “quasi-public” goods.	Number of VCF grant recipients						VCF manager records and Minutes of VCF board meetings	Monthly	VCF Manager		
	Persons	20	300	500	0	0					0
	Percentage of grant recipients meeting their first key performance criteria as defined in grant contracts						VCF Manager records	Six-monthly	VCF Manager		
	Persons	80	80	80	0	0					0
Output 1.3 Project implementers, key Government stakeholders and smallholders provided with capacity development support.	Number of project implementers and Government staff trained in value chain and cluster development						PCU training records	Annually	M&E Officer		
	Persons	20	20	40	0	0	0				
	2.1.2 Persons trained in income-generating activities or business management						BSF training records	Annually	BSF		
	Young				0	0					
	Not Young				0	0					
	Females		500	833	0	0					0
	Males		1 000	1 667	0	0					0
Outcome 2. Enhanced resilience of smallholders’ livelihoods to climate change through improved access to water supply systems and all-weather farm gate roads.	2.2.6 Households reporting improved physical access to markets, processing and storage facilities						Progress report	Annually, after mid-term	VC Specialists and M&E Officer	Climate change patterns are according to current predictions. Continued fiscal space for GoM and municipalities to pay their contributions. No political interference in the choice of investments.	
	Females				0	0					
	Males				0	0					
	Households reporting improved physical access to markets				0	0					
	Size of households				0	0					

	Poor smallholder household members supported in coping with the effects of climate change						Contractors' records and Municipal staff records	Annually	PCU Engineer and M&E Officer	
	Total household members		800	2 000	0	0				
Output 2.1 Rain-harvesting water structures and other water supply systems constructed or rehabilitated.	Number of water supply schemes newly constructed or rehabilitated						Contractors' activity reports and Municipal Engineers' records	Monthly, starting from contract award date	PCU Engineer	
	Water supply schemes		11	27	0	0				
	Production and processing facilities supported with increased water availability and efficiency						Contractors' activity reports and Municipal Engineers' records	Monthly, starting from contract award date	PCU Engineer	
	Facilities		11	27	0	0				
	Households supported with increased water availability or efficiency									
	Households			600	0	0				
Output 2.2 "Last km" farm roads rehabilitated or upgraded according to best standards.	2.1.5 Roads constructed, rehabilitated or upgraded						Contractors' activity reports and Municipal Engineers' records	Monthly, starting from contract award date	PCU Engineer	
	Length of roads		26	70	0	0				
Outcome 3. Lessons from project approaches and implementation are incorporated into national or municipal-level policies, strategies or investments.	Number of policies, strategies and investments influenced by project experience						Amended policy or project documents	Annually, after mid-term	M&E Officer	Continuing MARD's interest to support poor smallholders. Policy makers' willingness to learn from project experience
	Policies, strategies and investments		1	3	0	0				
Output 3.1 Relevant knowledge products prepared and disseminated to key stakeholders.	Policy 1 Policy-relevant knowledge products completed						PCU records, PSC minutes and KM working group minutes	Annually	M&E Officer	
	Number		2	5	0	0				

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Rural Clustering and Transformation Project (RCTP)

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Appendix 1: Financial: actual financial performance; by financier by component and disbursements by category

Mission Dates: 09 to 19 October 2018

Document Date: 06/11/2018

Project No. 2000001076

Report No. 4896-ME

Near East, North Africa and Europe Division
Programme Management Department

Appendix 1 Financial: Actual financial performance by financier; by component and disbursements by category

Table 1A: Financial performance by financier, as at 08/10/2018

<i>Financier</i>	<i>Appraisal (EUR '000)</i>	<i>Disbursement (EUR '000)</i>	<i>% disbursed</i>
IFAD Loan	3,877	228	6%
ASAP Grant	1,880	-	0%
Government Budget	3,074	1	0%
Government Taxes	1,219	18	1%
SME	621	-	0%
Municipalities	1,326	-	0%
Beneficiaries	1,614	-	0%
Total	13,611	246	2%

Table 1B: Financial performance by financier by component (EUR '000), as at 08/10/2018

Component	IFAD Loan			ASAP Grant			Government Budget			Government Taxes			SME			Municipalities			Beneficiaries			Total		
	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%	Appraisal	Actual	%
1. VC Clustering for Resilient Rural Transformation	2,242.6	80	4%	806.3	-	0%	176.1	-	0%	7.0	13.0	186%	620.6	-	0%	-	-	0%	1,282.7	-	0%	5,135.3	93	2%
2. Cluster Supportive Rural Infrastructure	912.6	6	1%	1,073.7	-	0%	2,475.1	-	0%	1,143.2	0.03	0%	-	-	0%	1,326.3	-	0%	331.4	-	0%	7,262.3	6	0%
3. Project Management	721.7	142	20%	-	-	0%	423.1	1	0%	68.4	4.6	7%	-	-	0%	-	-	0%	-	-	0%	1,213.2	147	12%
TOTAL	3,876.9	228	6%	1,880.0	-	0%	3,074.4	1	0%	1,218.6	17.6	1%	620.6	-	0%	1,326.3	-	0%	1,614.1	-	0%	13,610.9	246	2%

Table 1C: IFAD loan disbursements (EUR, as at 08/10/2018)

Category Description		Original Allocation	Revised Allocation	Disbursement	Balance	Disbursement in %	WA pending	WA under preparation (*)	Total disbursed + WA	%
IFAD Loan No. 2000001842										
I	Consultancies	800,000	800,000	-	800,000	0.0%		500	500	0.1%
II	Works	665,000	665,000	-	665,000	0.0%		-	-	0.0%
III	Grants	580,000	580,000	-	580,000	0.0%		-	-	0.0%
IV	Training and Workshop	505,000	505,000	-	505,000	0.0%		41,435	41,435	8.2%
V	Goods, services and inputs	200,000	200,000	-	200,000	0.0%		3,719	3,719	1.9%
VI	Equipment, materials and vehicles	130,000	130,000	-	130,000	0.0%		88,675	88,675	68.2%
VII	Recurrent costs	805,000	805,000	-	805,000	0.0%		93,550	93,550	11.6%
	Unallocated	195,000	195,000	-	195,000	0.0%		-	-	0.0%
	Initial Deposit			1,150,000	(1,150,000)				1,150,000	
TOTAL		3,880,000	3,880,000	1,150,000	2,730,000	29.64%	-	227,879	1,377,879	35.51%

(*) Expenditures incurred from July 2017 till 08/10/2018, not yet claimed to IFAD under any WA

Table 1D: ASAP grant disbursements (EUR, as at 08/10/2018)

Cat. Description		Original Allocation	Revised Allocation	Disbursement	Balance	Disbursement in %	WA pending	WA under preparation (*)	Total disbursed + WA	%
ASAP Grant 2000001841										
I	Consultancies	85,000	85,000		85,000.00	0.0%			-	0.0%
II	Works	940,000	940,000		940,000.00	0.0%			-	0.0%
III	Grants	765,000	765,000		765,000.00	0.0%			-	0.0%
	Unallocated	90,000	90,000		90,000.00	0.0%			-	0.0%
	Initial Deposit			500,000	(500,000.00)				500,000	
TOTAL		1,880,000	1,880,000	500,000	1,380,000	26.60%	-	-	500,000	26.60%

(*) Expenditures incurred from July 2017 till 08/10/2018, not yet claimed to IFAD under any WA

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Appendix 2: Physical progress measured against AWP&B

Mission Dates: 09 to 19 October 2018
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Report No. 4896-ME

Near East, North Africa and Europe Division
Programme Management Department

Appendix 2: Physical progress measured against AWP&B

Component 1: VC clustering for resilient rural transformation

Activity	Unit	Planned for 2018	Done till October 2018	Percentage of achievement
Climate smart and market orientated mobilization of smallholders and VC actors (Sensitization, info and cluster mapping validation workshops)	Number	30	16	53%
Rapid cluster mapping validated	Number	7	7	100%
Multi-stakeholder meetings (cluster-level)	Number	7	13	186%
Cluster development plans prepared and validated	Number	7	8	114%
Business Skills Training material and Farmer Diary developed (set)	Number	500	500	100%
ToT Training to Business Skills Facilitator (BSF) on Business Skills Class (BSC) & Data Entry on Tablets (Training)	Number	1	1	100%
BSF selected and trained	Number	30	26	87%
Business Skills course roll-out at group level developed	Number	25	3	12%
Grant first announcement and grant award	Lump sum	1	1	100%
Applications for VCF	Number	N/A	68	N/A
Approved applications for VCF	Number	N/A	55	N/A
IT equipment	Number	0	0	N/A
Mobile phone packages	Number	0	0	N/A
Average percentage of achievement for Component 1: 95%				

Component 2: Cluster supportive rural infrastructure

Indicators	Unit	Planned for 2018	Done till October 2018	Percentage of achievement
Public call for infrastructure	Number	1	1	100%
Selection process including feasibility studies	Number	1	1	100%
1. Ponds for livestock	Number	7	0	0%
2. Multiple use water supply systems	Number	3	0	0%
3. Roads	Km	8	0	0%
Rural engineer	Number	1	1	100%
Average percentage of achievement for Component 2: 50%				

Component 3: Project Management Unit

Indicators	Unit	Planned for 2018	Done till October 2018	Percentage of achievement
Meetings of the PSC	Number	2	2	100%
Purchase and installation of the financial and procurement software	Number	1	1	100%
Baseline study	Number	1	0	80%
International training for PCU staff	Number	1	1	100%
Promotional material	Lump sum	1	1	100%
Financial + procurement PIM	Number	1	1	100%
Operational PIM	Number	1	1	100%
M&E PIM	Number	1	0	90%
Web page	Number	1	0	0%
Average percentage of achievement for Component 3: 86%				

Average percentage of project achievement at 17/10/2018: **77%**

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Appendix 3: Compliance with legal covenants: status of implementation

Mission Dates: 09 to 19 October 2018
Document Date: 06/11/2018
Project No. 2000001076
Report No. 4896-ME

Near East, North Africa and Europe Division
Programme Management Department

Appendix 3: Compliance with legal covenants: Status of implementation

Section	Covenants	Target/Action due date	Compliance Status/ Date	Remarks
FA, Section E.1.(a)	The Project dedicated and key staff - whether to be recruited or to be seconded from MARD - is in place (Coordinator, 2 Value Chain Experts, Monitoring and Evaluation (M&E) Officer, Finance Officer, Procurement Officer and Administrative Assistant)	Precedent to withdrawal	Complied with	The coordinator originally recruited has resigned his position in the course of 2018. The position of the coordinator is currently covered by the value chain expert. All other staff is in place.
FA, Section E.1.(b)	Two designated accounts have been opened to receive resources from the Loan and ASAP Trust Grant accounts	Precedent to withdrawal	Complied with	
FA, Section E.1.(c)	Acquisition and configuration of financial, accounting and operational software to support all the transactions, budget and cash forecasts analysis, operational and financial dashboards	Precedent to withdrawal	Complied with	
FA, Section E.1.(d)	Preparation of a draft Project Implementation Manual acceptable to IFAD, including financial, accounting, procurement and administrative arrangements	Precedent to withdrawal	Complied with	The financial manual has been adopted and approved by IFAD on March 2018
FA, Schedule 1. 11	AMTR shall be carried out by the Borrower/Recipient and IFAD jointly towards the end of Project Year 3. It shall assess, among other things, management performance, implementation status, outreach, targeting, and progress towards achievement of development objective. It also focuses on corrective actions to address performance gaps and other issues.	End of project year 3	Not yet complied with	
FA, Schedule 1. 14	The PCU shall finalize the PIM (drafted in Appendix 11 of the PDR) and submit it for approval to the PSC and IFAD. The PIM may be amended when necessary, with prior no-objection from IFAD, to introduce clarification in procedures, eliminating constraints for project implementation and for facilitating access of producers to the project services	Permanent	Complied with	Financial Manual adopted. PIM is currently under revision to update the records
FA, Schedule 1. 13	Jointly organized by the government and IFAD, it shall be held towards the end of the Project Implementation Period, ideally before the Project Completion Date, once the impact survey is available, but no later than 3 months after project closing	3 months after closing	Not yet complied with	
LTB, C, 13	The borrower/recipient is required to open and maintains two bank accounts (the Designated Accounts) denominated in Euros in a commercial bank in order to receive loan and grant resources in advance	After entry into force of the agreement	Complied with	
LTB, D, 16	The project will maintain a project account in Euros, at a commercial bank to receive funds from the Designated Account for eligible expenditures	After entry into force of the agreement	Complied with - as per PDR	The project has not open a specific account in a commercial bank but the money is transferred from the DA maintained by MOF into the budget account of the MARD budget (Account number 3891 for Rural Development) and expenditures are done from that account. The whole budget spending is done through the public expenditures and accounting information system (SAP)

Section	Covenants	Target/Action due date	Compliance Status/ Date	Remarks
LTB, D, 17	The borrower/recipient will maintain a Government Contribution account in Euros at a commercial bank to provide counterpart funds for project implementation	After entry into force of the agreement	Complied with - as per PDR	The project has not open a specific account in a commercial bank but the money is transferred from the DA maintined by MOF into the budget account of the MARD budget (Account number 3891 for Rural Development) and expenditures are done from that account. The whole budget spending is done through the public expenditures and accounting information system (SAP)
LTB, D, 20	Beneficiary contribution shall be deposited in to the beneficiary contribution account	After entry into force of the agreement	Not complied with	The contribution of beneficiaries have not been started yet. Both project and ministry will not be able to open and maintain a separate bank account for the beneficiary contribution due to the functioning of the system in Montenegro. The contribution of the beneficiary will have to be paid directly from the beneficiaries to the supplier, under the tight control of the project.
LTB, G, 25	The borrower/ recipient must prepare and submit to IFAD detailed financial statements of all the operations, resources and expenditures related to the project for each fiscal year. All project financing resources, namely IFAD and ASAP financing, counterparts contribution, beneficiaries cash contribution, co-financier funds whether provided in cash or in the form of tax exemption must be duly valued and accounted for in the project financial statements	Each fiscal year	Not complied with	Submission of 2017 FS will be done jointly with the preparation of the 2018 FS
LTB, G, 26	Summary interim financial reports (IFR) must be submitted to IFAD at quartely intervals within 45 days after the end of such quarter. Formats for such reports will be speficed in the PIM	45 days after each quarter	Not complied with	The project has submitted a bi-annual report in July 2018 but no IFR has been submitted. The format for the report was provided during the mission
LTB, G, 27	As soon as practicable but not later than 120 days after the entry into force of the agreement, the borrower/recipient must appoint indipendent auditors acceptable to IFAD, selected in accordance with the procedures and criteria seth for in the IFAD guidelines for project audits, to audit the FS relating to the project for the first fiscal period in accordance with the agreed TOR. Thereafter, as soon as practicable but not later than 120 days after the beginning of each succeeding fiscal year, the borrower/recipient will either confirm the appointment of the same indipendent auditor, subject to satisfactory performance, or will follow the same procedure to appoint new indipendent auditors for the successive fiscal year	apr-18	Not complied with	2017 Annual Audit will be conducted jointly with 2018 Annual Audit. Appointment of the auditor not yet conducted. The project is currently finalazing the TOR

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Rural Clustering and Transformation Project (RCTP)

Supervision Report

Appendix 4: Technical background analysis

Mission Dates: 09 to 19 October 2018

Document Date: 06/11/2018

Project No. 2000001076

Report No. 4896-ME

Near East, North Africa and Europe Division
Programme Management Department

Appendix 4 : Terms of reference for Law Officer, RCTP

Reporting line:

- Project Director of the PCU

Main responsibilities:

- To provide advices and consultancies to rural clusters on law related issues;
- To facilitate legal registration processes;
- To propose / review commercial contracts between cluster stakeholders on their request;
- To edit public call text;
- To write decision on the constitution of administrative, field and Independent Investment Committee commissions;
- To write decision on award, refusal notifications, decision on denial;
- To validate administrative procedure of the public call;
- To deal with complains and attend court processes;
- To participate in the Tender Commission;
- To ensure protection against discrimination in tenders and public calls;
- To review contracts with all consultants, producers and municipalities;
- To support Procurement Officer on law related issues whenever required.
- To support the Project Coordinator on law related issues whenever required.

Required qualification, experience and skills:

- University Bachelor's degree in Law;
- Fluent in English;
- Minimum of 2 years working experience on similar position.

Key competencies:

- Proven capacity to work under pressure and in coordination with high-level multi-sector technical staff as well as with rural clusters members;
- Excellent oral and written communication skills.
- Very good integrity and high ethical standards; Self-starter and self-motivated; and result-oriented.

Workplace:

- Podgorica, Ministry of Agriculture with frequent field visits to targeted areas.

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Appendix 5: Mission preparation and planning, TORs, schedules, people met

Mission Dates: 09 to 19 October 2018
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Project No. 2000001076
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Near East, North Africa and Europe Division
Programme Management Department

Annex V Terms of Reference for Consultants and other persons hired by IFAD to participate in missions under a non-staff contract

COUNTRY OF ASSIGNMENT/LOCATION: Montenegro

MISSION NAME: Supervision Mission of the Rural Clustering and Transformation Project (RCTP)

MISSION START AND END DATES: 9-18 October 2018

REPORT TO:

Philippe Remy, Country Programme Manager, NEN/PMD



MISSION COMPOSITION:

Mr. Thierry Lassalle, Consultant, Team Leader, Value Chains Specialist

Mr. Mohamed Abdel-Latif, Consultant, Procurement Specialist

Mr. Renaud Colmant, Consultant, Climate Change Specialist

Ms. Alisia Sansoni, Consultant, M&E Specialist

Ms. Sara Lili, Consultant, Fiduciary Specialist (Contract raised by FMD with separate terms of reference)

Mr. Philippe Rémy, Country Programme Manager, NEN/PMD

BACKGROUND:

The Rural Clustering and Transformation Project (RCTP) was approved by the Executive Board on 6 April 2017 under the lapse of time procedure. The Financing Agreement was signed and became effective on 12 May 2017. RCTP start up workshop was conducted in Niksic during the period of 3-7 July 2017. The Project completion and financial closure are scheduled for 30 June 2023 and 31 December 2023 respectively. A first implementation support mission was organised in February 2018 and a set of recommendations was jointly proposed by IFAD mission and the Government of Montenegro.

Project area and target group. The project will focus on rural areas in the northern mountainous region, where farmland is mostly over 600 metres above sea level. The initial selection includes Berane, Bijelo Polje, Mojkovac, Niksic, Petnjica, Savnik and Zabljak. At a later stage, Andrijevisa and Pluzine may be included, pending funding, market opportunities and potential impact on smallholders. The total RCTP outreach is estimated at 4,600 households (or some 16,100 individuals). In line with IFAD's mandate, the population profile in northern Montenegro and project objectives, the RCTP target groups are: (i) semi-subsistence farmers; (ii) commercial and economically active smallholders and small-scale processors; and, more indirectly, (iii) key private-sector actors along the selected value chains (VCs). Targeting will take place in a three-stage process: (a) cluster selection; (b) geographical targeting; and (c) beneficiary selection, with specific targeting measures to ensure outreach to poorer smallholders, women and youth.

Project development objective. The overall goal of the RCTP is to contribute to the transformation of smallholders' livelihoods in northern Montenegro, enabling them to become more competitive and resilient to climate change. The development objective is to increase the participation of poor smallholders in inclusive, profitable and environmentally sustainable VCs, and to enhance the benefits they derive from these.

Components/outcomes. The RCTP's three outcomes are: (i) improved commercial relations between smallholders, suppliers and buyers, supported by relevant public actors, which will catalyse increased investment in the selected VCs; (ii) improved access by smallholders to resilient water schemes and farm access roads that support the selected VCs; and (iii) gradual incorporation of lessons from successful project approaches into national practices and policies.

Project financing. The IFAD loan (EUR 3.88 million,) will fund 28.5 per cent of total project costs, of which funding for components 1, 2 and 3 will comprise 43.7 per cent, 12.6 per cent and 59.5 per cent, respectively (including contingencies). The ASAP grant (EUR 1.88 million,) will finance: (i) climate-smart assistance to farmers and farmers' associations in component 1; and (ii) climate-smart infrastructure in component 2, which, in total, equals 13.8 per cent of project funding. The central government will: (a) finance taxes and duties; (b) make budget contributions (in cash) towards component 1, component 3 and mainly component 2; and (c) make in-

kind contributions towards component 1. Overall contributions from the central government will amount to about EUR 4.3 million (or 31.5 per cent of the total project costs). Municipalities will contribute financing to component 2 (local investments in rural infrastructure, in cash contributions) in the amount of EUR 1.33 million (or about 9.7 per cent of the total). Some EUR 1.6 million (or 11.9 per cent of the total) will be provided by the primary beneficiaries within the project area, mainly as contributions in small-scale agriculture investments (both in cash and in kind). Local SMEs are also likely to cofinance grant funding activities in the amount of approximately 25 per cent of grant investment funding, which amounts to EUR 0.6 million (or 4.6 per cent of the total).

The disbursement rates for IFAD loan No. 2000001842 is at 29.64% and for ASAP Trust Grant No. 2000001841 at 26.60%.

MISSION OBJECTIVES AND OUTPUTS:

The main focus of the mission is to undertake the first supervision of RCTP following its entry into force in May 2017, start up in July 2017 and first implementation support mission in February 2018. The mission will (i) review the implementation degree of the recommendations agreed in February; (ii) measure the overall project performance at financial and technical levels; (iii) identify and discuss potential and emerging constraints for a quicker and more effective implementation of the project; and (iv) agree on a new set of solutions and improvements.

PROJECT UNIT PREPARATION OF THE MISSION:

2 weeks prior to the beginning of the supervision mission, the project will provide to IFAD with: (i) a report presenting the degree of implementation of the different activities scheduled in the 2018 AWPB, component per component, including financial and technical execution rates; (ii) a table showing how the different recommendations agreed upon in February 2018 have been implemented by the project and partners; (iii) the financial tables according to IFAD format; (iv) a first set of the appendices needed for the supervision report.

The project will ensure in close collaboration with IFAD the logistics for the mission including: welcoming at the airport; hotel booking; organisation of the meetings in the Capital, in particular at ministerial level, and of the field visits; and joint preparation of the Aide-Memoire and the Report (inc. appendices).

INDIVIDUAL RESPONSIBILITIES, EXPECTED OUTPUTS AND REQUIRED COMPLETION DATES

The supervision mission will be composed of the following members:

Mr. Thierry Lassalle, Team Leader, Value Chains Specialist (Retainer contract of 9 days during the period from 11 to 19 October 2018 including 8 nights in Montenegro)

- responsible for preparing the main report and annexes in the required format, and ensuring that the working papers submitted by the individual team members are consolidated in one single document and in the correct format
- compile the full report, including his own contributions and those of all the mission members into one consistent final and complete Report and submit it to IFAD on or before the agreed deadline
- Focus on implementation of the VC/cluster component
- Review of the February recommendations
- Review of 2018 AWPB implementation and prioritization of activities for the end of year and 2019
- Review of RCTP institutional aspects
- Prepare the final Aide-Mémoire and draft any required annexes and provide appropriate inputs to final mission report based on the ORMS templates

Mr. Mohamed Abdel-Latif, Consultant, Procurement Specialist (Retainer contract of 11 days during the period from 9 to 19 October 2018 including 9 nights in Montenegro)

- Training of the RCTP procurement officer (and provide her with templates)
- Review and random check of procurement made so far by the RCTP team (since February 2018)
- Review the extent of procurement documentation including archiving and contract register to determine the effectiveness of such documentation process
- Review of the implementation of the procurement plan (PP)
- Guidance for further implementation of PP in 2018 (including periodic updates) and preparation of 2019 AWPB
- Contribute to the final Aide-Mémoire and draft any required annexes and provide appropriate inputs to final mission report based on the ORMS templates

Mr. Renaud Colmant, Consultant, Climate Change Specialist (From 11 to 16 October 2018)

- Review the progress of ASAP-funded activities in 2018
- Analyse the disbursement rate/commitments of the ASAP grant
- Provide a training on the principles, approaches and online tools related to GIS mapping and data collection of project activities and outcomes
- Contribute to the final Aide-Mémoire and draft any required annexes and provide appropriate inputs to final mission report based on the ORMS templates

Ms. Alisia Sansoni, Consultant, M&E Specialist (Retainer contract of 13 days during the period from 8 to 20 October 2018 including 10 nights in Montenegro)

- Review the progress made regarding the implementation of RCTP M&E system: for preparation of information collection sheets, workshops related to the validation of the M&E system, integration of logframe/RIMS requirements, etc.
- Provide advice for the preparation of activity reports
- Provide on the job training to the RCTP M&E officer (including on ORMS)
- Validate the final version of the M&E manual following amendments requested by the former CPM
- Review the final report of the baseline survey due to 1st August 2018
- Guide RCTP M&E officer in the preparation of 2018 logframe including RIMS/RIDE indicators which will be sent to IFAD in February 2019
- Update the data of RCTP logframe in ORMS at the mission date
- Contribute to the final Aide-Mémoire and draft any required annexes and provide appropriate inputs to final mission report based on the ORMS templates

Mr. Philippe Rémy, Country Programme Manager, NEN/PMD (9-18 October 2018 including 3 nights in the field)

- Coordinate the mission and lead strategic discussions with Government
- Focus on management component as well as overall implementation progress
- Review and help prioritizing 2019 AWPB of RCTP

Clearance by CFS if TORs include financial management responsibilities:

Name:**Signature**.....

Date:.....

Mission Agenda

Tuesday 09 October	<p>Arrival in Podgorica: in the morning</p> <p>Meeting with the PCU</p> <p>Meeting of the supervision team</p>
Wednesday 10	<p>Official meetings:</p> <ul style="list-style-type: none"> - Minister of Agriculture- 09:00h- 10:00h - Minister of Finance- 11:00h- 12:00h - IPARD in Montenegro 12:30h-13:30h - UNDP 14:00h- 15:00h
Thursday 11	Meeting in Podgorica
Friday 12	<p>Field visit- Niksic</p> <p>09:30h- 10:30h meeting with the Mayor of Niksic.</p> <p>11:30h- 12:30h- Meat Cluster SC meeting in Velimlje (Niksic village)</p> <p>14:00h- 15:00h- Cheese Cluster SC meeting in Zupa (Niksic)</p> <p>Back to Podgorica- 1h driving</p>
Saturday 13	<p>Field visit</p> <p>10:30h- 11:30h- Meeting with the Mayor of Savnik</p> <p>12:00h- 13:00h- Seed potato Cluster SC meeting in Savnik (Village Tusina)</p> <p>14:00h- 15:00h- Meeting the Mayor of Zabljak</p> <p>15:00h- 16:00h meeting the Seed potato Cluster SC in Zabljak</p> <p>Back to Podgorica- 2h driving</p>
Sunday 14	<p>Field visit</p> <p>11:00h- 12:00h- Meeting with the Mayor of Berane</p> <p>12:30h- 13:30h- Seed potato Cluster SC meeting of Berane and Petnjica in Berane</p> <p>14:00h-15:00h- Meeting with the Mayor of Petnjica</p> <p>15:00h- 17:00h- Meat Cluster SC meeting in Petnjica</p> <p>Overnight in Berane</p>
Monday 15	<p>Field visit</p> <p>09:00h- 10:00h- Meeting with the Mayor of Bijelo Polje</p> <p>10:00h- 11:00h- Raspberry Cluster SC meeting in Bijelo Polje</p> <p>12:00h-13:00h- Meeting with the Mayor of Mojkovac</p>

	13:00h- 14:00h- Raspberry Cluster SC meeting in Mojkovac Overnight in Podgorica- 1,5h drive
Tuesday 16	Complementary meetings and preparation of the AM
Wednesday 17	Complementary meetings and preparation of the AM
Thursday 18	Presentation of the AM and signature in the morning Back to Rome: in the evening

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Supervision Report

Appendix 6: Procurement

Mission Dates: 09 to 19 October 2018
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Near East, North Africa and Europe Division
Programme Management Department

Appendix 6. Procurement

Post review: As part of the supervision mission to RCTP the Procurement Consultant conducted a Post review to a sample of Contracts/Purchase orders signed under the Project. Out of the (14) Contracts listed on Register of Contracts register (4) contracts were reviewed.

Findings

- 1- Contract Serial No. 1 Ref. 406-12/18 signed on April 4, 2018 with Multicom Retail for provision for the supply of 30 tablets at a total value of EURO 2970.00:
 - The shopping method was used.
 - The transaction was enrolled in the procurement plan.
 - The Procurement Initiation Memo is missing.
 - The PCU addressed 3 vendors, all of them had submitted quotations.
 - Inspection and acceptance report was not developed by the project.
 - The payment status is not clear as there is no evidence in the procurement file.
- 2- Contract Serial No. 4 Ref. 406-15/18 signed on May 3, 2018 with IPC Tehnopolis for Consulting Services for developing training material on BST at a total value of EURO 6,594.50:
 - The CQS method was used.
 - The transaction was enrolled in the procurement plan.
 - The Procurement Initiation Memo is missing.
 - Improper application of CQS method, as there is no public announcement for the REOI. Furthermore, the RFP was issued to three consulting firms instead of issuing it to the most qualified firm.
 - Incorrect template for evaluation report was used.
 - Consulting firm financial proposal, evaluation report and letter of acceptance of the offer referred to contract value EURO 6,000; while the signed contract refereed to contract value EURO 6,594.50.
 - Annexes to the contract agreement are not correctly inserted.
 - Discrepancy was noticed in what relates to Contract duration between the contract agreement and the TORs.
 - No acceptance report on the file.
 - The payment status is not clear as there is no evidence in the procurement file.
- 3- Contract Serial No. 5 Ref. 406-32/18 signed on May 7, 2018 with Putnik gold for the provision to provide facilitation for training to business skills at a total value of Euro 12,968.46:
 - The Procurement Initiation Memo is missing.

- The transaction was mistakenly enrolled in the procurement plan under consulting services sheet. The correct enrolment should be under non-consulting sheet.
 - The RFP was issued to one firm only without obtaining IFAD No Objection on the application of Single Source Selection method.
 - Incorrect template for evaluation report was used.
 - Discrepancy was noticed in what relates to contract duration between the contract agreement and the TORs.
 - No acceptance report on the file.
 - The payment status is not clear as there is no evidence in the procurement file.
- 4- Contract Serial No. 8 Ref. 406-56/18 signed on July 24, 2017 with ATC TOP PLUS for Consulting Services for Feasibility studies development of rural infrastructure at a total value of Euro 7,400.00:
- The CQS method was used.
 - The transaction was enrolled in the procurement plan.
 - The Procurement Initiation Memo is missing.
 - Improper application of CQS method, as there is no public announcement for the REOI. Furthermore, the RFP was issued to three consulting firms instead of issuing it to the most qualified firm.
 - The correct template for evaluation report was used. However, the inserted data were incorrect.
 - The Procurement file is not complete, as it misses some important documents such as contract agreement.
 - The payment status is not clear as there is no evidence in the procurement file